



AS Valmieras Stikla Skiedra

*Annual report for the year 2010
prepared in accordance with
Latvian statutory requirements
and Independent Auditor's Report*

This version of financial statements is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, the original language version of financial statements takes precedence over this translation.

AS VALMIERAS STIKLA SKIEDRA

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AS VALMIERAS STIKLA SKIEDRA

ANCILLARY INFORMATION

COMPANY NAME	Valmieras stikla skiedra
LEGAL STATUS	Joint Stock Company
REGISTRATION NUMBER, PLACE AND DATE	No. 40003031676 Riga, 30 September 1991
TYPE OF BUSINESS	Production of glass fibre products
ADDRESS	13 Cempu Street, Valmiera, LV- 4201, Latvia
THE BOARD	Chairman of the Board: Andris Oskars Brutāns, President Members of the Board: Andre Heinz Schwiontek, Vice-president Wilfried Queißer Karl Heinz Will Friedhelm Schwender Dainis Šēnbergs Stefan Jugel
THE COUNCIL	Chairman of the Council: Jürgen Preiss-Daimler Members of the Council: Hans Peter Cordts Guntis Strazds Frank Behrends (till 28.05.2010) Reinhard Edwin Conradt (from 28.05.2010) Aivars Lošmanis
REPORTING YEAR	1 January 2010 - 31 December 2010
PRIOR REPORTING YEAR	1 January 2009 - 31 December 2009
AUDITORS AND THEIR ADDRESS	Deloitte Audits Latvia Ltd. License No. 43 4a Gredu Str. Riga, LV-1019, Latvia Elīna Sedliņa Sworn Auditor Certificate no. 179

MANAGEMENT REPORT

The Company's primary business is production and sale of fibreglass and fibreglass products. The products are sold in Europe, USA, Japan, Canada, Australia, Russia, Ukraine and the Baltic states, total in 31 countries. 75% of the total production is sold in the other countries of the European Union; total export comprise 95% of sales.

Since 2000 the operations of the Company are certified according to ISO 9001:2008 requirements. Compliance with these requirements is audited by the German Quality management system certification company DQS GmbH once per three years. On 4 March 2009 the Company received quality management system certificate which is valid until 5 March 2012.

Total sales and net profit for the last 3 years are as follows:

	Sales thousand LVL	Net profit LVL
2008	37,813	505,594
2009	30,257	18,422
2010	39,166	616,474

Operating profit (EBIT) for 2010 amounts to 1.8 mio.

Sales in 2010 amounted to LVL 39.2 million, which exceeds the budgeted amount by 3.2 mio. LVL or 8.9% due to successful marketing activities and increase in demand in global fibreglass market.

Net profit for the 2010 was influenced by:

- 1) faster than originally planned increase in costs, particularly natural gas, electricity, transport;
- 2) interruptions in operations of fibreglass melting furnace, which had negative impact on manufacturing processes and overall quality of products;
- 3) electricity supply interruptions in August 2010.

In 2010 main product groups in monetary terms were fibre glass textiles and sieves (60%) and fibre glass threads, rovings (35%).

In 2010, after completion of reconstruction operation of the second fibreglass melting furnace was started again.

In order to increase manufacturing efficiency through raising labor productivity and reducing power-intensity to lower cost of production, in year 2010 investments in technological equipment and manufacturing buildings were made as planned.

Improvement in liquidity is reflected in current assets to current liabilities (total liquidity) ratio:

2008	2.20
2009	2.74
2010	3.11

The Company is also more financially independent, which is reflected in the liability to equity ratio:

2008	1.27
2009	1.07
2010	0.91

As of 31 December 2010 liabilities compose 47.7% of the total balance sheet, return on total assets is 1.1%, return on equity is 2.1%.

The board has developed and approved budget and investment plan for year 2011. Total budgeted sales for 2011 amount to LVL 44.2 million, budgeted net profit is LVL 1.4 million and planned investments amount to LVL 3.9 million. The Company expects that demand will be stable and prices will increase by up to 10% in main markets of fibreglass products during 2011. Market conditions will be positively impacted by the

AS VALMIERAS STIKLA SKIEDRA

MANAGEMENT REPORT

decision made by the European Commission in February 2011 regarding application of temporary anti-dumping measures on fibreglass products originating in from People's Republic of China.

The share price of AS "Valmieras stikla skiedra" in Riga Stock Exchange has increased by LVL 0.23 or 53.5%, i.e., from LVL 0.43 as of 31.12.2009 to LVL 0.66 as of 31.12.2010.

As of 31 December 2010 the number of employees was 773.

There have been no significant events subsequent to the end of the reporting year that might have a material influence on the Company's financial statements for the year ended 31 December 2010.

Andris Oskars Brutāns
Chairman of the Board

29 April 2011

AS VALMIERAS STIKLA SKIEDRA

STATEMENT OF MANAGEMENT RESPONSIBILITIES

The management of AS “Valmieras stikla skiedra” (the Company) is responsible for preparation of the financial statements.

The Financial Statements are prepared in accordance with the source documents and present fairly the state the financial position of the Company as of 31 December 2010 and the results of its operations and cash flows for the year then ended. The management confirms that appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements as presented on pages 8 to 32. The management also confirms that requirements of Latvian law On Annual Reports have been followed and that the financial statements have been prepared on a going concern basis.

The management of the Company is also responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. They are also responsible for operating the Company in compliance with the legislation of the Republic of Latvia.

On behalf of the management

Andris Oskars Brutāns
Chairman of the Board

29 April 2011

INDEPENDENT AUDITOR'S REPORT

To the shareholders of the AS "Valmieras Stikla Skiedra":

Report on the financial statements

We have audited the accompanying financial statements (pages 8 to 32) of AS "Valmieras Stikla Skiedra", which comprise the Company's balance sheet as at 31 December 2010, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Latvian law "On Annual Reports", and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements give a true and fair view of the financial position AS "Valmieras Stikla Skiedra" as of 31 December 2010, and its financial performance and cash flows for the year then ended in accordance with the Latvian law "On Annual Reports".

Report on Other Legal and Regulatory Requirements

Our responsibility is to read the information contained in the management report on page 4 and 5 for the year ended 31 December 2010 and to verify its correspondence with the information presented in the financial statements. Management is responsible for the preparation of the management report in accordance with the Law "On Annual Reports". Our work regarding the management report was limited and we have not reviewed any other information except the information included in the financial statements. In our opinion, this information in the management report is consistent with the historical financial information presented in the financial statements for the year ended 31 December 2010.

Deloitte Audits Latvia SIA
License No. 43

Hendrik Kramer
Authorised representative

Riga, Latvia
29 April 2011

Elīna Sedliņa
Sworn auditor
Certificate No. 179

AS VALMIERAS STIKLA SKIEDRA

**BALANCE SHEET
AS OF 31 DECEMBER 2010**

	Notes	31.12.2010		31.12.2009	
		LVL	EUR	LVL	EUR
ASSETS					
Non-current assets					
Intangible assets					
Patents, licenses, trade marks and similar rights		12,298	17,498	21,449	30,519
Development of intangible assets		17,477	24,868	17,477	24,868
Total intangible assets	4	29,775	42,366	38,926	55,387
Tangible fixed assets					
Land and buildings	5	8,923,095	12,696,420	9,696,296	13,796,587
Equipment and machinery	5	24,110,289	34,305,851	20,497,092	29,164,734
Other fixed assets	5	253,029	360,028	287,357	408,872
Construction in progress	5	62,229	88,544	6,910,297	9,832,467
Advance payments for fixed assets		270,936	385,507	3,153	4,485
Total tangible fixed assets		33,619,578	47,836,350	37,394,195	53,207,145
Total non-current assets		33,649,353	47,878,716	37,433,121	53,262,532
Current assets					
Inventory					
Raw materials	6	8,818,192	12,547,157	5,913,663	8,414,384
Work in progress		1,414,966	2,013,315	1,947,958	2,771,695
Finished goods	7	4,481,924	6,377,203	5,563,838	7,916,628
Advance payments for inventories		24,822	35,318	29,436	41,884
Total inventory		14,739,904	20,972,993	13,454,895	19,144,591
Accounts receivable					
Trade receivables	8	6,559,155	9,332,837	6,842,813	9,736,446
Other receivables	9	303,802	432,271	490,322	697,665
Deferred expenses	10	225,313	320,592	242,559	345,130
Total accounts receivable		7,088,270	10,085,700	7,575,694	10,779,241
Cash and cash equivalents	11	231,995	330,099	526,156	748,653
Total current assets		22,060,169	31,388,792	21,556,745	30,672,485
TOTAL ASSETS		55,709,522	79,267,508	58,989,866	83,935,017

The accompanying notes on pages 13 to 32 are an integral part of these financial statements.

On behalf of the management the financial statements were signed on 29 April 2011 by:

Andris Oskars Brutāns
Chairman of the Board

Jürgen Preiss-Daimler
Chairman of the Council

AS VALMIERAS STIKLA SKIEDRA

**BALANCE SHEET
AS OF 31 DECEMBER 2010**

	Notes	31.12.2010		31.12.2009	
		LVL	EUR	LVL	EUR
EQUITY AND LIABILITIES					
Equity					
Share capital	12	23,903,205	34,011,197	23,903,205	34,011,197
Retained earnings:					
a) retained earnings		4,621,147	6,575,300	4,602,725	6,549,088
b) current year profit		616,474	877,163	18,422	26,212
Total equity		29,140,826	41,463,660	28,524,352	40,586,497
Liabilities					
Non-current liabilities					
Due to credit institutions	13	19,453,995	27,680,541	22,590,396	32,143,238
Deferred tax	14	29,438	41,886	-	-
Total non-current liabilities		19,483,433	27,722,427	22,590,396	32,143,238
Current liabilities					
Due to credit institutions	13	2,995,361	4,262,015	5,191,936	7,387,459
Finance lease	14	19,873	28,277	16,107	22,918
Advance payments from customers		103,161	146,785	5,919	8,422
Trade payables	15	3,340,846	4,753,595	2,097,483	2,984,449
Taxes and social security payments	16	295,022	419,778	324,785	462,127
Other accounts payable	17	258,118	367,269	180,701	257,114
Accrued liabilities	18	71,882	102,279	54,787	77,955
Deferred income		1,000	1,423	3,400	4,838
Total current liabilities		7,085,263	10,081,421	7,875,118	11,205,282
Total liabilities		26,568,696	37,803,848	30,465,514	43,348,520
TOTAL EQUITY AND LIABILITIES		55,709,522	79,267,508	58,989,866	83,935,017

The accompanying notes on pages 13 to 32 are an integral part of these financial statements.

On behalf of the management the financial statements were signed on 29 April 2011 by:

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AS VALMIERAS STIKLA SKIEDRA

STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010		2009	
		LVL	EUR	LVL	EUR
Revenues	19	39,165,581	55,727,601	30,257,246	43,052,182
Change in inventories		(1,617,517)	(2,301,519)	(2,403,429)	(3,419,771)
Work performed by the entity and capitalized		8,646	12,302	45,239	64,369
Other operating income	20	943,479	1,342,450	4,961,799	7,060,004
Raw materials and consumables	21	(18,977,396)	(27,002,402)	(13,835,116)	(19,685,597)
Personnel expenses	22	(6,225,893)	(8,858,648)	(5,983,146)	(8,513,250)
Depreciation and amortization	23	(5,027,299)	(7,153,202)	(5,077,652)	(7,224,848)
Other operating expenses	24	(6,447,814)	(9,174,413)	(6,710,711)	(9,548,481)
Profit from operations		1,821,787	2,592,169	1,254,230	1,784,608
Interest and similar income	25	153,902	218,983	28,504	40,558
Interest and similar expenses	26	(1,359,215)	(1,933,989)	(1,424,673)	(2,027,127)
Profit / (loss) before tax		616,474	877,163	(141,939)	(201,961)
Corporate income tax	27	-	-	160,361	228,173
Net profit		616,474	877,163	18,422	26,212
Earnings per share	28	0.0258	0.0367	0.0008	0.0011

The accompanying notes on pages 13 to 32 are an integral part of these financial statements.

On behalf of the management the financial statements were signed on 29 April 2011 by:

Andris Oskars Brutāns
Chairman of the Board

Jürgen Preiss-Daimler
Chairman of the Council

AS VALMIERAS STIKLA SKIEDRA

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

	Share capital		Retained earnings		Total	
	LVL	EUR	LVL	EUR	LVL	EUR
As of 31 December 2008	23,903,205	34,011,197	4,602,725	6,549,088	28,505,930	40,560,285
Profit for 2009	-	-	18,422	26,212	18,422	26,212
As of 31 December 2009	23,903,205	34,011,197	4,621,147	6,575,300	28,524,352	40,586,497
Current year profit	-	-	616,474	877,163	616,474	877,163
As of 31 December 2010	23,903,205	34,011,197	5,237,621	7,452,463	29,140,826	41,463,660

The accompanying notes on pages 13 to 32 are an integral part of these financial statements.

On behalf of the management the financial statements were signed on 29 April 2011 by:

Andris Oskars Brutāns
Chairman of the Board

Jürgen Preiss-Daimler
Chairman of the Council

AS VALMIERAS STIKLA SKIEDRA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010		2009	
		LVL	EUR	LVL	EUR
OPERATING ACTIVITIES					
Profit/ (loss) before tax		616,474	877,163	(141,939)	(201,961)
Adjustments:					
Depreciation and amortisation	23	5,027,299	7,153,202	5,077,652	7,224,848
Impairment of fixed assets		-	-	30,848	43,893
(Profit)/ loss from sales of fixed assets		(921)	(1,310)	12,187	17,341
Interest expenses	26	1,358,709	1,933,269	1,420,912	2,021,775
Interest income	25	(1,489)	(2,119)	(1,815)	(2,583)
Changes in operating assets and liabilities:					
Inventories		(1,285,009)	(1,828,403)	4,193,132	5,966,289
Accounts receivable and other assets		487,424	693,542	(1,464,570)	(2,083,895)
Accounts payable and other liabilities		1,501,356	2,136,237	(1,796,600)	(2,556,331)
Interest received		1,489	2,119	1,815	2,582
Cash provided by operating activities		7,705,332	10,963,700	7,331,622	10,431,958
INVESTING ACTIVITIES					
Purchase of fixed and intangible assets		(1,317,120)	(1,874,093)	(1,796,857)	(2,556,697)
Proceeds from sale of fixed assets		29,232	41,593	4,872	6,932
Net cash used in investing activities		(1,287,888)	(1,832,500)	(1,791,985)	(2,549,765)
FINANCING ACTIVITIES					
Loans received		-	-	284,636	405,001
Loans paid		(2,970,393)	(4,226,489)	(2,803,058)	(3,988,392)
Change in credit line		(2,362,583)	(3,361,653)	(1,376,199)	(1,958,155)
Finance lease paid		(20,706)	(29,462)	(5,286)	(7,521)
Interest paid		(1,357,923)	(1,932,150)	(1,510,483)	(2,149,224)
Net cash used in financing activities		(6,711,605)	(9,549,754)	(5,410,390)	(7,698,291)
Net (decrease)/ increase in cash and cash equivalents		(294,161)	(418,554)	129,247	183,902
Cash and cash equivalents at the beginning of the year		526,156	748,653	396,909	564,751
Cash and cash equivalents at the end of the year	11	231,995	330,099	526,156	748,653

The accompanying notes on pages 13 to 32 are an integral part of these financial statements.

On behalf of the management the financial statements were signed on 29 April 2011 by:

Andris Oskars Brutāns
Chairman of the Board

Jürgen Preiss-Daimler
Chairman of the Council

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010**

1. GENERAL INFORMATION

The Company is registered as a joint stock company in the Commercial Register in the Republic of Latvia. The principal activity of the Company is production of fibreglass and fibreglass products.

2. STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with Latvian law On Annual Reports and Latvian accounting standards issued by the Ministry of Finance of the Republic of Latvia, which are applicable in the reporting year.

The financial statements have been prepared under the historical cost convention.

The functional currency of the Company is Latvian lat. These financial statements are also presented in euro.

3. ACCOUNTING POLICIES

Foreign currencies

Transactions denominated in foreign currencies are translated into lats at the official Bank of Latvia exchange rate on the date of the transaction. Monetary assets and liabilities are translated at the rate of exchange on the balance sheet date. Exchange differences are recognized in the statement of profit and loss in the period in which they arise.

The applicable exchange rates to lat used for the main foreign currencies as of 31 December are as follows:

	2010	2009
EUR	0.702804	0.702804
GBP	0.824	0.783
RUB	0.0176	0.0164
SEK	0.0748	0.0678
USD	0.535	0.489

Intangible assets

Intangible assets are stated at historical cost, less accumulated amortisation and impairment loss.

Patents registered by the Company relate to specific products produced. The production run is estimated to last for 5 years and the capitalized cost is amortised over the same period using the straight line method of amortization.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss statement during the period in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010**

Land is not depreciated. For other fixed assets depreciation is calculated based on the asset's historical cost. Depreciation is calculated using the straight-line method applying the following annual depreciation rates:

	Annual rate
Buildings	5-6.7%
Equipment and machinery	6.7-25%
Vehicles and other fixed assets	10-40%

Impairment of tangible and intangible assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. If it is not possible to estimate cash inflows for an individual asset, the recoverable amount is determined for the group of assets to which the asset belongs (cash generating unit).

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in selling and distribution.

If necessary, allowance is made for obsolete, slow moving and defective stock.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits with credit institutions with initial term which does not exceed 90 days.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue represents the total value of goods sold net of discounts and sales related taxes.

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income is recognized in the statement of profit and loss on an accrual basis of accounting using the effective interest rate method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010**

Taxation

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit and loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rate that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. The deferred tax liability is calculated based on the tax rates that are expected to apply when temporary timing differences reverse. The principal temporary timing differences mainly arise from different accounting and tax depreciation rates of fixed assets and unused tax losses. Where a deferred tax asset arises, this is only recognized in the financial statements where its recoverability can be estimated with reasonable certainty.

Accrual for vacations

Accrual for vacations is calculated by multiplying the average employee salary by the number of unused vacation days at the end of the year.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of the ownership to the lessee. All other leases are classified as operating leases.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Total payments made under operating leases are charged to the profit and loss statement on a straight-line basis over the period of the lease.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Financial assets

Trade receivables

Trade receivables are measured at cost, less any impairment.

Impairment of financial assets

The Company assesses, at each balance sheet date, whether there is objective evidence that a financial asset is impaired.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010**

The Company assesses all financial assets on individual basis. If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and estimated present value of future cash flows, discounted at the financial assets original effective interest rate.

Financial liabilities

Loans and trade payables

Loans and trade payables are initially measured at fair value, net of transaction costs.

Loans and trade payables are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Fair value

Fair value represents the amount at which an asset could be exchanged or liability settled on an arm's length basis. Where in the opinion of the management, the fair values of financial assets and liabilities differ materially from their book values, such fair values are disclosed in the notes to the financial statements.

Derivative financial instruments

Interest rate swaps are contracts in which a series of interest rate flows in a single currency are exchanged over a prescribed period. Interest rate swaps involve the exchange of fixed and floating interest payments. The notional amount on which the interest payments are based is not exchanged.

Foreign exchange contracts (forwards) are contracts for the future receipt or delivery of foreign currency at previously agreed-upon terms.

Derivatives are stated at cost.

Use of estimates and critical accounting judgments

According to Latvian statutory requirements, the management of the Company make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of off-balance sheet assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The following are the critical judgments and key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next reporting periods:

- the Company reviews the estimated useful lives of tangible fixed assets at the end of each annual reporting period;

The management of the Company uses their judgment in estimating useful lives of tangible fixed assets and their assumptions may change, resulting in changes in depreciation charges.

- the Company reviews fixed assets for impairment and assesses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable;

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010**

The Company calculates and records loss on impairment of property, plant and equipment on the basis of an evaluation of their future use, planned liquidation or sale. In 2009 the Company recognized impairment loss in amount of LVL 30 848 (EUR 43 893). The management does not believe that any other material adjustments are needed due to impairment of the Company's assets considering the planned production and sales levels.

- the Company assesses recoverability of unused tax losses (see note 27);

The Company has recognised a deferred tax asset from tax losses carry forward in the amount of LVL 2,734,958 (2009: LVL 2,442,537). The Company reviews the deferred tax asset at each balance sheet date and reduces it to the extent that it is no longer probable that sufficient taxable profit will be available to use the deferred tax asset.

Emission rights

The Company is a participant of the EU CO₂ emission allowance trading scheme and receives an allocation of allowances for emission of greenhouse gas from the Latvian authorities. The Company has opted to record emission allowances received at a nominal amount. If the actual emission exceeds the amount of allowance, the shortfall is recognized in current liabilities and profit and loss statement. Liabilities are measured based on additional allowances required and estimated purchase cost.

4. INTANGIBLE ASSETS

	Patents, licences, trade marks and other rights		Development of intangible assets		Total	
	LVL	EUR	LVL	EUR	LVL	EUR
HISTORICAL COST						
31.12.2008	140,812	200,358	17,477	24,868	158,289	225,226
Additions	6,441	9,165	-	-	6,441	9,165
31.12.2009	147,253	209,523	17,477	24,868	164,730	234,391
Additions	2,806	3,992	-	-	2,806	3,992
31.12.2010	150,059	213,515	17,477	24,868	167,536	238,383
ACCUMULATED AMORTISATION						
31.12.2008	107,184	152,510	-	-	107,184	152,510
Charge for the year	18,620	26,494	-	-	18,620	26,494
31.12.2009	125,804	179,004	-	-	125,804	179,004
Charge for the year	11,957	17,013	-	-	11,957	17,013
31.12.2010	137,761	196,017	-	-	137,761	196,017
NET BOOK VALUE						
31.12.2009	21,449	30,519	17,477	24,868	38,926	55,387
31.12.2010	12,298	17,498	17,477	24,868	29,775	42,366

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5. TANGIBLE FIXED ASSETS

	Land	Buildings	Equipment and machinery	Other fixed assets	Construction in progress	Total
	LVL	LVL	LVL	LVL	LVL	LVL
HISTORICAL COST						
As of 31 December 2008	242,936	14,709,498	43,228,377	2,045,159	5,149,855	65,375,825
Additions	-	-	-	-	2,444,387	2,444,387
Disposals	-	(10,581)	(90,495)	(35,572)	-	(136,648)
Transfers	-	49,409	579,053	55,483	(683,945)	-
As of 31 December 2009	242,936	14,748,326	43,716,935	2,065,070	6,910,297	67,683,564
Additions	-	-	-	-	1,001,254	1,001,254
Disposals	-	(9,139)	(79,343)	(24,993)	-	(113,475)
Transfers	-	134,162	7,620,733	89,002	(7,843,897)	-
Sold	-	-	-	-	(5,425)	(5,425)
As of 31 December 2010	242,936	14,873,349	51,258,325	2,129,079	62,229	68,565,918
ACCUMULATED DEPRECIATION						
As of 31 December 2008	-	4,398,318	19,282,856	1,641,057	-	25,322,231
Charge for the year	-	905,191	3,981,613	172,228	-	5,059,032
Disposals	-	(8,543)	(75,474)	(35,572)	-	(119,589)
Impairment loss	-	-	30,848	-	-	30,848
As of 31 December 2009	-	5,294,966	23,219,843	1,777,713	-	30,292,522
Charge for the year	-	907,236	3,984,832	123,274	-	5,015,342
Disposals	-	(9,012)	(56,639)	(24,937)	-	(90,588)
As of 31 December 2010	-	6,193,190	27,148,036	1,876,050	-	35,217,276
NET BOOK VALUE						
As of 31 December 2009	242,936	9,453,360	20,497,092	287,357	6,910,297	37,391,042
As of 31 December 2010	242,936	8,680,159	24,110,289	253,029	62,229	33,348,642

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	Land	Buildings	Equipment and machinery	Other fixed assets	Construction in progress	Total
	EUR	EUR	EUR	EUR	EUR	EUR
HISTORICAL COST						
As of 31 December 2008	345,667	20,929,729	61,508,440	2,909,998	7,327,584	93,021,418
Additions	-	-	-	-	3,478,049	3,478,049
Disposals	-	(15,055)	(128,762)	(50,614)	-	(194,431)
Transfers	-	70,303	823,918	78,945	(973,166)	-
As of 31 December 2009	345,667	20,984,977	62,203,596	2,938,329	9,832,467	96,305,036
Additions	-	-	-	-	1,424,656	1,424,656
Disposals	-	(13,004)	(112,895)	(35,561)	-	(161,460)
Transfers	-	190,895	10,843,326	126,639	(11,160,860)	-
Sold	-	-	-	-	(7,719)	(7,719)
As of 31 December 2010	345,667	21,162,868	72,934,027	3,029,407	88,544	97,560,513
ACCUMULATED DEPRECIATION						
As of 31 December 2008	-	6,258,242	27,437,033	2,335,013	-	36,030,288
Additions	-	1,287,971	5,665,325	245,058	-	7,198,354
Disposals	-	(12,156)	(107,389)	(50,614)	-	(170,159)
Impairment loss	-	-	43,893	-	-	43,893
As of 31 December 2009	-	7,534,057	33,038,862	2,529,457	-	43,102,376
Additions	-	1,290,881	5,669,904	175,404	-	7,136,189
Disposals	-	(12,823)	(80,590)	(35,482)	-	(128,895)
As of 31 December 2010	-	8,812,115	38,628,176	2,669,379	-	50,109,670
NET BOOK VALUE						
As of 31 December 2009	345,667	13,450,920	29,164,734	408,872	9,832,467	53,202,660
As of 31 December 2010	345,667	12,350,753	34,305,851	360,028	88,544	47,450,843

The registered cadastral value of buildings owned by the Company as of 31 December 2010 was LVL 3,779,533 (EUR 5,377,791) (2009: 5,316,236 (EUR 7,564,322)).

The registered cadastral value of land owned by the Company as at 31 December 2010 was LVL 945,747 (EUR 1,345,677) (2009: LVL 1,069,883 (EUR 1,522,306)).

The Company has pledged all non-current assets (fixed assets and intangible assets) with a total carrying amount as of 31 December 2010 of LVL 33,378,417 (EUR 47,493,209) (2009: LVL 37,429,968 (EUR 53,258,047)), as a security for liabilities, see Note 13.

6. RAW MATERIALS

	31.12.2010		31.12.2009	
	LVL	EUR	LVL	EUR
Precious metal glass melting plates*	5,297,332	7,537,424	2,805,728	3,992,191
Raw materials	3,570,860	5,080,876	3,157,935	4,493,337
Allowance for slow moving inventories	(50,000)	(71,143)	(50,000)	(71,144)
Total	8,818,192	12,547,157	5,913,663	8,414,384

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* The Company uses precious metal glass melting plates in the manufacturing process. The average technical depletion of these plates in 2010 was 3.37 % (2009: 2.53%). The plates are used on average from 220 to 430 days before being sent for reprocessing. Reprocessed plates are returned to the manufacturing process.

The plates are stated at the lower of the cost of the metal from which they are made and net realizable value. As at 31 December 2010 the carrying amount was LVL 5,297,332 (EUR 7,537,424) (2009: LVL 2,805,728 (EUR 3,992,191)). According to the metal prices quoted in London Stock Exchange as at 31 December 2010 the market price of the precious metals was LVL 13,769,866 (EUR 19,592,754 (2009: LVL 7,955,122 (EUR 11,319,119)).

7. FINISHED GOODS

	31.12.2010		31.12.2009	
	LVL	EUR	LVL	EUR
Finished goods	4,548,175	6,471,469	5,648,299	8,036,805
Allowance for excess of net realizable value over cost	(66,251)	(94,266)	(84,461)	(120,177)
Total	4,481,924	6,377,203	5,563,838	7,916,628

8. TRADE RECEIVABLES

	31.12.2010		31.12.2009	
	LVL	EUR	LVL	EUR
P-D Glasseiden Oschatz GmbH (related party)	3,444,019	4,900,398	2,002,714	2,849,605
VITRULAN Textilglas GmbH (related party)	80,620	114,712	-	-
VITRULAN Technical Textiles GmbH (related party)	-	-	32,690	46,514
Vitrulan Corporation (related party)	-	-	6,144	8,742
Other trade receivables	3,082,913	4,386,590	4,854,916	6,907,923
Allowances for doubtful receivables	(48,397)	(68,863)	(53,651)	(76,338)
Total	6,559,155	9,332,837	6,842,813	9,736,446

9. OTHER RECEIVABLES

	31.12.2010		31.12.2009	
	LVL	EUR	LVL	EUR
VAT overpayment (see Note 16)	167,846	238,823	337,265	479,885
VAT on unpaid invoices	120,986	172,148	74,468	105,958
Other receivables	38,660	55,008	102,461	145,789
Allowance for doubtful receivables	(23,690)	(33,708)	(23,872)	(33,967)
Total	303,802	432,271	490,322	697,665

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Change in allowance for doubtful receivables:

	LVL	EUR
Allowance as of 31 December 2008	34,352	48,878
Decrease due to collection (see Note 20)	(4,614)	(6,565)
The additional provisions (see Note 24)	47,785	67,992
Allowance as of 31 December 2009	77,523	110,305
Decrease due to collection (see Note 20)	(5,058)	(7,197)
Lost debts	(6,144)	(8,742)
The additional provisions (see Note 24)	5,766	8,204
Allowance as of 31 December 2010	72,087	102,570

10. DEFERRED EXPENSES

	31.12.2010		31.12.2009	
	LVL	EUR	LVL	EUR
Precious metal plates reprocessing expenses	129,519	184,289	130,656	185,907
Insurance expenses	53,946	76,758	68,423	97,357
Other deferred expenses	41,848	59,545	43,480	61,866
Total	225,313	320,592	242,559	345,130

11. CASH AND CASH EQUIVALENTS

	31.12.2010		31.12.2009	
	LVL	EUR	LVL	EUR
Cash in bank	231,995	330,099	526,156	748,653
Total	231,995	330,099	526,156	748,653

12. SHARE CAPITAL

The Company's registered share capital as of 31 December 2010 and 2009 was LVL 23,903,205 (EUR 34,011,197).

The Company's paid-in share capital as of 31 December 2010 and 2009 consisted of 11,494,250 publicly listed bearer shares and 12,408,955 private placement ordinary shares, all with equal rights. The nominal value of each share is LVL 1 (EUR 1.423).

As of 31 December 2010 and 2009 the shareholders of the Company, in accordance with the records maintained by the Latvian Central Depository, were as follows:

	2010	2009
P-D Glasseiden Oschatz GmbH	26.0%	26.0%
Vitrolan International GmbH	36.2%	36.2%
P-D Management Industries –Technologies GmbH	23.9%	23.9%
Braune Beatrix	2.6%	2.6%
VAS VSAA	2.4%	2.4%
Skandinaviska Enskilda Banken Ab	2.0%	2.0%
Other	6.9%	6.9%
Total	100.0%	100.0%

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13. DUE TO CREDIT INSTITUTIONS

	31.12.2010		31.12.2009	
	LVL	EUR	LVL	EUR
Non-current part:				
Loan due within 2 to 5 years	11,881,496	16,905,845	11,889,552	16,917,308
Loan due after more than 5 years	7,572,499	10,774,696	10,700,844	15,225,930
Total non-current part	19,453,995	27,680,541	22,590,396	32,143,238
Current part:				
Credit line	24,965	35,522	2,387,548	3,397,175
Loan	2,970,396	4,226,493	2,804,388	3,990,284
Total current part	2,995,361	4,262,015	5,191,936	7,387,459
Total	22,449,356	31,942,556	27,782,332	39,530,697

On 2 April 2001 the Company signed a credit line agreement with AS Swedbank to increase working capital. As of 31 December 2010 and 2009 the credit line limit was EUR 6,000,000 (LVL 4,216,824). The interest rate of the credit line is 3 month EURIBOR + 3.95% for used amount and 1.0% for unused amount (2009: 4.00% for used amount and 1% for unused amount). The maturity date of the credit line is 16 July 2011. As a security for the credit line, the Company has pledged inventories with the carrying amount of LVL 14,739,904 (EUR 20,972,994) (2009: LVL 13,454,895 (EUR 19,144,591)).

On 6 June 2005 the Company signed a loan agreement with AS Swedbank in the amount of EUR 36,000,000 (LVL 25,300,944). Maturity date of the loan is 30 December 2018. The fixed interest rate is 1.39% per annum, variable – 3 month EURIBOR.

On 16 April 2008 the Company signed a loan agreement with AS Swedbank in the amount of EUR 5,000,000 (LVL 3,514,020) to finance the reconstruction of fiberglass furnace. Maturity date of the loan is 10 April 2016. The fixed interest rate is 1.34% per annum, variable – 3 month EURIBOR.

As of 31 December 2010 the amount of available and not yet withdrawn loan and credit line was EUR 5,964,478 (LVL 4,191,859) (2009: EUR 2,602,825 (LVL 1,829,276)).

According to mortgage agreement No.05-04995-IN/3, the loans are secured by the assets of the Company with the carrying amount as of 31 December 2010 of LVL 55,709,522 (EUR 79,267,508) (2009: LVL 58,989,866 (EUR 83,935,017)).

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14. FINANCE LEASE

On 31 December 2010 and 2009 the liabilities resulting from finance lease agreements were as follows:

	31.12.2010		31.12.2010		31.12.2009		31.12.2009	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
	Minimum lease payments		Present value of minimum lease payments		Minimum lease payments		Present value of minimum lease payments	
Amounts payable under finance lease:								
Non-current	29,438	41,886	29,438	41,886	-	-	-	-
Current	20,223	28,775	19,873	28,277	16,422	23,366	16,107	22,918
Total amounts payable under finance lease	49,661	70,661	49,311	70,163	16,422	23,366	16,107	22,918
Future financing charges	(350)	(498)	-	-	(315)	(448)	-	-
Present value of lease obligations	49,311	70,163	49,311	70,163	16,107	22,918	16,107	22,918

The currency of the lease liability is EUR. The fixed interest rate of the lease liability is 2%-3.5% per annum, variable – 3 month EURIBOR.

15. TRADE PAYABLES

	31.12.2010		31.12.2009	
	LVL	EUR	LVL	EUR
For services received	1,777,020	2,528,471	1,327,052	1,888,225
For goods received	1,540,342	2,191,709	640,616	911,514
For fixed assets	23,484	33,415	129,815	184,710
Total	3,340,846	4,753,595	2,097,483	2,984,449

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16. TAXES AND SOCIAL SECURITY PAYMENTS

LVL	31.12.2009		Calculated	Transfers	Returned from the state	Paid	31.12.2010	
	Over-payment	Liability					Over-payment	Liability
Natural resource tax	-	2,361	26,202	11,135	-	13,783	-	3,645
Real estate tax	-	-	56,693	-	-	56,693	-	-
Social security payments	-	237,845	1,609,903	1,676,757	-	5,191	-	165,800
Personal income tax	-	84,385	1,067,393	-	-	1,026,398	-	125,380
Enterprise risk duty	-	194	2,354	-	-	2,351	-	197
Value added tax	337,265	-	(1,484,355)	(1,676,757)	312,709	-	167,846	-
Total	337,265	324,785	1,278,190	11,135	312,709	1,104,416	167,846	295,022

EUR	31.12.2009		Calculated	Transfers	Returned from the state	Paid	31.12.2010	
	Over-payment	Liability					Over-payment	Liability
Natural resource tax	-	3,359	37,282	15,844	-	19,611	-	5,186
Real estate tax	-	-	80,667	-	-	80,667	-	-
Social security payments	-	338,423	2,290,685	2,385,810	-	7,386	-	235,912
Personal income tax	-	120,069	1,518,764	-	-	1,460,433	-	178,400
Enterprise risk duty	-	276	3,349	-	-	3,345	-	280
Value added tax	479,885	-	(2,112,047)	(2,385,810)	444,945	-	238,823	-
Total	479,885	462,127	1,818,700	15,844	444,945	1,571,442	238,823	419,778

17. OTHER ACCOUNTS PAYABLE

	31.12.2010		31.12.2009	
	LVL	EUR	LVL	EUR
Salary	251,550	357,923	174,895	248,853
Other	6,568	9,346	5,806	8,261
Total	258,118	367,269	180,701	257,114

18. ACCRUED LIABILITIES

	31.12.2010		31.12.2009	
	LVL	EUR	LVL	EUR
Accrual for vacations	70,882	100,856	54,787	77,955
Accruals for remuneration of Board and Council members	1,000	1,423	-	-
Total	71,882	102,279	54,787	77,955

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19. REVENUES

Net sales by geographical area:

	2010		2009	
	LVL	EUR	LVL	EUR
Export sales:				
European Union	29,217,584	41,572,876	22,406,778	31,881,972
North America	3,761,974	5,352,807	3,267,767	4,649,614
CIS	3,152,320	4,485,347	1,373,717	1,954,623
Local sales	1,815,803	2,583,655	1,489,305	2,119,090
Other countries	1,217,900	1,732,916	1,719,679	2,446,883
Total	39,165,581	55,727,601	30,257,246	43,052,182

Net sales by production type:

	2010		2009	
	LVL	EUR	LVL	EUR
Fibreglass textiles	23,446,460	33,361,307	18,186,048	25,876,415
Fibreglass threads	13,701,096	19,494,903	10,457,662	14,879,913
Other	2,018,025	2,871,391	1,613,536	2,295,854
Total	39,165,581	55,727,601	30,257,246	43,052,182

20. OTHER OPERATING INCOME

	2010		2009	
	LVL	EUR	LVL	EUR
Sales of emission quotas	471,484	670,861	410,037	583,430
Sale of raw materials	312,421	444,535	69,504	98,895
Insurance	96,119	136,765	-	-
Income from rent of fixed assets	11,725	16,683	12,305	17,509
Profit from sale of fixed assets	6,348	9,032	-	-
Decrease in allowance for doubtful receivables (see Note 9)	5,058	7,197	4,614	6,565
Sales of precious metals	-	-	4,437,390	6,313,837
Other	40,324	57,377	27,949	39,768
Total	943,479	1,342,450	4,961,799	7,060,004

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21. RAW MATERIALS AND CONSUMABLES

	2010		2009	
	LVL	EUR	LVL	EUR
Raw materials	11,610,373	16,520,072	7,419,563	10,557,087
Natural gas	2,625,845	3,736,241	2,076,966	2,955,256
Electricity	2,541,388	3,616,069	2,044,955	2,909,709
Precious metal plates processing costs	265,493	377,763	179,212	254,995
Depletion of precious metal plates	173,587	246,992	89,100	126,778
Other	1,760,710	2,505,265	2,025,320	2,881,772
Total	18,977,396	27,002,402	13,835,116	19,685,597

22. PERSONNEL EXPENSES

	2010		2009	
	LVL	EUR	LVL	EUR
Salaries	4,575,792	6,510,766	4,183,560	5,952,670
Social security payments	1,142,943	1,626,261	1,102,256	1,568,369
Illness and vacation expenses	421,358	599,538	520,193	740,168
Insurance of employees	41,782	59,451	46,591	66,293
Other	44,018	62,632	130,546	185,750
Total	6,225,893	8,858,648	5,983,146	8,513,250

The average number of employees was 774 (2009: 798).

23. DEPRECIATION AND AMORTISATION

	2010		2009	
	LVL	EUR	LVL	EUR
Fixed asset depreciation (see Note 5)	5,015,342	7,136,189	5,059,032	7,198,354
Intangible asset amortization (see Note 4)	11,957	17,013	18,620	26,494
Total	5,027,299	7,153,202	5,077,652	7,224,848

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24. OTHER OPERATING EXPENSES

	2010		2009	
	LVL	EUR	LVL	EUR
Transportation	2,505,535	3,565,055	1,901,661	2,705,820
Sales commission	1,402,950	1,996,218	1,117,257	1,589,713
Service costs	554,949	789,621	472,351	672,095
Spare parts	449,918	640,176	368,138	523,813
Repair expenses	414,039	589,124	386,676	550,190
Business trips	134,978	192,056	163,294	232,346
Insurance	130,743	186,031	143,475	204,147
Leasing	97,500	138,730	90,021	128,088
Research and development expenses	75,664	107,660	57,445	81,737
Property tax	57,139	81,302	45,243	64,375
Communication	54,771	77,932	58,324	82,988
Selling expenses	36,707	52,229	36,330	51,693
Office expenses	33,462	47,612	23,749	33,792
Labour safety and specific clothing	26,758	38,073	26,024	37,029
Audit fees	19,677	27,998	22,265	31,680
Allowance for doubtful receivables (Note 9)	5,766	8,204	47,785	67,992
Cost of sold precious metals	-	-	1,502,325	2,137,616
Loss on disposal and sale of fixed assets	-	-	12,187	17,341
Other	447,258	636,392	236,161	336,026
Total	6,447,814	9,174,413	6,710,711	9,548,481

25. INTEREST AND SIMILAR INCOME

	2010		2009	
	LVL	EUR	LVL	EUR
Net gain on foreign exchange rate fluctuations	152,413	216,864	26,689	37,975
Interest income	1,489	2,119	1,815	2,583
Total	153,902	218,983	28,504	40,558

26. INTEREST AND SIMILAR EXPENSES

	2010		2009	
	LVL	EUR	LVL	EUR
Interest expense	1,365,852	1,943,433	1,504,319	2,140,453
Less capitalized interest	(7,143)	(10,164)	(83,407)	(118,677)
Penalties paid	506	720	3,761	5,351
Total	1,359,215	1,933,989	1,424,673	2,027,127

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010**

27. CORPORATE INCOME TAX**27 (a) Components of corporate income tax**

	2010		2009	
	LVL	EUR	LVL	EUR
Deferred tax credit	-	-	160,361	228,173
Total	-	-	160,361	228,173

27 (b) Reconciliation of accounting profit to tax charge:

	2010		2009	
	LVL	EUR	LVL	EUR
Profit/ (loss) before tax	616,474	877,163	(141,939)	(201,961)
Expected tax charge, applying current tax rate of 15%	(92,471)	(131,574)	21,291	30,294
Tax effect of non-deductible items	(17,405)	(24,765)	(16,069)	(22,864)
Tax credit received for new technological equipment*	301,112	428,444	149,720	213,032
Not recognised deferred tax asset	2,573	3,660	-	-
Other	(193,809)	(275,765)	5,419	7,711
Corporate income tax credit	-	-	160,361	228,173

* The tax base of new technological equipment purchased in 2010 is calculated by multiplying the acquisition cost with a coefficient of 1.5 (2009: 1.5, 2008: 1.3, 2007: 1.4). Total amount of related tax credit not used as of 31 December 2010 is LVL 451,668 (EUR 642,666) (2009: LVL 224,580 (EUR 319,549)). If the equipment is disposed within 5 years from acquisition, taxable income in the year of disposal should be increased by the amount of credit previously recognized.

Tax returns remain open and may be subject to review over the period of three years. Accordingly, as at 31 December 2010, the Company tax returns from 2008 to 2010 remain open and may be subject of review.

27 (c) Net deferred tax liabilities as of end of the year:

	31.12.2010		31.12.2009	
	Temporary difference	Tax effect 15 %	Temporary difference	Tax effect 15 %
	LVL	LVL	LVL	LVL
Temporary difference on depreciation of fixed assets (liability)	18,411,185	2,761,677	16,431,013	2,464,652
Temporary difference on accruals (asset)	(70,882)	(10,632)	(54,787)	(8,218)
Temporary difference on provisions for doubtful debts (asset)	(40,094)	(6,014)	(41,215)	(6,182)
Allowance for excess of inventories net realizable value over cost (asset)	(50,000)	(7,500)	(51,431)	(7,715)
Tax loss carry forward (asset) recognised	(18,233,055)	(2,734,958)	(16,283,580)	(2,442,537)
Total	(17,154)	(2,573)*	-	-

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010

	2010		2009	
	Temporary difference EUR	Tax effect 15 % EUR	Temporary difference EUR	Tax effect 15 % EUR
Temporary difference on depreciation of fixed assets (liability)	26,196,756	3,929,512	23,379,225	3,506,883
Temporary difference on accruals (asset)	(100,856)	(15,128)	(77,955)	(11,693)
Temporary difference on provisions for doubtful debts (asset)	(57,049)	(8,557)	(58,643)	(8,796)
Allowance for excess of inventories net realizable value over cost (asset)	(71,143)	(10,671)	(73,180)	(10,977)
Tax loss carry forward (asset) recognised	(25,943,300)	(3,891,495)	(23,169,447)	(3,475,417)
Total	(24,408)	(3,661)*	-	-

* Deferred tax liability in amount of LVL 2,573 (EUR 3,661) are not recognised in financial statements as the amount is insignificant considering the financial statement as a whole.

Total tax losses carried forward as of 31 December 2010 amount to LVL 18,233,055 (EUR 25,943,300) (2009: LVL 16,283,580 (EUR 23,169,447)). These tax losses have aroused in 2006 - 2010 and can be carried forward for 8 years from the year of origination.

28. EARNINGS PER SHARE

	2010		2009	
	LVL	EUR	LVL	EUR
Current year profit	616,474	877,163	18,422	26,212
Average number of shares outstanding	23,903,205	23,903,205	23,903,205	23,903,205
Earnings per share	0.0258	0.0367	0.0008	0.0011

29. MANAGEMENT REMUNERATION

	2010		2009	
	LVL	EUR	LVL	EUR
Members of the Council:				
Compensation (Tantiemes)	26,000	36,995	55,280	78,656
Social security payments	4,941	7,030	4,941	7,030
Members of the Board:				
Compensation	70,000	99,601	141,486	201,316
Social security payments	6,706	9,542	10,355	14,734
Other management:				
Salary	213,464	303,732	209,282	297,782
Social security payments	47,551	67,659	47,852	68,087
Total	368,662	524,559	469,196	667,605

In 2010 and 2009 the Company has not granted or received any loans from the members of Council, Board Or other management.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010**
30. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

	31.12.2010	31.12.2010	31.12.2009	31.12.2009
	Accounts	Accounts	Accounts	Accounts
	receivable	payable	receivable	payable
	LVL	LVL	LVL	LVL
P-D Glasseiden Oschatz GmbH	3,444,019	186,447	2,002,714	216,365
VITRULAN Textilglas GmbH	80,620	47,630	-	1,483
VITRULAN Technical Textiles GmbH	-	-	32,690	-
VitruLAN Corporation	-	-	6,144	-
P-D Tatneft Fiberglas Alabuga	18,233	-	-	-
P-Dtec fil GmbH Technische Filamente	-	747	-	-
P-D Interglas Technologies Limited	-	906	-	1,898
P-D Management Industries – Technologies	-	1,537	-	-
Total	3,542,872	237,267	2,041,548	219,746

	31.12.2010	31.12.2010	31.12.2009	31.12.2009
	Accounts	Accounts	Accounts	Accounts
	receivable	payable	receivable	payable
	EUR	EUR	EUR	EUR
P-D Glasseiden Oschatz GmbH	4,900,398	265,290	2,849,605	307,860
VITRULAN Textilglas GmbH	114,712	67,771	-	2,110
VITRULAN Technical Textiles GmbH	-	-	46,514	-
VitruLAN Corporation	-	-	8,742	-
P-D tec fil GmbH Technische Filamente	-	1,063	-	-
P-D Tatneft Fiberglas Alabuga.	25,943	-	-	-
P-D Interglas Technologies Limited	-	1,289	-	2,700
P-D Management Industries – Technologies	-	2,187	-	-
Total	5,041,053	337,600	2,904,861	312,670

Transactions with companies on which the Company has significant influence, and their group companies

	2010		2009	
	LVL	EUR	LVL	EUR
Sales of goods	23,418,520	33,321,552	18,832,996	26,796,939
Acquisition of fixed assets	42,522	60,503	558,487	794,655
Purchase of goods	1,405,247	1,999,486	1,531,884	2,179,675
Sales commissions	1,402,950	1,996,218	1,117,257	1,589,713
Received services	39,770	56,587	7,105	10,110
Provided services	183,243	260,731	48,850	69,507

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010**

31. FINANCIAL RISK MANAGEMENT

Financial assets mainly consist of receivables. Financial liabilities include loans and payables.

The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize its potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

The responsibility for risk management lies with the Finance Department. The Finance Department identifies and evaluates risks and seeks for solutions to avoid financial risks in close co-operation with other Company's operating units.

Foreign currency risk

The Company operates internationally and is exposed to foreign currency risk mainly arising from US dollar fluctuations. Approximately 8% of total sales in 2010 resulted from contracts denominated in USD (2009: 12%).

The Company's currency risk in US dollars on 31 December may be specified as follows:

	31.12.2010	31.12.2009
Financial assets, USD	214,209	599,562
Net balance sheet position, USD	214,209	599,562
Net balance sheet position, LVL	114,602	293,186
Net balance sheet position, EUR	163,064	417,166

The above balance sheet position in US dollar is directly exposed and has direct sensitivity to a reasonably possible change in the US dollar exchange rate thus resulting in direct effect to Company's profit before tax.

The Bank of Latvia has stated a fixed currency exchange rate for lat against euro, i.e. 0.702804. Therefore, the Company's future profit or loss due to fluctuations of the euro exchange rate will not be material as far as the Bank of Latvia maintains the above mentioned fixed rate.

The Company is using derivative financial instruments to minimize the potential negative impact of foreign currency fluctuations.

Credit risk

The Company has significant exposure of credit risk with its foreign customers. The Company's policy is to ensure that sales of products are carried out with customers having appropriate credit history. Some of the trade receivables are insured. The Company has also set credit limits for each customer. Customers from countries with increased risk are usually required to pay in advance.

As at 31 December 2010, the Company's credit risk exposure to a single customer – related company - amounted to 52.2% of the total trade receivables (31.12.2009.: 29.2%). The Company's credit risk exposure to this customer amounts to LVL 3,444,019 (EUR 4,900,398) or 6.2% to total assets (31.12.2009.: LVL 2,012,670 (EUR 2,863,771) or 3.4% to total assets). In respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents and derivatives, the Company's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

**NOTES TO THE FINANCIAL STATEMENTS
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Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through credit line. During the reporting period EUR 6 million credit line was available assigned by Swedbank AS according to the agreement concluded on April 2, 2001. As of 31 December 2010 the assigned credit line facility used was LVL 24,965 (EUR 35,522) (2009: LVL 2,387,548 (EUR 3,397,175)) (see Note 13 - „Due to Credit institutions”). The Company’s current and quick ratios as of 31 December 2010 were 3.11 and 1.03 respectively (as of 31 December 2009 – 2.74 and 1.03 respectively).

Interest rate risk

The Company has loans with variable EURIBOR interest rate from credit institutions. Therefore it is exposed to any changes in interest rates. The Company has signed an interest rate swap contract to minimize the risks associated with variable interest rate fluctuations. The interest swap involves the exchange of floating 3 month EURIBOR interest payments to fixed payments. The contract expires on 31 December 2018. As of 31 December 2010, total notional amount of interest rate swap contract is EUR 28,097,515 (LVL 19,747,046) (2009: EUR 31,609,715 (LVL 22,215,434)), the fair value amounts to a liability of EUR 2,152,249 (LVL 1,512,609) (2009: EUR 2,096,712 (LVL 1,473,578)). In the financial statements the derivative is stated at cost.

Fair value of financial instruments

The non-current loans are with variable interest rate and their fair value approximates their carrying amount. Other financial liabilities and financial assets are with maturity of less than one year, therefore in management’s opinion there are no material difference between fair value and carrying value of the financial assets and liabilities.

32. LEASE COMMITMENTS

On 27 November 2001 the Company signed a land lease agreement on the lease of land where its production facilities are located. The term of the agreement is 25 years and is valid to 1 December 2026. The annual rent charge is 5% of the cadastral value, which comprise LVL 916,014 (EUR 1,303,370) (2009: LVL 916,014) (EUR 1,303,370)).

The total future rent payments (based on current cadastral value) are as follows:

	2010		2009	
	LVL	EUR	LVL	EUR
Within 1 year	45,801	65,169	45,801	65,169
2 to 5 years	183,203	260,674	183,203	260,674
More than 5 years	458,007	651,685	503,808	716,854
Total	687,011	977,528	732,812	1,042,697

33. EMISSION RIGHTS

The Company has received a free of charge allowance for emission of CO2: 47,973 quotas for every year from 2009 up to 2012 (total 239,865 quotas). Actual emission in 2010 amounted to 28,292 quotas (2009: 20,870), during the year the Company has sold 50,128 quotas, purchased 23,986 quotas. Remaining emission balance for the period from 2011 till 2012 as of 31 December 2010 were 93,642 quotas.

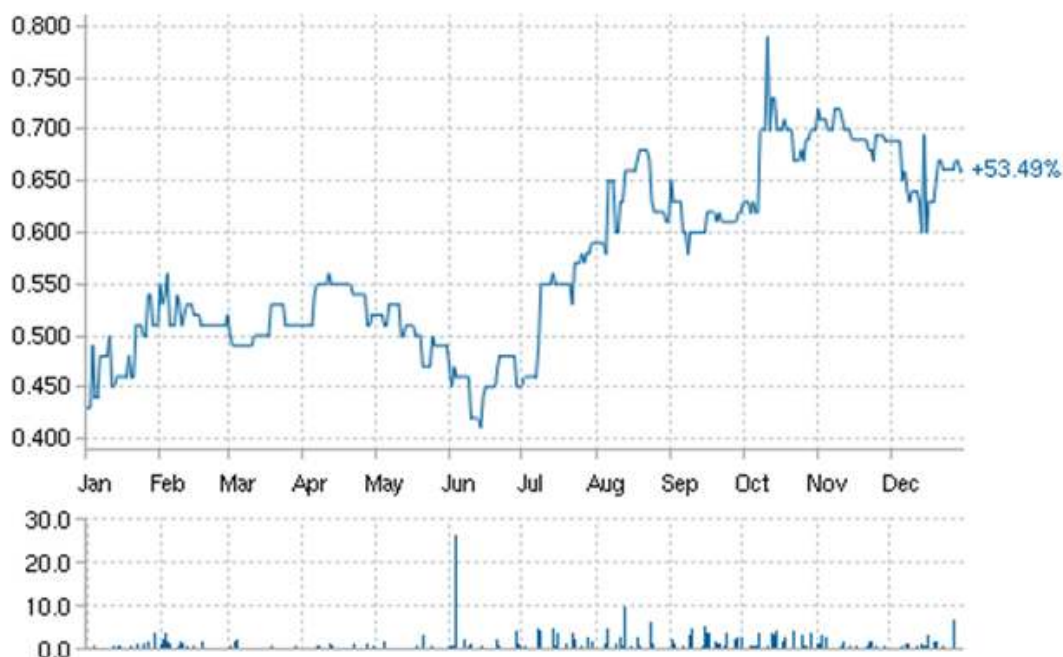
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Shares

JSC “Valmieras stikla šķiedra” shares are listed on NASDAQ OMX Riga Secondary market since February 24, 1997:

ISIN	LV0000100485
Ticker	VSS1R
Nominal value	1,00 LVL
Total number of securities	23 903 205
Number of listed securities	11 494 250
Liquidity providers	None
Indexes	B20GI, B20PI, OMXBGI, OMXBPI, OMXRGI

JSC “Valmieras stikla šķiedra” share price development for the period 01.01.10 – 31.12.10



Currency: LVL

JSC “Valmieras stikla šķiedra” share price development for the period 01.01.10 – 31.12.10

Open	0.480 LVL
Max	0.790 LVL
Min	0.410 LVL
Average	0.57 LVL
Last	0.660 LVL
Change	53.488 %
Deals	610
No of shares traded	425 314
Turnover	243 831.81 LVL
Capitalization on 2010.12.30	15 776 115.30 LVL

JSC “Valmieras stikla šķiedra” share price development for the period 01.01.08 – 31.12.10



Currency: LVL

JSC “Valmieras stikla šķiedra” share price development in comparison with NASDAQ OMX Riga index for the period 01.01.08 – 31.12.10

