



JSC "VALMIERAS STIKLA ŠĶIEDRA"

Reg.No. 40003031676

NOT AUDITED

Financial report

as at June 30, 2010

as at June 30, 2009

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, vicepresident Wilfried Queißer Karl Heinz Will Dainis Šēnbergs Stefan Jugel Friedhelm Schwender
THE COUNCIL	Chairman of the Council: Jürgen Preiss-Daimler Members of the Council: Reinhard Conradt Hans Peter Cordts Guntis Strazds Aivars Lošmanis

TABLE OF CONTENTS

MANAGEMENT REPORT	4
STATEMENT OF MANAGEMENT RESPONSIBILITIES	5
BALANCE SHEET	6-7
STATEMENT OF PROFIT AND LOSS	8
STATEMENT OF CASH FLOWS	9
STATEMENT OF SHAREHOLDERS' EQUITY	10
ANNEX	11-12

MANAGEMENT REPORT

The Company's primary business is manufacture and sale of fibreglass and fibreglass products. The production is sold in Europe, USA, Canada, Australia, Russia, Ukraine and the Baltic states, total in 31 countries.

74 % of the total production is sold to companies in the European Union; export sales comprise 95 % of total 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 6 months are as follows:

	Sales thousand LVL	Net profit LVL
2008	20 589	625 140
2009	14 893	-556 214
2010	19 075	229 461

Net turnover for 6 months, 2010 was 19.1 mil. LVL and that is for 1.4 mil. LVL or 7.7% more as planned, because of successful sales work and demand increase of production in the fibre glass market.

Main production types in 2010 were fibreglass textiles (60%) and threads (35%).

After reconstruction the 2nd fibre glass melting furnace started to work again.

As planned before the company invested into buildings, machines and equipment to increase production efficiency with increasing labour productivity, less energy capacity to come to lower product costs.

The company solvency improvement – ability to cover short term obligations with current assets describes liquidity:

2008	2.2
2009	2.74
2010	2.89

The company's financial independency is increased, considering the amount of obligations in comparison with the amount of own-capital:

2008	1.27
2009	1.07
2010	1.00

The company is planning to decrease this indicator under 1.0 till the end of 2010.

The Board has worked out and council has approved the budget and the plan of investments for 2010. JSC "Valmieras stikla šķiedra" is planning to sell the production for 36.7 mil. LVL, net profit 976.4 th.LVL and 600 th.LVL to invest.

Rigas stock exchange JSC "Valmieras stikla šķiedra" price for 1 share is increased for 0.02 LVL or 4.7%; from LVL 0.43 31.12.2009 to LVL 0.45 31.03.2010.

As of 30.June 2010 the number of employees was 780.

For the preparation of the unrevised financial statement for as per 6 months of 2010 we used the revised statement accounting policy of 2009.

Andris Oskars Brutāns
Chairman of the Board
05.Aug.10

JSC "Valmieras stikla šķiedra" financial report as at 30 June 2010

AS VALMIERAS STIKLA ŠĶIEDRA

STATEMENT OF MANAGEMENT RESPONSIBILITIES

The management of AS "Valmieras Stikla Šķiedra "(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 of affairs of the Company at the end of 30 June 2010 and the results of its operations and cash flows for the year ended 30 June 2010. The management confirms that suitable 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 presented on pages 6 to 12. The management also confirms that applicable International Financial Reporting Standards as adopted by the European Union 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

Andri Oskars Brutāns

Chairman of the Board

JSC VALMIERAS STIKLA ŠĶIEDRA

BALANCE SHEET

AS AT 30 june 2010 AND 30 june 2009

	2010	CURRENCY	2009	CURRENCY
	LVL	EXCHANGE RATE	LVL	EXCHANGE RATE
		on30/06 /2010EUR		on30/06 /2009EUR
ASSETS				
<i>Non-current assets</i>		0.702804		0.702804
<i>Intangible assets</i>				
Patents and licenses	12 982	18 472	25 824	36 744
Other intangible assets	17 477	24 868	17 477	24 868
Total intangible assets	30 459	43 339	43 301	61 612
<i>Fixed assets</i>				
Land and buildings	9 300 631	13 233 606	10 100 826	14 372 181
Equipment and machinery	25 892 341	36 841 482	21 991 205	31 290 666
Other fixed assets	271 246	385 948	348 413	495 747
Construction in progress	81 778	116 360	6 842 716	9 736 308
Advance payments for fixed assets	11 221	15 966	57 272	81 491
Total fixed assets	35 557 217	50 593 362	39 340 432	55 976 392
Total non-current assets	35 587 676	50 636 701	39 383 733	56 038 003
<i>Current assets</i>				
<i>Inventory</i>				
Raw materials	7 843 727	11 160 618	6 502 145	9 251 719
Work in progress	1 553 622	2 210 605	2 584 836	3 677 890
Finished goods	3 918 400	5 575 381	7 064 262	10 051 539
Advance payments for inventories	53 267	75 792	27 070	38 517
Total inventory	13 369 016	19 022 396	16 178 313	23 019 666
<i>Accounts receivable</i>				
Trade receivables	7 322 827	10 419 444	6 410 946	9 121 954
Other receivables	466 664	664 003	401 470	571 240
Deferred expenses	358 245	509 737	226 029	321 610
Total accounts receivable	8 147 736	11 593 184	7 038 445	10 014 805
Derivatives	–	–		
Cash and cash equivalents	302 926	431 025	283 828	403 851
Total current assets	21 819 678	31 046 605	23 500 586	33 438 321
TOTAL ASSETS	57 407 354	81 683 306	62 884 319	89 476 325

JSC VALMIERAS STIKLA ŠĶIEDRA

BALANCE SHEET

AS AT 30 June 2010 AND 30 June 2009

	2010	CURRENCY	2009	CURRENCY
	LVL	EXCHANGE RATE	LVL	EXCHANGE RATE
		on 30/06 2010 EUR		on 30/06 2009 EUR
LIABILITIES & SHAREHOLDERS EQUITY		0.702804		0.702804
Shareholders' equity				
Share capital	23 903 205	34 011 197	23 903 205	34 011 197
Reserves				
Retained earnings:				
a) retained earnings	4 621 147	6 575 300	4 602 725	6 549 088
b) current year profit	229 461	326 494	-556 214	-791 421
Total shareholders' equity	28 753 813	40 912 990	27 949 716	39 768 863
Liabilities				
Non-current liabilities				
Due to credit institutions	21 105 199	30 029 993	24 075 592	34 256 481
Finance lease	-	-	-	-
Deferred tax	-	-	160 361	228 173
Total non-current liabilities	21 105 199	30 029 993	24 235 953	34 484 654
Current liabilities				
Due to credit institutions	4 083 569	5 810 395	6 853 303	9 751 372
Finance lease	4 799	6 828	1 716	2 442
Advance payments from customers	4 023	5 724	23 400	33 295
Trade payables	2 670 121	3 799 240	3 120 644	4 440 276
Taxes and social security payments	357 544	508 739	341 669	486 151
Other accounts payable	214 807	305 643	208 256	296 322
Accrued liabilities	245 219	348 915	143 862	204 697
Deferred	-31 740	-45 162	5 800	8 253
Derivatives	-	-	-	-
Dividend for the financial year	-	-	-	-
Total current liabilities	7 548 342	10 740 323	10 698 650	15 222 807
Total liabilities	28 653 541	40 770 316	34 934 603	49 707 462
Total liabilities & shareholders' equity	57 407 354	81 683 306	62 884 319	89 476 325

JSC VALMIERAS STIKLA ŠKIEDRA

STATEMENT OF PROFIT AND LOSS

FOR THE YEARS ENDED 30 June 2010 AND 30 June 2009

	30.06.2010		30.06.2009	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Revenues	19 075 148	27 141 490	14 893 081	21 190 945
Changes in inventories	(2 047 500)	(2 913 330)	(258 168)	(367 340)
Other operating income	661 562	941 318	1 226 577	1 745 262
Raw materials and consumables	(8 650 225)	(12 308 161)	(7 729 170)	(10 997 618)
Personnel expenses	(2 940 509)	(4 183 967)	(3 096 447)	(4 405 847)
Depreciation and amortization	(2 437 448)	(3 468 176)	(2 560 554)	(3 643 340)
Other operating expenses	(2 848 431)	(4 052 952)	(2 356 578)	(3 353 108)
Profit from operations	812 597	1 156 221	118 741	168 953
Interest - and similar income	142	202	153	218
Interest - and similar expenses	(583 278)	(829 930)	(675 108)	(960 592)
Profit before taxes	229 461	326 494	(556 214)	(791 421)
Corporate income tax				
Net profit	229 461	326 494	(556 214)	(791 421)
Basic earnings per share	0.0096	0.0137	-0.0233	-0.0332

JSC " VALMIERAS STIKLA ŠĶIEDRA"

STATEMENTS OF CASH FLOWS

	2010 Year	2010Year	2009 Year	2009Year
	6 months	6 months	6 months	6 months
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Operating activities				
Profit / (loss) before taxation	229 461	326 494	(556 214)	(791 421)
Adjustments:				
Depreciation and amortization	2 437 448	3 468 176	2 560 554	3 643 340
(Profit) or loss from disposal of fixed assets	—	—	(325)	(462)
Interest expense	697 893	993 012	730 476	1 039 374
Interest income	(142)	(202)	(153)	(218)
Changes in operating assets and liabilities:				
Inventory	85	122	1 471	2 093
Accounts receivable and other assets	(572 042)	(813 942)	(902 476)	(1 284 108)
Accounts payable and other liabilities	792 899	1 128 194	(617 057)	(877 993)
Interest received	142	202	153	218
Cash provided by operating activities	3 671 538	5 224 128	2 686 103	3 821 980
Investing activities				
Purchase of fixed assets and intangible assets, advance payments	(584 860)	(832 181)	(1 275 301)	(1 814 590)
Proceeds from sale of fixed assets			4 873	6 934
Net cash used in investing activities	(584 860)	(832 181)	(1 270 428)	(1 807 656)
Financing activities				
Received loans from credit institution			284 636	405 001
Paid loans to credit institutions	(1 485)	(2 113 244)	(1 317 862)	(1 875 149)
Received credit line	11 939 059	16 987	24 601 670	35 005 023
Paid credit line	(13 047)	(18 564 816)	(24 316 502)	(34 599 265)
Paid finance lease	(11 308)	(16 090)	(2 425)	(3 450)
Interest expenses paid	(705 036)	(1 003 176)	(778 273)	(1 107 383)
Net cash provided by financing activities	(3 309 908)	(4 709 575)	(1 528 756)	(2 175 224)
Net (decrease) / increase in cash and cash equivalents	(223 230)	(317 628)	(113 081)	(160 900)
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	302 926	431 025	283 828	403 851

A/S "Valmieras stikla šķiedra "

Statements of shareholders' equity
In 6 months of 2010

	rate of exchange			0.702804		
	Share capital LVL	Retained earnings LVL	Total LVL	Share capital EUR	Retained earnings EUR	Total EUR
AS of 31 december 2008	23 903 205	4 602 725	28 505 930	34 011 197	6 549 088	40 560 284
Current 6 Months 2009 profit		-556 214	-556 214		-791 421	-791 421
Current VII-XII 2009profit		574 636	574 636		817 633	817 633
AS of 31 december 2009	23 903 205	4 621 147	28 524 352	34 011 197	6 575 300	40 586 496
Current 6 Months 2010 profit		229 461	229 461		326 494	326 494
Current of 30 june 2010	23 903 205	4 850 608	28 753 813	34 011 197	6 901 793	40 912 990

Andris Oskars Brutāns
 Chairman of the Board

ANNEX

1. SHARE CAPITAL

The company's registered share capital as at 30 June 2010 and 2009 was LVL 23.903.205. The company's paid share capital registered with the Enterprise Register as at 30 June 2010 and 2009 was 23.903.205, consisting of 23.897.455 ordinary shares with voting rights and 5.750 ordinary shares without voting rights. The nominal value of each share is LVL 1.

As at 30 June 2010 and 2009 the shareholders of the Company, in accordance with the records maintained by the Latvian Central Depository, were as follows:

	2010	2009
	6 Months	6 Months
P-D Glasseiden Oschatz GmbH	26.0%	38.2%
Vitrolan International GmbH	36.2%	36.2%
P-D Management Industries-Technologies DmbH	23.9%	11.7%
Skandinaviska Enskilda Banken Ab	2.0%	2.0%
VAS VSAA	2.4%	2.4%
Braune Beatrix	2.6%	2.6%
Other	6.9%	6.9%
	100.00%	100.00%

2. INFORMATION CONCERNING THE PROFIT OR LOSS ACCOUNT

1. MATERIAL EXPENSES

	2010	EUR	2009	EUR
	6 Months		6 Months	
	LVL	0.702804	LVL	0.702804
Raw materials	5 396 606	7 678 679	4 689 195	6 672 123
Electricity	1 182 666	1 682 782	1 082 329	1 540 015
Ore processing costs	127 366	181 225	69 178	98 431
Natural gas	1 163 794	1 655 930	1 345 707	1 914 769
Depletion of ore	87 847	124 995	98 764	140 529
Other	691 946	984 550	443 997	631 751
Total	8 650 225	12 308 161	7 729 170	10 997 618

2. PERSONNEL EXPENSES

Salaries	2 146 510	3 054 209	2 159 275	3 072 372
Social security payments	537 895	765 356	576 696	820 564
Illness and vacation expenses	154 123	219 297	240 409	342 071
Provisions for bonuses of Board and Council	60 000	85 372	5 000	7 114
Insurance of employees	19 997	28 453	23 383	33 271
Other	21 984	31 280	91 684	130 455
Total	2 940 509	4 183 967	3 096 447	4 405 847

3. DEPRECIATION AND AMORTISATION

Fixed asset depreciation	2 428 802	3 455 874	2 550 816	3 629 484
Intangible asset amortisation	8 646	12 302	9 738	13 856
Total	2 437 448	3 468 176	2 560 554	3 643 340

4. OTHER OPERATING EXPENSES

Transportation	1 016 497	1 446 345	854 848	1 216 339
Commission	634 213	902 404	520 542	740 665
Service costs	297 865	423 824	240 146	341 697
Repairs	183 869	261 622	167 958	238 983
Maintenance expenses	177 246	252 198	175 217	249 311
Insurance	66 764	94 997	77 309	110 001
Business trips	56 651	80 607	80 416	114 422
Expenses relating to personnel	58 250	82 882	81 201	115 539
Communications	23 029	32 767	27 176	38 668
Leasing	26 120	37 165	44 531	63 362
Property tax	22 416	31 895	26 954	38 352
Office expenses	14 379	20 459	10 013	14 247
Selling expenses	26 537	37 759	17 186	24 453
Increase in doubtful debts	2 000	2 846	2 000	2 846
Other	242 595	345 182	31 081	44 224
Total	2 848 431	4 052 952	2 356 578	3 353 108

JSC "Valmieras stikla šķiedra" financial report as at 30 June 2010

3. TRADE RECEIVABLES

	2010	EUR	2009	EUR
	6 months		6 months	
	LVL	0.702804	LVL	0.702804
P-D Glasseiden Oschatz GmbH	3 002 589	4 272 299	2 349 227	3 342 649
Vitrulan Technical GmbH	345 054	490 968	340 607	484 640
Vitrulan Textilglas GmbH	151 360	215 366	255 931	364 157
Other trade receivables	3 823 824	5 440 811	3 465 181	4 930 508
	7 322 827	10 419 444	6 410 946	9 121 954

Andris Oskars Brutāns

Chairman of the Board

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
Indexes	B20GI, B20PI, OMXBGI, OMXBPI, OMXRGI

JSC “Valmieras stikla šķiedra” share price development for the period 01.01.10 – 30.06.10



Currency: LVL

Open	0,48 LVL
Max	0,56 LVL
Min	0,41 LVL
Last	0,45 LVL
Change	4,65%
Deals	220
No of shares traded	163 610
Turnover	80 408,13 LVL