



JSC "VALMIERAS STIKLA ŠĶIEDRA"

Reg.No. 40003031676

NOT AUDITED

Financial report

as at September 30, 2010

as at September 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. 80% of the total production is sold to companies in the European Union; export sales comprise 96% 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 9 months are as follows:

	Sales thousand LVL	Net profit LVL
2008	30 542	647 421
2009	23 726	-1 148 004
2010	29 873	387 367

The weight of liabilities in the balance sheet in the 9 months of 2010 constituted 48,2%, return on assets 2,2% but return on equity 1,4%.

Operating profit (EBIT) in 9 months, 2010 was 1.3 mil. LVL.

Net turnover for 9 months, 2010 was 29.9 mil. LVL and that is for 1.6 mil. LVL or 5.7% 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 (61%) and threads (34%).

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	3.18

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	0.93

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 39 mil. LVL, net profit 600 th.LVL and 600 th.LVL to invest.

Net turnover forecast has risen because of demand increase and price increase in glass fibre market, in 2010 for 2.5%. It is planned that in 2011 price increase would be for 9.5% more, and that would let us exceed price level in 2008.

Net profit in 2010 was affected by:

- 1) bigger cost increases as planned - natural gas, electricity, transport;
- 2) hot summer influence to the production processes and quality;
- 3) electricity black-outs in August, 2010

Rigas stock exchange AS "Valmieras stikla šķiedra" 1 share price has increased for LVL 0.19 or 44.2% - from LVL 0.43 on 31.12.2009 to LVL 0.62 on 30.09.2010.

As of 30.September 2010 the number of employees was 773.

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
25.Okt.10

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 September 2010 and the results of its operations and cash flows for the year ended 30 September 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 September 2010 AND 30 september 2009

	2010	CURRENCY	2009	CURRENCY
	LVL	EXCHANGE RATE	LVL	EXCHANGE RATE
		on30/09 /2010EUR		on30/09 /2009EUR
ASSETS				
<i>Non-current assets</i>		0.702804		0.702804
<i>Intangible assets</i>				
Patents and licenses	12 880	18 327	22 871	32 543
Other intangible assets	17 477	24 868	17 477	24 868
Total intangible assets	30 357	43 194	40 348	57 410
<i>Fixed assets</i>				
Land and buildings	9 104 472	12 954 497	9 897 452	14 082 805
Equipment and machinery	24 928 147	35 469 558	21 456 905	30 530 425
Other fixed assets	251 344	357 630	313 149	445 571
Construction in progress	124 153	176 654	6 360 284	9 049 869
Advance payments for fixed assets	12 752	18 144	69 053	98 254
Total fixed assets	34 420 868	48 976 483	38 096 843	54 206 924
Total non-current assets	34 451 225	49 019 677	38 137 191	54 264 334
<i>Current assets</i>				
<i>Inventory</i>				
Raw materials	7 948 029	11 309 026	6 008 719	8 549 637
Work in progress	1 397 017	1 987 776	1 891 386	2 691 200
Finished goods	3 187 067	4 534 788	5 852 875	8 327 891
Advance payments for inventories	399 497	568 433	30 020	42 715
Total inventory	12 931 610	18 400 023	13 783 000	19 611 442
<i>Accounts receivable</i>				
Trade receivables	6 854 028	9 752 403	6 223 273	8 854 920
Other receivables	598 345	851 368	262 816	373 953
Deferred expenses	292 970	416 859	213 357	303 580
Total accounts receivable	7 745 343	11 020 630	6 699 446	9 532 453
Derivatives	—	—	—	—
Cash and cash equivalents	698 784	994 280	597 097	849 592
Total current assets	21 375 737	30 414 934	21 079 543	29 993 488
TOTAL ASSETS	55 826 962	79 434 611	59 216 734	84 257 822

JSC VALMIERAS STIKLA ŠĶIEDRA

BALANCE SHEET

AS AT 30 September 2010 AND 30 September 2009

	2010	CURRENCY	2009	CURRENCY
	LVL	EXCHANGE RATE	LVL	EXCHANGE RATE
		on 30/09 2010 EUR		on 30/09 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	387 367	551 174	-1 148 004	-1 633 463
Total shareholders' equity	28 911 719	41 137 670	27 357 926	38 926 822
Liabilities				
Non-current liabilities				
Due to credit institutions	20 196 593	28 737 163	23 332 994	33 199 859
Finance lease	-	-	-	-
Deferred tax	-	-	160 361	228 173
Total non-current liabilities	20 196 593	28 737 163	23 493 355	33 428 033
Current liabilities				
Due to credit institutions	2 970 396	4 226 493	5 547 493	7 893 371
Finance lease	5 054	7 191	379	0 539
Advance payments from customers	1 414	2 012	35 840	50 996
Trade payables	2 864 918	4 076 411	2 132 185	3 033 826
Taxes and social security payments	370 046	526 528	187 917	267 382
Other accounts payable	219 843	312 808	188 977	268 890
Accrued liabilities	343 579	488 869	266 862	379 710
Deferred	-56 600	-80 535	5 800	8 253
Derivatives	-	-	-	-
Dividend for the financial year	-	-	-	-
Total current liabilities	6 718 650	9 559 778	8 365 453	11 902 967
Total liabilities	26 915 243	38 296 941	31 858 808	45 331 000
Total liabilities & shareholders' equity	55 826 962	79 434 611	59 216 734	84 257 822

JSC VALMIERAS STIKLA ŠKIEDRA

STATEMENT OF PROFIT AND LOSS

FOR THE YEARS ENDED 30 september 2010 AND 30 September 2009

	30.09.2010		30.09.2009	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Revenues	29 873 376	42 505 985	23 726 318	33 759 509
Changes in inventories	(2 935 438)	(4 176 752)	(2 163 005)	(3 077 679)
Other operating income	948 984	1 350 283	1 662 591	2 365 654
Raw materials and consumables	(13 680 260)	(19 465 256)	(11 153 126)	(15 869 469)
Personnel expenses	(4 560 801)	(6 489 435)	(4 591 316)	(6 532 854)
Depreciation and amortization	(3 733 560)	(5 312 377)	(3 824 586)	(5 441 896)
Other operating expenses	(4 635 060)	(6 595 096)	(3 743 891)	(5 327 077)
Profit from operations	1 277 241	1 817 350	-87 015	-123 811
Interest - and similar income	1 024	1 457	244	347
Interest - and similar expenses	(890 898)	(1 267 634)	(1 061 233)	(1 509 999)
Profit before taxes	387 367	551 174	(1 148 004)	(1 633 463)
Corporate income tax				
Net profit	387 367	551 174	(1 148 004)	(1 633 463)
Basic earnings per share	0.0162	0.0231	-0.048	-0.0683

JSC " VALMIERAS STIKLA ŠĶIEDRA"

STATEMENTS OF CASH FLOWS

	2010 Year	2010Year	2009 Year	2009Year
	9 months	9 months	9 months	9 months
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Operating activities				
Profit / (loss) before taxation	387 367	551 174	(1 148 004)	(1 633 463)
Adjustments:				
Depreciation and amortization	3 733 560	5 312 377	3 824 586	5 441 896
(Profit) or loss from disposal of fixed assets	(14064)	(20011)	79	112
Interest expense	1 034 532	1 472 006	1 079 706	1 536 283
Interest income	(1024)	(1457)	(244)	(347)
Changes in operating assets and liabilities:				
Inventory	523 285	744 567	3 866	5 501
Accounts receivable and other assets	(169 649)	(241 389)	(563 477)	(801 756)
Accounts payable and other liabilities	1 076 125	1 531 188	(1 623 107)	(2 309 473)
Interest received	1 024	1 457	244	347
Cash provided by operating activities	6 571 156	9 349 913	5 436 241	7 735 074
Investing activities				
Purchase of fixed assets and intangible assets, advance payments	(767 225)	(1 091 663)	(1 295 892)	(1 843 888)
Proceeds from sale of fixed assets	36 767	52 315	4 873	6 934
Net cash used in investing activities	(730 458)	(1 039 348)	(1 291 019)	(1 836 955)
Financing activities				
Received loans from credit institution	0	0	284 636	405 001
Paid loans to credit institutions	(2 227)	(3 169 867)	(2 060 460)	(2 931 770)
Received credit line	13 904 981	19 785	34 133 097	48 567 022
Paid credit line	(16 292 529)	(23 182 180)	(35 153 740)	(50 019 266)
Paid finance lease	(11 052)	(15 726)	(3 762)	(5 353)
Interest expenses paid	(1 041 675)	(1 482 170)	(1 144 805)	(1 628 911)
Net cash provided by financing activities	(5 668 070)	(8 064 937)	(3 945 034)	(5 613 278)
Net (decrease) / increase in cash and cash equivalents	172 628	245 628	200 188	(284 842)
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	698 784	994 280	597 097	849 592

A/S "Valmieras stikla šķiedra "

Statements of shareholders' equity
In 9 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 9 Months 2009 profit		-1 148 004	-1 148 004		-1 633 463	-1 633 463
Current X-XII 2009 profit		1 166 426	1 166 426		1 659 675	1 659 675
AS of 31 december 2009	23 903 205	4 621 147	28 524 352	34 011 197	6 575 300	40 586 496
Current 9 Months 2010 profit		387 367	387 367		551 174	551 174
Current of 30 September 2010	23 903 205	5 008 514	28 911 719	34 011 197	7 126 473	41 137 670

Andris Oskars Brutāns
Chairman of the Board

ANNEX

1. SHARE CAPITAL

The company's registered share capital as at 30 September 2010 and 2009 was LVL 23.903.205. The company's paid share capital registered with the Enterprise Register as at 30 September 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 September 2010 and 2009 the shareholders of the Company, in accordance with the records maintained by the Latvian Central Depository, were as follows:

	2010	2009
	9 Months	9 Months
P-D Glasseiden Oschatz GmbH	26.0%	38.2%
Vitruhan 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
	9 Months		9 Months	
	LVL	0.702804	LVL	0.702804
Raw materials	8 188 361	11 650 988	7 056 306	10 040 219
Electricity	1 871 089	2 662 320	1 567 095	2 229 775
Ore processing costs	195 670	278 413	139 400	198 348
Natural gas	1 834 210	2 609 846	1 667 200	2 372 212
Depletion of ore	130 558	185 767	97 164	138 252
Other	1 460 372	2 077 922	625 961	890 662
Total	13 680 260	19 465 256	11 153 126	15 869 469

2. PERSONNEL EXPENSES

Salaries	3 245 757	4 618 296	3 108 140	4 422 485
Social security payments	835 029	1 188 139	844 902	1 202 187
Illness and vacation expenses	326 097	463 994	429 616	611 288
Provisions of Board and Council	89 900	127 916	54 800	77 973
Insurance of employees	30 937	44 019	36 357	51 731
Other	33 081	47 070	117 501	167 189
Total	4 560 801	6 489 435	4 591 316	6 532 854

3. DEPRECIATION AND AMORTISATION

Fixed asset depreciation	3 723 288	5 297 762	3 810 431	5 421 755
Intangible asset amortisation	10 272	14 616	14 155	20 141
Total	3 733 560	5 312 377	3 824 586	5 441 896

4. OTHER OPERATING EXPENSES

Transportation	1 749 272	2 488 990	1 350 787	1 921 997
Commission	1 037 438	1 476 141	898 580	1 278 564
Service costs	458 795	652 806	382 808	544 687
Repairs	316 316	450 077	244 089	347 307
Maintenance expenses	300 300	427 288	270 313	384 621
Insurance	99 234	141 197	108 547	154 448
Business trips	90 851	129 269	111 918	159 245
Expenses relating to personnel	104 788	149 100	109 470	155 762
Communications	36 869	52 460	40 181	57 172
Leasing	58 914	83 827	73 732	104 911
Property tax	33 632	47 854	40 504	57 632
Office expenses	24 994	35 563	16 509	23 490
Selling expenses	32 171	45 775	24 345	34 640
Increase in doubtful debts	3 000	4 269	34 000	48 378
Other	288 486	410 479	38 108	54 223
Total	4 635 060	6 595 096	3 743 891	5 327 077

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

3. TRADE RECEIVABLES

	2010	EUR	2009	EUR
	9 months		9 months	
	LVL	0.702804	LVL	0.702804
P-D Glasseiden Oschatz GmbH	2 909 251	4 139 491	2 306 942	3 282 483
Vitrolan Technical GmbH	358 295	509 808	376 751	536 068
Vitrolan Textilglas GmbH	174 278	247 975	398 843	567 502
Other trade receivables	3 412 204	4 855 129	3 140 737	4 468 866
	6 854 028	9 752 403	6 223 273	8 854 920

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 – 30.09.10



Currency: LVL

Open	0,48 LVL
Max	0,69 LVL
Min	0,41 LVL
Last	0,62 LVL
Change	44,19%
Deals	422
No of shares traded	324 377
Turnover	17 5621,83 LVL