



JSC "VALMIERAS STIKLA ŠĶIEDRA"

Reg.No. 40003031676

NOT AUDITED

Financial report

as at December 31, 2010

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

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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 - 31 countries. 75.0% 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 are as follows:

	Sales thousand LVL	Net profit LVL
2008	37 813	505 594
2009	30 257	18 422
2010	39 166	595 309

The operating profit (EBIT) in 2010 was LVL 1.8 million.

The net sales in 2010 were LVL 39.2 million, which is LVL 3.2 million or 8.9% more than our forecast. This is a result of successful marketing, as well as the growing demand in the world's fibreglass market.

The net sales forecast was influenced by the following factors:

- 1) more rapid increase of costs for electricity, natural gas, transportation
- 2) the influence of the hot temperatures in the summer on the production and the quality
- 3) the electricity black-out in August 2010

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

After the reconstruction the 2.fibreglass furnace was put in production.

In order to increase production efficiency - thereby increasing productivity, providing a lower energy content and to gain lower production costs, the investments in the machinery, buildings and production lines were made in accordance with the plan for 2010.

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

2008	2.20
2009	2.74
2010	3.12

The financial independence of the Company has also slightly improved, as the liability to equity ratio has decreased:

2008	1.27
2009	1.07
2010	0.91

The proportion of liabilities the balance sheet amounted to 48.2%, return on assets 1.1%, while return on capital of 2.0%.

The Board of the Company has developed and the council has approved the budget and investment plans of 2011.

JSC Valmieras Stikla Šķiedra expects to sell at about 44.2 million LVL, make a net profit 1.4 million LVL and invest 3.9 million LVL.

The company expects strong demand in 2011, the maintenance and further price rises of up to 10% in the glass fiber markets.

Market forces will have a positive impact from the European Commission's decision on the provisional anti-dumping duties on the imports of glass fiber mesh cloth from People's Republic of China, which was adopted in February 2011.

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

As of 31. December 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.Feb.11

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 31 December 2010 and the results of its operations and cash flows for the year ended 31 December 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 31 December 2010 AND 31 December 2009

	2010	CURRENCY	2009	CURRENCY
	LVL	EXCHANGE RATE	LVL	EXCHANGE RATE
		on 31/12 /2010EUR		on31/12 /2009EUR
ASSETS				
<i>Non-current assets</i>		0.702804		0.702804
<i>Intangible assets</i>				
Patents and licenses	12 298	17 498	21 449	30 519
Other intangible assets	17 477	24 868	17 477	24 868
Total intangible assets	29 775	42 366	38 926	55 387
<i>Fixed assets</i>				
Land and buildings	8 923 095	12 696 420	9 696 296	13 796 586
Equipment and machinery	23 983 133	34 124 924	20 497 092	29 164 734
Other fixed assets	253 029	360 028	287 357	408 872
Construction in progress	139 860	199 003	6 910 297	9 832 467
Advance payments for fixed assets	270 936	385 507	3 153	4 486
Total fixed assets	33 570 053	47 765 882	37 394 195	53 207 146
Total non-current assets	33 599 828	47 808 248	37 433 121	53 262 533
<i>Current assets</i>				
<i>Inventory</i>				
Raw materials	8 818 192	12 547 157	5 913 663	8 414 384
Work in progress	1 413 243	2 010 864	1 947 958	2 771 695
Finished goods	4 472 605	6 363 944	5 563 838	7 916 628
Advance payments for inventories	24 822	35 319	29 436	41 884
Total inventory	14 728 862	20 957 283	13 454 895	19 144 591
<i>Accounts receivable</i>				
Trade receivables	6 559 155	9 332 837	6 842 813	9 736 446
Other receivables	303 802	432 271	490 322	697 665
Deferred expenses	225 313	320 592	242 559	345 130
Total accounts receivable	7 088 270	10 085 700	7 575 694	10 779 241
Derivatives	–	–		
Cash and cash equivalents	231 995	330 099	526 156	748 653
Total current assets	22 049 127	31 373 081	21 556 745	30 672 485
TOTAL ASSETS	55 648 955	79 181 329	58 989 866	83 935 017

JSC VALMIERAS STIKLA ŠĶIEDRA

BALANCE SHEET

AS AT 31 December 2010 AND 31 December 2009

	2010	CURRENCY	2009	CURRENCY
	LVL	EXCHANGE RATE	LVL	EXCHANGE RATE
		on 31/12 2010 EUR		on 31/12 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	595 309	847 048	18 422	26 212
Total shareholders' equity	29 119 661	41 433 545	28 524 352	40 586 496
Liabilities				
Non-current liabilities				
Due to credit institutions	19 453 995	27 680 541	22 590 396	32 143 238
Finance lease	–	–	–	–
Deferred tax	–	–	–	–
Total non-current liabilities	19 453 995	27 680 541	22 590 396	32 143 238
Current liabilities				
Due to credit institutions	2 995 361	4 262 015	5 191 936	7 387 459
Finance lease	6 789	9 660	16 107	22 918
Advance payments from customers	103 161	146 785	5 919	8 422
Trade payables	3 343 966	4 758 035	2 097 483	2 984 449
Taxes and social security payments	295 022	419 778	324 785	462 127
Other accounts payable	258 118	367 269	180 701	257 114
Accrued liabilities	71 882	102 279	54 787	77 955
Deferred	1 000	1 423	3 400	4 838
Derivatives	–	–	–	–
Dividend for the financial year	–	–	–	–
Total current liabilities	7 075 299	10 067 243	7 875 118	11 205 283
Total liabilities	26 529 294	37 747 785	30 465 514	43 348 521
Total liabilities & shareholders' equity	55 648 955	79 181 329	58 989 866	83 935 017

JSC VALMIERAS STIKLA ŠKIEDRA

STATEMENT OF PROFIT AND LOSS

FOR THE YEARS ENDED 31 December 2010 AND 31 December 2009

	31.12.2010		31.12.2009	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Revenues	39 165 581	55 727 601	30 257 246	43 052 182
Changes in inventories	(1 625 200)	(2 312 451)	(2 403 429)	(3 419 771)
work performed by the entity and capitalized	8 646	12 302	45 239	64 369
Other operating income	932 369	1 326 642	4 961 799	7 060 004
Raw materials and consumables	(18 975 965)	(27 000 366)	(13 835 116)	(19 685 597)
Personnel expenses	(6 225 893)	(8 858 648)	(5 983 146)	(8 513 250)
Depreciation and amortization	(5 022 914)	(7 146 963)	(5 077 652)	(7 224 848)
Other operating expenses	(6 456 002)	(9 186 063)	(6 710 711)	(9 548 482)
Profit from operations	1 800 622	2 562 054	1 254 230	1 784 609
Interest - and similar income	153 902	218 983	28 504	40 558
Interest - and similar expenses	(1 359 215)	(1 933 989)	(1 424 673)	(2 027 127)
Profit before taxes	595 309	847 048	(141 939)	(201 961)
Corporate income tax			160 361	228 173
Net profit	595 309	847 048	18 422	26 212
Basic earnings per share	0.0249	0.0354	0.0008	0.0011

JSC " VALMIERAS STIKLA ŠĶIEDRA"

STATEMENTS OF CASH FLOWS

	2010 Year	2010Year	2009 Year	2009Year
	12 months	12 months	12 months	12 months
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Operating activities				
Profit / (loss) before taxation	595 309	847 048	(141 939)	(201 961)
Adjustments:				
Depreciation and amortization	5 023 224	7 147 404	5 077 652	7 224 848
Impairment of fixed assets			30 848	
(Profit) or loss from disposal of fixed assets	(18071)	(25713)	12 187	17 341
Interest expense	1 358 709	1 933 269	1 420 912	2 021 776
Interest income	(1489)	(2119)	(1815)	(2583)
Changes in operating assets and liabilities:				
Inventory	(1 273)	(1 812 692)	4 193	5 966
Accounts receivable and other assets	487 424	693 542	(1 464 570)	(2 083 895)
Accounts payable and other liabilities	1 406 074	2 000 663	(1 796 600)	(2 556 331)
Interest received	1 489	2 119	1 815	2 583
Cash provided by operating activities	7 578 702	10 783 521	7 331 622	10 431 958
Investing activities				
Purchase of fixed assets and intangible assets, advance payments	(1 208 203)	(1 719 118)	(1 796 857)	(2 556 697)
Proceeds from sale of fixed assets	40 957	58 277	4 872	6 932
Net cash used in investing activities	(1 167 246)	(1 660 841)	(1 791 985)	(2 549 765)
Financing activities				
Received loans from credit institution	0	0	284 636	405 001
Paid loans to credit institutions	(2 970)	(4 226 488)	(2 803 058)	(3 988 392)
Increase in credit line	(2 362 583)	(3 361 653)	(1 376 199)	(1 958 155)
Paid finance lease	(6 789)	(9 660)	(5 286)	(7 521)
Interest expenses paid	(1 365 852)	(1 943 432)	(1 510 483)	(2 149 224)
Net cash provided by financing activities	(6 705 617)	(9 541 233)	(5 410 390)	(7 698 291)
Net (decrease) / increase in cash and cash equivalents	(294 161)	(418 553)	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	231 995	330 099	526 156	748 653

A/S "Valmieras stikla šķiedra "

Statements of shareholders' equity

In 12 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 12 Months 2009 profit		18 422	18 422		26 212	26 212
AS of 31 december 2009	23 903 205	4 621 147	28 524 352	34 011 197	6 575 300	40 586 496
Current 12 Months 2010 profit		595 309	595 309		847 048	847 048
Current of 31 December 2010	23 903 205	5 216 456	29 119 661	34 011 197	7 422 348	41 433 545

Andris Oskars Brutāns

Chairman of the Board

ANNEX

1. SHARE CAPITAL

The company's registered share capital as at 31 December 2010 and 2009 was LVL 23.903.205. The company's paid share capital registered with the Enterprise Register as at 31 December 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 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
	12 Months	12 Months
P-D Glasseiden Oschatz GmbH	26.0%	26.0%
Vitrolan International GmbH	36.2%	36.2%
P-D Management Industries-Technologies DmbH	23.9%	23.9%
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
	12 Months		12 Months	
	LVL	0.702804	LVL	0.702804
Raw materials	11 610 373	16 520 072	7 419 563	10 557 087
Electricity	2 541 388	3 616 069	2 044 955	2 909 709
Ore processing costs	265 493	377 763	179 212	254 996
Natural gas	2 625 845	3 736 241	2 076 966	2 955 256
Depletion of ore	173 587	246 992	89 100	126 778
Other	1 759 279	2 503 228	2 025 320	2 881 771
Total	18 975 965	27 000 366	13 835 116	19 685 597

2. PERSONNEL EXPENSES

Salaries	4 575 792	6 510 765	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	59 450	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

3. DEPRECIATION AND AMORTISATION

Fixed asset depreciation	5 010 957	7 129 949	5 059 032	7 198 354
Intangible asset amortisation	11 957	17 013	18 620	26 494
Total	5 022 914	7 146 963	5 077 652	7 224 848

4. OTHER OPERATING EXPENSES

Transportation	2 505 535	3 565 055	1 901 661	2 705 820
Cost of sold precious metals			1 502 325	2 137 616
Commission	1 402 950	1 996 218	1 117 257	1 589 713
Service costs	554 949	789 621	472 351	672 095
Repairs	449 918	640 176	368 138	523 813
Maintenance expenses	414 039	589 124	386 676	550 190
Insurance	133 863	190 470	143 475	204 147
Business trips	134 978	192 056	163 294	232 346
Expenses relating to personnel	200 876	285 821	167 127	237 800
Communications	54 771	77 932	58 324	82 988
Leasing	108 888	154 934	90 021	128 088
Property tax	57 139	81 301	45 243	64 375
Office expenses	33 462	47 612	23 749	33 792
Selling expenses	36 707	52 229	36 330	51 693
Increase in doubtful debts	-	339	-	482
Other	368 266	523 995	186 955	266 013
Total	6 456 002	9 186 063	6 710 711	9 548 482

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3. TRADE RECEIVABLES

	2010	EUR	2009	EUR
	12 months		12 months	
	LVL	0.702804	LVL	0.702804
P-D Glasseiden Oschatz GmbH	3 444 019	4 900 398	2 002 714	2 849 605
Vitrulan Technical GmbH			32 690	46 514
Vitrulan Textilglas GmbH	80 620	114 712		
Other trade receivables	3 034 516	4 317 727	4 807 409	6 840 327
	6 559 155	9 332 837	6 842 813	9 736 446

Andris Oskars Brutāns

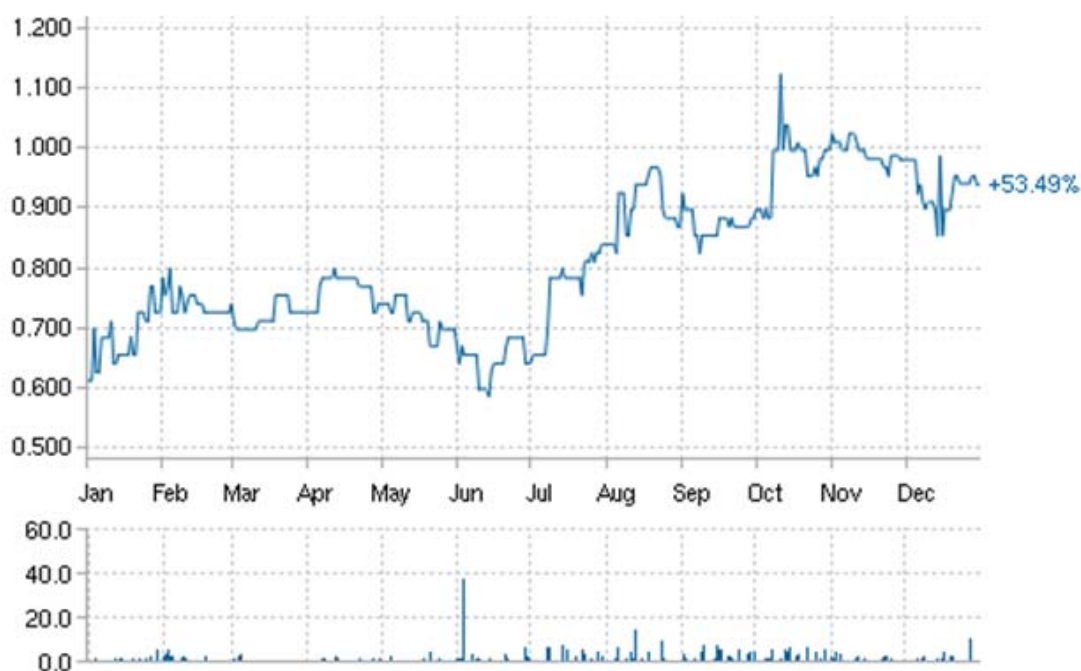
Chairman of the Board

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 – 31.12.10



Currency: LVL

Open	0,480 LVL
Max	0,790 LVL
Min	0,410 LVL
Last	0,660 LVL
Change	53,488 %
Deals	610
No of shares traded	425 314
Turnover	243 831,81 LVL