



JSC Valmieras stikla šķiedra

Reg.no. 40003031676

FINANCIAL REPORT

NOT AUDITED

as at June 30th 2011

COMPANY NAME	Valmieras stikla šķiedra
LEGAL STATUS	Joint Stock Company
REGISTRATION NUMBER, PLACE AND DATE	Nr. 40003031676 Riga, September 30 th 1991
TYPE OF BUSINESS	Production of glass fiber 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 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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JSC VALMIERAS STIKLA ŠĶIEDRA MANAGEMENT REPORT

The Company's primary business is the manufacture and sale of fiberglass and fiberglass products. The production is sold in Europe, USA, Japan, Canada, Australia, Russia, Ukraine and the Baltic States, in total 31 countries. 75% 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. The German Quality management system certification company DQS GmbH once per three years audits the compliance with these requirements. On 4 March 2009 the Company received quality management system certificate that is valid until 5 March 2012

Total sales and net profit for the period of 6 months of the last 3 years are as follows:

	Sales thousand. LVL	Net profit LVL
2009	14 893	-556 214
2010	19 075	229 461
2011	24 252	940 612

The net sales for the 6 months of 2011 was LVL 24.6 million, that is LVL 2.0 million or 9 % more than our forecast, and the net profit was LVL 0.94 million, that is LVL 0.71 million more than over the same period of 2010. The operating profit (EBITDA) in the 1st half of 2011 was LVL 4.2 million that is 29.3 % more than over the same period of 2010. The earnings before interest and taxes (EBIT) was LVL 1.67 million that is LVL 0.85 million or 105 % more than over the same period of 2010. The prices of the production have risen for about 6 %. The Realization of the Production has risen in all the main markets of the Company, especially in EU +33%, USA and Canada +25%. From the European market a notable rise has taken place in the Portuguese market and in the Czech market compared to the same period of 2010. The forecast of the profit for 2011 stays unchanged by LVL 1.4 million, as well as the forecast of the sales by LVL 45 million. Main production types in the 1st half of 2011 were fiberglass textiles (58%) and threads (37%).

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

In order to increase production efficiency - thereby increasing productivity, providing 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.

The fulfillment of the project for the reconstruction of one of the glass-melting furnace, that is necessary for the production of a new type of glass fiber. The fiber that will be gained from this type of glass will allow the Company to produce innovative products with unique characteristics and this will secure the lead position in the market of the industrial fiber glass isolation.

The investments in the first 6 months of 2011 were LVL 1.1 million, mostly for the development and increase in the production capacity, which is necessary for the execution of the orders.

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

2009	2.74
2010	2.89
2011	2.38

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

2009	1.07
2010	1.00
2011	0.94

The proportion of liabilities the balance sheet for the period of the 1st half of 2011 amounted to 48.4%, return on assets 1.1%, while return on capital (ROCE) of 3.5%.The share price of JSC "Valmieras stikla šķiedra" listed in Riga Stock Exchange has increased by LVL 0.12 or 18.2%, i.e., from LVL 0.66 per share as of 31.12.2010 to LVL 0.78 per share as of 30.06.2011.

As of June 30th 2011 there are 793 employees working in the JSC "Valmieras stikla šķiedra".

For the preparation of the not revised financial report for as per 6 months of 2011 the accounting policy of the revised report of 2010 was used.

Andris Oskars Brutāns
Chairman of the Board
July 29th 2011

JSC VALMIERAS STIKLA ŠĶIEDRA STATEMENT OF MANAGEMENT RESPONSABILITIES

The Management of JSC “Valmieras stikla šķiedra” (hereafter – Company) is responsible for the 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 June 30th 2011 and the results of its operations and cash flow for the year ended June 30th 2011. The Management confirms that suitable accounting policies have been used and applied consistently and reasonable and prudent judgments 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,

Andris Oskars Brutāns
Chairman of the Board

JSC VALMIERAS STIKLA ŠĶIEDRA BALANCE

As at June 30th 2011 and at June 30th 2010

	2011.30.06. LVL	2011.30.06. EUR	2010.30.06. LVL	2010.30.06. EUR
ASSETS		0.702804		0.702804
Non-current assets				
Intangible assets				
Patents and licenses	9 887	14 068	12 982	18 472
Other intangible assets	22 277	31 697	17 477	24 868
Total intangible assets	32 164	45 765	20 459	43 339
Fixed assets				
Land and buildings	8 513 151	12 113 123	9 300 631	13 233 606
Equipment and machinery	22 669 686	32 256 057	25 892 341	36 841 482
Other fixed assets	241 548	343 692	271 246	385 948
Construction in progress	470 640	669 660	81 778	116 360
Advance payments for fixed assets	2 089 105	2 972 529	11 221	15 966
Total fixed assets	33 984 130	48 355 061	35 557 217	50 593 362
Total non-current assets	34 016 294	48 400 826	35 587 676	50 636 701
Current assets				
Inventory				
Raw materials	8 598 358	12 234 361	7 843 727	11 160 618
Work in progress	1 216 301	1 730 640	1 553 622	2 210 605
Finished goods	3 598 226	5 119 814	3 918 400	5 575 381
Advance payments for inventories	17 791	25 214	53 267	75 792
Total inventory	13 430 676	19 110 130	13 369 016	19 022 396
Accounts receivable				
Trade receivables	9 339 564	13 289 002	7 322 827	10 419 444
Other receivables	302 006	429 716	466 664	664 003
Deferred expenses	371 142	528 087	358 245	509 737
Total accounts receivable	10 012 712	14 246 806	8 147 736	11 593 184
Derivatives	-	-	-	-
Cash and cash equivalents	513 059	730 017	302 926	431 025
Total current assets	23 956 447	34 086 953	21 819 678	31 046 605
TOTAL ASSETS	57 972 741	82 487 779	57 407 354	81 683 306

JSC VALMIERAS STIKLA ŠĶIEDRA BALANCE

As at June 30th 2011 and at June 30th 2010

	2011.30.06. LVL	2011.30.06. EUR	2010.30.06. LVL	2010.30.06. EUR
LIABILITIES AND 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	5 053 567	7 190 578	4 621 147	6 575 300
b) Current profit	940 612	1 338 370	229 461	326 494
Total Shareholders' equity	29 897 384	42 540 145	28 753 813	40 912 990
Liabilities				
Non-current liabilities				
Due to credit institutions	17 968 799	25 567 298	21 105 199	30 029 993
Finance lease	-	-	-	-
Deferred tax	40 000	56 915	-	-
Total non-current liabilities	18 008 799	25 624 212	21 105 199	30 029 993
Current liabilities				
Due to credit institutions	5 853 576	8 328 888	4 086 569	5 810 395
Finance lease	45 653	64 958	4 799	6 828
Advance payments from costumers	2 476	3 523	4 023	5 724
Trade payables	3 498 010	4 977 220	2 670 121	3 799 240
Taxes and social security payments	225 652	321 074	357 544	508 739
Other accounts payable	304 317	433 004	214 807	305 643
Accrued liabilities	209 768	298 473	245 219	348 915
Deferred	-72 894	-103 719	-31 740	-45 162
Derivatives	-	-	-	-
Dividends for the financial year	-	-	-	-
Total current liabilities	10 066 558	14 323 422	7 548 342	10 740 323
Total liabilities	28 075 357	39 947 634	28 653 541	40 770 316
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	57 972 741	82 487 779	57 407 354	81 683 306

JSC VALMIERAS STIKLA ŠĶIEDRA
STATEMENT OF PROFIT AND LOSS

1st half of 2011

	2011.30.06.	2011.30.06.	2010.30.06.	2010.30.06.
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Revenues	24 251 918	34 507 370	19 075 148	27 141 490
Changes in inventories	(1 082 178)	(1 539 801)	(2 047 500)	(2 913 330)
Other operating income	186 256	265 018	661 562	941 318
Raw materials and consumables	(12 463 440)	(17 733 877)	(8 650 225)	(12 308 161)
Personnel expenses	(3 566 877)	(5 075 209)	(2 940 509)	(4 183 967)
Depreciation and amortization	(2 537 045)	(3 609 890)	(2 437 448)	(3 468 176)
Other operating expenses	(3 122 928)	(4 443 526)	(2 848 431)	(4 052 952)
Profit from operation	1 665 706	2 370 086	812 597	1 156 221
Interest and similar income	274	390	142	202
Interest and similar expenses	(685 368)	(975 191)	(583 278)	(829 930)
Profit before taxation	980 612	1 395 285	229 461	326 494
Corporate income tax	40 000	56 915	-	-
Net profit	940 612	1 338 370	229 461	326 494
Basic earnings per share	0.0394	0.0561	0.0096	0.0137

JSC VALMIERAS STIKLA ŠĶIEDRA
STATEMENT OF CASH FLOW

	1 st half of 2011		1 st half of 2010	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Operating activities				
Profit / (loss) before taxation	980 612	1 395 285	229 461	326 494
Adjustments:				
Depreciation and amortization	2 537 045	3 609 890	2 437 448	3 468 176
(Profit) or loss from disposal of fixed assets	-	-	-	-
Interest expense	630 441	897 037	697 893	993 012
Interest income	(274)	(390)	(142)	(202)
Changes in operating assets and liabilities:				
Inventory	1 309 228	1 862 864	85 879	122 195
Accounts receivable and other assets	(2 924 442)	(4 161 106)	(572 042)	(813 942)
Accounts payable and other liabilities	54 778	77 942	792 899	1 128 194
Interest received	142	202	142	202
Net cash provided by operating activities	2 587 530	3 681 723	3 671 538	5 224 128
Investing activities				
Purchase of fixed and intangible assets, advance payments	(2 929 907)	(4 168 882)	(584 860)	(832 181)
Proceeds from sales of fixed assets	68 575	97 573	-	-
Net cash used in investing activities	(2 861 332)	(4 071 309)	(584 860)	(832 181)
Financing activities				
Received loans from credit institutions	-	-	-	-
Paid loans to credit institutions	(1 485 196)	(2 113 244)	(1 485 196)	(2 113 244)
Received credit line	11 406 811	16 230 430	11 939 059	16 987 750
Paid credit line	(8 548 595)	(12 163 555)	(13 047 427)	(18 564 816)
Dividends paid	(184 055)	(261 887)	-	-
Paid finance lease	(3 658)	(5 205)	(11 308)	(16 090)
Interest expenses paid	(630 441)	(897 037)	(705 036)	(1 003 176)
Net cash provided by financing activities	554 866	789 503	(3 309 908)	(4 709 575)
Net (decrease)/ increase in cash and cash equivalents	281 064	399 918	(223 230)	(317 628)
Cash and cash equivalents at the beginning of the year	231 995	330 099	526 156	748 653
Cash and cash equivalents at the end of the year	513 059	730 017	302 926	431 025

JSC VALMIERAS STIKLA ŠĶIEDRA
STATEMENT OF SHAREHOLDERS' EQUITY

As at June 30th 2011

Rate of exchange of EUR **0.702804**

	Share capital LVL	Retained earnings LVL	Total LVL	Share capital EUR	Retained earnings EUR	Total EUR
As of December 31st 2010	23 903 205	4 621 147	28 524 352	34 011 197	6 575 300	40 586 496
Current profit of 6 months of 2010		229 461	229 461		326 494	326 494
Current profit of 2 nd half of 2010		387 013	387 013		550 670	550 670
As of December 31 st 2010	23 903 205	5 237 621	29 140 826	34 011 197	7 452 463	41 463 660
Current profit of 6 months of 2011		940 612	940 612		1 338 370	1 338 370
Dividends paid		-184 054	-184 054		-261 885	-261 885
Current as of June 30th 2011	23 903 205	5 994 179	29 897 384	34 011 197	8 528 948	42 540 145

Andris Oskars Brutāns
Chairman of the Board

JSC VALMIERAS STIKLA ŠĶIEDRA ANNEX

1. SHARE CAPITAL

The company's registered share capital as at June 30th 2011 and 2010 was LVL 23 903 205. The company's paid share capital registered with the Enterprise Register as at June 30th 2011 and 2010 was LVL 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 June 30th 2011 and 2010 the shareholders of the Company, in accordance with the records, maintained by the Latvian Central Depository, were as follows:

	6 months of 2011	6 months of 2010
P – D Glasseiden GmbH Oschatz	26.0%	26.0%
Vitrulan International GmbH	36.2%	36.2%
P – D Management Industries-Technologies GmbH	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%	100%

2. INFORMATION CONCERNING THE PROFIT AND LOSS ACCOUNT

1. Material Expenses

	6 months of 2011		6 months of 2010	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Raw materials	7 820 649	11 127 781	5 396 606	7 678 679
Electricity	1 607 916	2 287 858	1 182 666	1 682 782
Ore processing costs	152 459	216 930	127 366	181 225
Natural gas	1 292 329	1 838 819	1 163 794	1 655 930
Depletion of ore	125 221	178 173	87 847	124 995
Other	1 464 866	2 084 317	691 946	984 550
Total	12 463 440	17 733 877	8 650 225	12 308 161

2. Personnel expenses

Salaries	2 619 612	3 727 372	2 146 510	3 054 209
Social security payments	644 097	916 467	537 895	765 356
Illness and vacation expenses	208 736	297 005	154 123	219 297
Provisions for bonuses of Board and Council	60 000	85 372	60 000	85 372
Insurance of employees	19 128	27 217	19 997	28 453
Other	15 304	21 776	21 984	31 280
Total	3 566 877	5 075 209	2 940 509	4 183 967

3. Depreciation and amortization

Depreciation of fixed assets	2 534 303	3 605 988	2 428 802	3 455 874
Amortization of intangible assets	2 742	3 902	8 646	12 302
Total	2 537 045	3 609 890	2 437 448	3 468 176

4. Other operating expenses

Transportation	1 363 636	1 940 279	1 016 497	1 446 345
Commission	614 591	874 484	634 213	902 404
Service costs	328 608	467 567	297 865	423 824
Repairs	187 958	267 440	183 869	261 622
Maintenance expenses	227 177	323 244	177 246	252 198
Insurance	70 895	100 874	66 764	94 997
Business trips	82 922	117 987	56 651	80 607
Expenses relating to personnel	77 749	110 627	58 250	82 882
Communications	22 080	31 417	23 029	32 767
Leasing	28 797	40 974	26 120	37 165
Property Tax	28 499	40 550	22 416	31 895
Office Expenses	17 886	25 449	14 379	20 459

Selling expenses	34 108	48 531	26 537	37 759
Increase in doubtful debts	2 000	2 846	2 000	2 846
Other	36 022	51 255	242 595	345 182
Total	3 122 928	4 443 526	2 848 431	4 052 952

3. TRADE RECEIVABLES

	6 months of 2011		6 months of 2010	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
P – D Glasseiden GmbH Oschatz	4 194 939	5 968 860	3 002 589	4 272 299
Vitrulan Technical Textiles GmbH	600 478	854 403	345 054	490 968
Vitrulan Textilglas GmbH	232 159	330 332	151 360	215 366
Other trade receivables	4 311 988	6 135 406	3 823 824	5 440 811
	9 339 564	13 289 002	7 322 827	10 419 444

Andris Oskars Brutāns
Chairman of the Board

On information, stated in this financial report, please contact

Dzintars Rudzītis

Head Accountant

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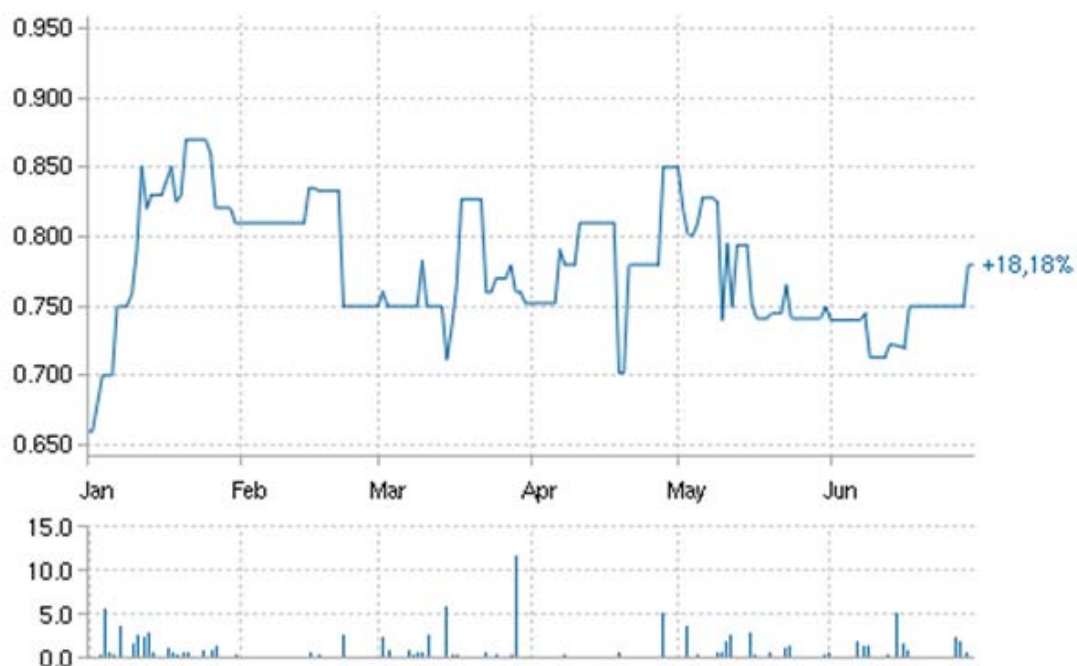
e-mail: dzintars@vss.lv

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 01.01.11 – 30.06.11



Currency: LVL

Open	0,688 LVL
Max	0,910 LVL
Min	0,680 LVL
Last	0,780 LVL
Change	18,182 %
Deals	283
No of shares traded	122 406
Turnover	93 233,90LVL