



JSC Valmieras stikla šķiedra

Reg.no. 40003031676

FINANCIAL REPORT

NOT AUDITED

as at September 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

CONTENT

MANAGEMENT REPORT.....	4
STATEMENT OF MANAGEMENT RESPONSABILITIES	6
BALANCE.....	7
STATEMENT OF PROFIT AND LOSS.....	9
STATEMENT OF CASH FLOW.....	10
STATEMENT OF SHAREHOLDERS' EQUITY	11
ANNEX.....	12

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 9 months of the last 3 years are as follows:

	Sales thousand. LVL	Net profit LVL
2009	23 726	-1 148 004
2010	29 873	387 367
2011	36 355	885 939

The net sales for the 9 months of 2011 was LVL 36.4 million, that is LVL 1.7 million or 5 % more than our forecast, and the net profit was LVL 0.89 million, that is LVL 0.5 million more than over the same period of 2010. The operating profit (EBITDA) in the 9 months of 2011 was LVL 5.75 million that is 14.8 % more than over the same period of 2010. In relation to the total amount it is 16.7%. The earnings before interest and taxes (EBIT) was LVL 1.95 million that is LVL 0.67 million or 52.3 % more than over the same period of 2010. In relation to the total amount it is 5.6%. The results of the company's business activity in the 3.Quarter of 2011 was mainly influenced by the start of production project of the ECR Glass, due to which one of the melting furnace had to be stopped for a short period of time. In the next three months great results are expected – the company's net profit in October has reached an estimated 530 TLVL, that is the best result in the company's history. Considering the development tendencies of the market and the company's results in the last months, the management of the company is increasing the forecast for the sales in 2011 from 45 million LVL to 47 million LVL, which signifies an increase of 20% in relation to 2010. The Net profit forecast is also increased from 1.4 million LVL to 1.6 million LVL, which signifies an increase of 160% in relation to 2010. The prices of the production have risen for about 6%. The Sales in the geographical markets are as follows: EU – 20% increase in relation to 2010 (inc. in Latvia an increase of 20%); USA and Canada – an increase of 25%; Russia and Ukraine – an increase of 21%; other (inc. Switzerland, Croatia and India) – an increase of 78%. We are trying to enter new markets and we are experiencing great results in India. The company's customer base has expanded, especially in the U.S. market.

With the exception of the fiberglass textiles, there has been an evident rise in all the product groups, especially with the construction sieve with an increase of 18% in relation to the same period of time in 2010.

Despite the concerns about the economic development tendencies in the world, the management of the company sees a further improvement in the company's results, including an increase in Sales and Net profit in 2012. The new development plan for the company (time period – three years), as well as the budget for 2012 is currently in works and they are expected to be approved at the Councils meeting on December 9th, 2011.

In November an agreement with the Latvian Investment and Development Agency will be signed for support in the realization of a new glass furnace investment project.

The realization of the ECR fiberglass production project is still active. The conclusion of this project is set to take place in the 1.Quarter of 2012. Within the project the company has registered a trade mark "HR" glass, meaning High Resist and its heat resistance reaches 800 degrees Celsius.

The investments in the first 9 months of 2011 were LVL 4.3 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	2.52
2010	3.18
2011	2.36

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

2009	1.16
2010	0.93
2011	0.91

The proportion of liabilities the balance sheet for the period of the 9 months of 2011 amounted to 47.5%, return on assets 5.4%, while return on capital (ROCE) of 4.1%. The share price of JSC “Valmieras stikla šķiedra” listed in Riga Stock Exchange has decreased by LVL 0.07 or 10.6%, i.e., from LVL 0.66 per share as of 31.12.2010 to LVL 0.58 per share as of 30.09.2011.

As of September 30th 2011 there are 801 employees working in the JSC “Valmieras stikla šķiedra”.

For the preparation of the not revised financial report for as per 9 months of 2011 the accounting policy of the revised report of 2010 was used.

Andris Oskars Brutāns
Chairman of the Board
November 10th 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 September 30th 2011 and the results of its operations and cash flow for the year ended September 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 7 to 13. 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 September 30th 2011 and at September 30th 2010

	2011.30.09. LVL	2011.30.09. EUR	2010.30.09. LVL	2010.30.09. EUR
ASSETS		0.702804		0.702804
Non-current assets				
Intangible assets				
Patents and licenses	10 704	15 230	12 880	18 327
Other intangible assets	22 277	31 697	17 477	24 868
Total intangible assets	32 981	46 928	30 357	43 194
Fixed assets				
Land and buildings	8 287 877	11 792 587	9 104 472	12 954 497
Equipment and machinery	21 952 366	31 235 403	24 928 147	35 469 558
Other fixed assets	229 930	327 161	251 344	357 630
Construction in progress	3 365 256	4 788 328	124 153	176 654
Advance payments for fixed assets	77 239	109 901	12 752	18 144
Total fixed assets	33 912 668	48 253 379	34 420 868	48 976 483
Total non-current assets	33 945 649	48 300 307	34 451 225	49 019 677
Current assets				
Inventory				
Raw materials	8 827 485	12 560 380	7 948 029	11 309 026
Work in progress	1 098 619	1 563 194	1 397 017	1 987 776
Finished goods	2 583 547	3 676 056	3 187 067	4 534 788
Advance payments for inventories	73 701	104 867	399 497	568 433
Total inventory	12 583 352	17 904 497	12 931 610	18 400 023
Accounts receivable				
Trade receivables	9 102 996	12 952 396	6 854 028	9 752 403
Other receivables	326 509	464 580	598 345	851 368
Deferred expenses	490 097	697 345	292 970	416 859
Total accounts receivable	9 919 602	14 114 322	7 745 343	11 020 630
Derivatives	-	-	-	-
Cash and cash equivalents	403 331	573 888	698 784	994 280
Total current assets	22 906 285	32 592 707	21 375 737	30 414 934
TOTAL ASSETS	56 851 934	80 893 014	55 826 962	79 434 611

JSC VALMIERAS STIKLA ŠĶIEDRA BALANCE

As at September 30th 2011 and at September 30th 2010

	2011.30.09. LVL	2011.30.09. EUR	2010.30.09. LVL	2010.30.09. 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	5 053 565	7 190 575	4 621 147	6 575 300
b) Current profit	885 939	1 260 578	387 367	551 174
Total Shareholders' equity	29 842 709	42 462 349	28 911 719	41 137 670
Liabilities				
Non-current liabilities				
Due to credit institutions	17 226 201	24 510 676	20 196 593	28 737 163
Finance lease	-	-	-	-
Deferred tax	70 000	99 601	-	-
Total non-current liabilities	17 296 201	24 610 277	20 196 593	28 737 163
Current liabilities				
Due to credit institutions	5 987 735	8 519 779	2 970 396	4 226 493
Finance lease	38 046	54 135	5 054	7 191
Advance payments from costumers	48 679	69 264	1 414	2 012
Trade payables	2 784 168	3 961 514	2 864 918	4 076 411
Taxes and social security payments	236 873	337 040	370 046	526 528
Other accounts payable	258 505	367 819	219 843	312 808
Accrued liabilities	371 768	528 978	343 579	488 869
Deferred	-12 750	-18 142	-56 600	-80 535
Derivatives	-	-	-	-
Dividends for the financial year	-	-	-	-
Total current liabilities	9 713 024	13 820 388	6 718 650	9 559 778
Total liabilities	27 009 225	38 430 665	26 915 243	38 296 941
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	56 851 934	80 893 014	55 826 962	79 434 611

JSC VALMIERAS STIKLA ŠĶIEDRA
STATEMENT OF PROFIT AND LOSS

9 months of 2011

	2011.30.09. LVL	2011.30.09. EUR	2010.30.09. LVL	2010.30.09. EUR
		0.702804		0.702804
Revenues	36 354 526	51 727 830	29 873 376	42 505 985
Changes in inventories	(2 214 412)	(3 150 824)	(2 935 438)	(4 176 752)
Other operating income	400 172	569 393	948 984	1 350 283
Raw materials and consumables	(18 812 911)	(26 768 361)	(13 680 260)	(19 465 256)
Personnel expenses	(5 236 581)	(7 450 983)	(4 560 801)	(6 489 435)
Depreciation and amortization	(3 806 915)	(5 416 752)	(3 733 560)	(5 312 377)
Other operating expenses	(4 738 258)	(6 741 934)	(4 635 060)	(903 609)
Profit from operation	1 945 621	2 768 369	1 277 241	7 508 837
Interest and similar income	289	411	1024	1457
Interest and similar expenses	(989 971)	(1 408 602)	(890 898)	(1 267 634)
Profit before taxation	955 939	1 360 179	387 367	551 174
Corporate income tax	70 000	99 601	-	-
Net profit	885 939	1 260 578	387 367	551 174
Basic earnings per share	0.0371	0.0527	0.0162	0.0231

JSC VALMIERAS STIKLA ŠĶIEDRA
STATEMENT OF CASH FLOW

	9 months of 2011		9 months of 2010	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Operating activities				
Profit / (loss) before taxation	955 939	1 360 179	387 367	551 174
Adjustments:				
Depreciation and amortization	3 806 915	5 416 752	3 733 560	5 312 377
(Profit) or loss from disposal of fixed assets	(65 867)	(93 720)	(14 064)	(20 011)
Interest expense	950 408	1 352 309	1 034 531	1 472 006
Interest income	(289)	(411)	(1024)	(1457)
Changes in operating assets and liabilities:				
Inventory	2 156 552	3 068 497	523 285	744 567
Accounts receivable and other assets	(2 831 332)	(4 028 622)	(169 649)	(241 389)
Accounts payable and other liabilities	(425 308)	(605 159)	1 076 125	1 531 188
Interest received	289	411	1 024	1 457
Net cash provided by operating activities	4 547 307	6 470 235	6 571 156	9 349 913
Investing activities				
Purchase of fixed and intangible assets, advance payments	(4 066 304)	(5 785 829)	(767 225)	(1 091 663)
Proceeds from sales of fixed assets	71 485	101 714	36 767	52 315
Net cash used in investing activities	(3 994 819)	(5 684 115)	(730 458)	(1 039 348)
Financing activities				
Received loans from credit institutions	-	-	-	-
Paid loans to credit institutions	(2 227 795)	(3 169 867)	(2 227 795)	(3 169 867)
Received credit line	19 906 204	28 323 977	13 904 981	19 785 005
Paid credit line	(16 913 830)	(24 066 212)	(16 292 529)	(23 182 180)
Dividends paid	(184 055)	(261 887)	-	-
Paid finance lease	(11 268)	(16 033)	(11 052)	(15 726)
Interest expenses paid	(950 408)	(1 352 309)	(1 041 675)	(1 482 170)
Net cash provided by financing activities	(381 152)	(542 330)	(5 668 070)	(8 064 937)
Net (decrease)/ increase in cash and cash equivalents	171 336	243 789	172 628	245 628
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	403 331	573 888	698 784	994 280

JSC VALMIERAS STIKLA ŠĶIEDRA
STATEMENT OF SHAREHOLDERS' EQUITY

As at September 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		387 367	387 367		551 174	551 174
Current profit of 2 nd half of 2010		229 107	229 107		325 990	325 990
As of December 31st 2010	23 903 205	5 237 621	29 140 826	34 011 197	7 452 463	41 463 660
Current profit of 9 months of 2011		885 939	885 939		1 260 578	1 260 578
Dividends paid		-184 054	-184 054		-261 885	-261 885
Current as of September 30th 2011	23 903 205	5 939 504	29 842 709	34 011 197	8 451 153	42 462 349

Andris Oskars Brutāns
Chairman of the Board

JSC VALMIERAS STIKLA ŠĶIEDRA ANNEX

1. SHARE CAPITAL

The company's registered share capital as at September 30th 2011 and 2010 was LVL 23 903 205. The company's paid share capital registered with the Enterprise Register as at September 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 September 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

	9 months of 2011		9 months of 2010	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Raw materials	12 249 110	17 428 913	8 188 361	11 650 988
Electricity	2 382 729	3 390 318	1 871 089	2 662 320
Ore processing costs	214 796	305 627	195 670	278 413
Natural gas	1 697 389	2 415 167	1 834 210	2 609 846
Depletion of ore	178 129	253 455	130 558	185 767
Other	2 090 758	2 974 881	1 460 372	2 077 922
Total	18 812 911	26 768 361	13 680 260	19 465 256

2. Personnel expenses

Salaries	3 682 402	5 239 586	3 245 757	4 618 296
Social security payments	952 576	1 355 394	835 029	1 188 139
Illness and vacation expenses	463 366	659 310	326 097	463 994
Provisions for bonuses of Board and Council	90 000	128 058	89 900	127 916
Insurance of employees	29 733	42 306	30 937	44 019
Other	18 504	26 329	33 081	47 070
Total	5 236 581	7 450 983	4 560 801	6 489 435

3. Depreciation and amortization

Depreciation of fixed assets	3 802 976	5 411 147	3 723 288	5 297 762
Amortization of intangible assets	3 939	5 605	10 272	14 616
Total	3 806 915	5 416 752	3 733 560	5 312 377

4. Other operating expenses

Transportation	2 076 702	2 954 881	1 749 272	2 488 990
Commission	920 627	1 309 934	1 037 438	1 476 141
Service costs	503 295	716 124	458 795	652 806
Repairs	260 030	369 989	316 316	450 077
Maintenance expenses	334 645	476 157	300 300	427 288
Insurance	103 701	147 553	99 234	141 197
Business trips	122 039	173 646	90 851	129 269
Expenses relating to personnel	120 451	171 386	104 788	149 100
Communications	33 497	47 662	36 869	52 460
Leasing	51 003	72 571	58 914	83 827
Property Tax	42 784	60 876	33 632	47 854
Office Expenses	32 162	45 762	24 994	35 563
Selling expenses	41 778	59 445	32 171	45 775
Increase in doubtful debts	5 000	7 114	3 000	4 269
Other	90 544	128 833	288 486	410 479
Total	4 738 258	6 741 934	4 635 060	6 595 096

3. TRADE RECEIVABLES

	9 months of 2011		9 months of 2010	
	LVL	EUR	LVL	EUR
P – D Glasseiden GmbH Oschatz	3 774 201	5 370 204	2 909 251	4 139 491
Vitrolan Technical Textiles GmbH	453 217	644 870	358 295	509 808
Vitrolan Textilglas GmbH	204 223	290 583	174 278	247 975
Other trade receivables	4 671 355	6 646 739	3 412 204	4 855 129
	9 102 996	12 952 396	6 854 028	9 752 403

Andris Oskars Brutāns
Chairman of the Board

On information, stated in this financial report, please contact

Dzintars Rudzītis

Head Accountant

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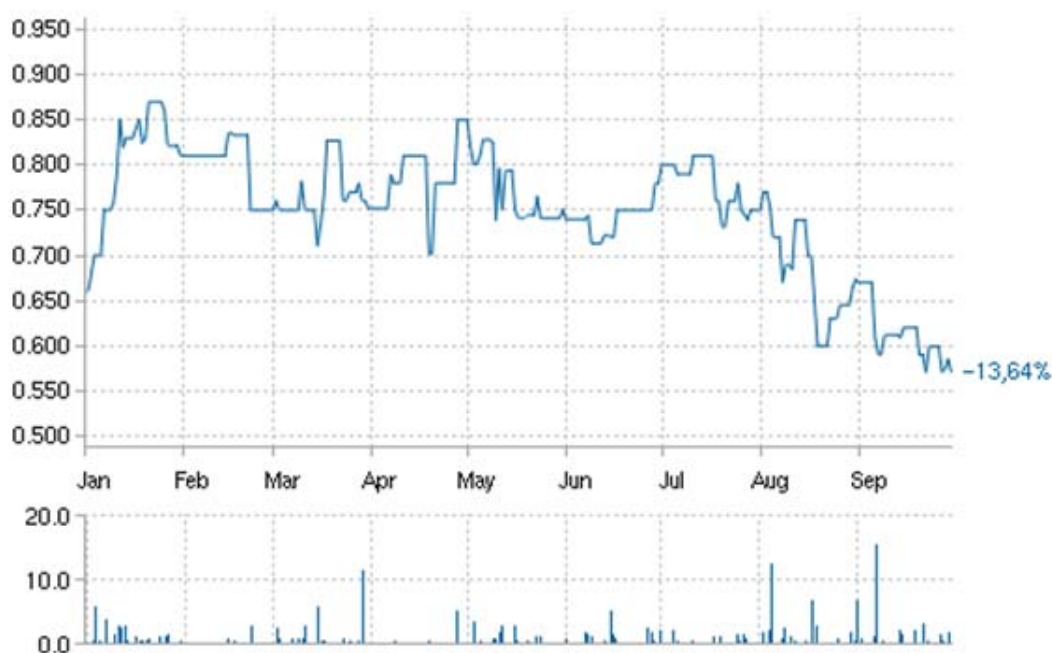
e-mail: dzintars@vss.lv

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 – 30.09.11



Currency: LVL

Open	0,688 LVL
Max	0,910 LVL
Min	0,530 LVL
Last	0,570 LVL
Change	-13,636 %
Deals	475
No of shares traded	243 216
Turnover	172 544,46LVL