



**VALMIERA GLASS®**

*JSC “Valmieras stikla šķiedra”*

*Reg.No. 40003031676*

***FINANCIAL REPORT***

***NOT AUDITED***

*as at December 31,2011*

COMPANY NAME	Valmieras stikla šķiedra
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
PERIOD OF THE REPORT	1 January – 31 December 2011

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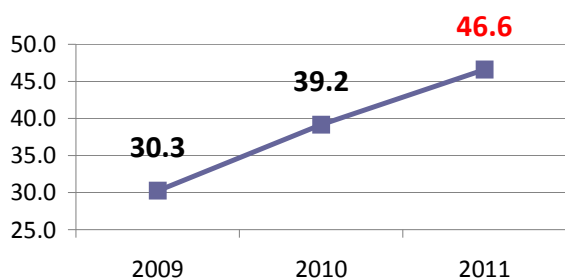
## AS VALMIERAS STIKLA ŠĶIEDRA MANAGEMENT REPORT

The Company's primary business is manufacture and sale of fiberglass and fiberglass products. The production is sold in Europe, USA, Canada, Australia, Russia, Ukraine and the Baltic states, total in 32 countries. 79.0 % of the total production is sold to companies in the European Union; export sales comprise 96 % of total sales.

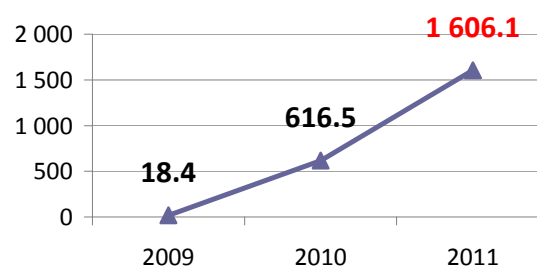
Since 2000 the operations of the Company are certified according to ISO 9001:2008 requirements. The German Quality management system certification company DQS GmbH once per three years audits compliance with these requirements. On 4 March 2009 the Company received quality management system certificate that is valid until 4 March 2012

The results of the company's business activity in 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. Nevertheless, the company has reached net sales of 46.6 million LVL, that is 1.8 million LVL or 4% more than planned, as well as gained net profit of 1.61 million LVL, which is 0.99 million LVL more than over the same period of 2010.

**Net Sales, TLVL**



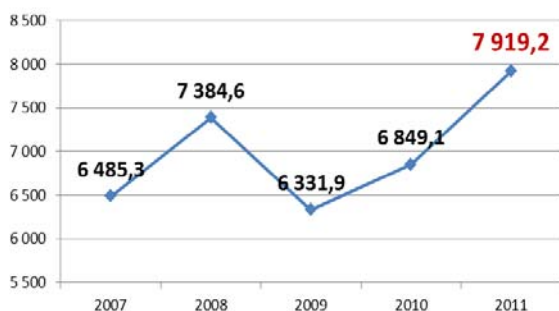
**Net profit, TLVL**



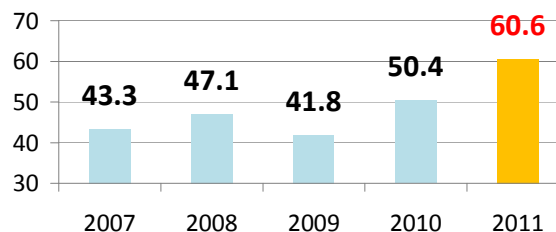
The operating profit (EBITDA) in 2011 was 7.92 million LVL, that is 15.6 % more than over the same period of 2010. In relation to total amount it is 16.9%. The earnings before interest and taxes (EBIT) was 2.89 million LVL, that is 1.07 million LVL or 58.7 % more than in 2010. In relation to total amount it is 6.2%. In the last 12 months the average sales price has risen for about 7%, but it still is 1.6% below the average sales price of 2008. The Sales in the geographical markets for 2011 are as follows: ES – 15% in relation to 2010; USA and Canada – an increase of 36%; Russia and Ukraine – an increase of 24%; other (inc. Switzerland, Croatia and India) – an increase of 67%. 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 and mats with an increase of 15% and 16.5% respectively in relation to 2010.

**EBITDA, TLVL**



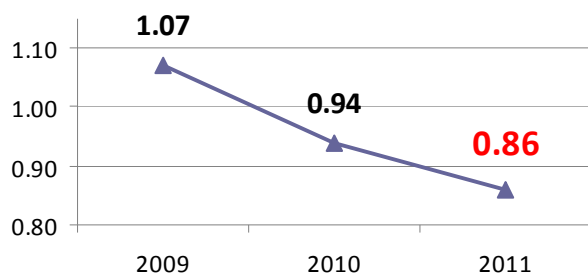
**Total output (TLVL) per employee**



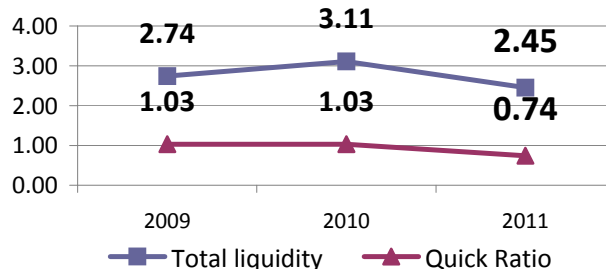
The output has increased for 20% and in 2011 the total output per employee was 60.6 TLVL.

The proportion of liabilities the balance sheet for 2011 amounted to 46.1%, return on assets 6.2%, while return on capital (ROCE) 6.1%. The investments in 2011 were 4.7 million LVL, mostly for the development and increase in the production capacity, which is necessary for the execution of the orders. The investments were carried out from the cash flow of the company; in the same time the amount of borrowed capital was reduced. As a result, the liquidity rates have decreased in relation to 2010. The company's goal is to return to the ratio 1.0 for the quick liquidity.

### Debt-to-equity ratio



### Liquidity



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 approved at the Councils meeting on December 9<sup>th</sup>, 2011.

Taking into account the current development tendencies of the market, as well as the results of the company, the management forecasts the following financial results of the company in 2012: Net sales 53.5 million LVL, net profit 2.65 million LVL.

On 13.January 2012 an agreement with the Latvian Investment and Development Agency has been 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 trademark "HR" glass, meaning High Resist and its heat resistance reaches 800 degrees Celsius.

The share price of JSC "Valmieras stikla šķiedra" listed in Riga Stock Exchange has decreased by LVL 0.09 or 13.6%, i.e., from LVL 0.66 on 31.12.2010. to LVL 0.57 on 31.12.2011.

As of 31.December 2011 there are 808 employees working in the JSC "Valmieras stikla šķiedra".

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

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Andris Oskars Brutāns  
Chairman of the Board  
24.February 2012

## **A/S VALMIERAS STIKLA ŠĶIEDRA**

### **STATEMENT OF MANAGEMENT RESPONSABILITIES**

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 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

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Andris Oskars Brutāns  
Chairman of the Board  
24. February 2012

## A/S VALMIERAS STIKLA ŠĶIEDRA

### BALANCE SHEET

AS AT 31 December 2011 AND 31 December 2010

	2011 LVL	2011 EUR	2010 LVL	2010 EUR
<b>ASSETS</b>		<b>0.702804</b>		<b>0.702804</b>
<i>Non-current assets</i>				
<i>Intangible assets</i>				
Patents and licenses	9 418	13 401	12 298	17 498
Other intangible assets	22 277	31 697	17 477	24 868
<b>Total intangible assets</b>	<b>31 695</b>	<b>45 098</b>	<b>29 775</b>	<b>42 366</b>
<i>Fixed assets</i>				
Land and buildings	8 081 078	11 498 338	8 923 095	12 696 420
Equipment and machinery	24 076 367	34 257 584	24 110 289	34 305 851
Other fixed assets	244 431	347 794	253 029	360 028
Construction in progress	578 763	823 506	62 229	88 544
Advance payments for fixed assets	334 437	475 861	270 936	385 507
<b>Total fixed assets</b>	<b>33 315 076</b>	<b>47 403 083</b>	<b>33 619 578</b>	<b>47 836 350</b>
<b>Total non-current assets</b>	<b>33 346 771</b>	<b>47 448 180</b>	<b>33 649 353</b>	<b>47 878 716</b>
<i>Current assets</i>				
<i>Inventory</i>				
Raw materials	10 428 480	14 838 390	8 818 192	12 547 157
Work in progress	1 269 216	1 805 932	1 414 966	2 013 315
Finished goods	4 536 750	6 455 214	4 481 924	6 377 203
Advance payments for inventories	14 861	21 145	24 822	35 319
<b>Total inventory</b>	<b>16 249 307</b>	<b>23 120 681</b>	<b>14 739 904</b>	<b>20 972 994</b>
<i>Accounts receivable</i>				
Trade receivables	5 986 888	8 518 574	6 559 155	9 332 837
Other receivables	582 766	829 201	303 802	432 271
Deferred expenses	311 846	443 717	225 313	320 592
<b>Total accounts receivable</b>	<b>6 881 500</b>	<b>9 791 492</b>	<b>7 088 270</b>	<b>10 085 700</b>
Derivatives	-	-	-	-
Cash and cash equivalents	218 637	311 092	231 995	330 099
<b>Total current assets</b>	<b>23 349 444</b>	<b>33 223 266</b>	<b>22 060 169</b>	<b>31 388 793</b>
<b>TOTAL ASSETS</b>	<b>56 696 215</b>	<b>80 671 446</b>	<b>55 709 522</b>	<b>79 267 508</b>

## A/S VALMIERAS STIKLA ŠĶIEDRA

### BALANCE SHEET

AS AT 31 December 2011 AND 31 December 2010

	2011 LVL	2011 EUR	2010 LVL	2010 EUR
<b><i>LIABILITIES &amp; SHAREHOLDERS EQUITY</i></b>		0.702804		0.702804
<b>Shareholders' equity</b>				
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 year profit	1 606 072	2 285 235	616 474	877 163
<b>Total shareholders' equity</b>	<b>30 562 842</b>	<b>43 487 006</b>	<b>29 140 826</b>	<b>41 463 660</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>	16 483 602	23 454 053	19 453 995	27 680 541
Due to credit institutions	19 149	27 247	29 438	41 887
Finance lease	100 000	142 287	-	-
<b>Total non-current liabilities</b>	<b>16 602 751</b>	<b>23 623 586</b>	<b>19 483 433</b>	<b>27 722 428</b>
<b>Current liabilities</b>				
Due to credit institutions	5 448 763	7 752 891	2 995 361	4 262 015
Finance lease	14 362	20 435	19 873	28 277
Advance payments from customers	93 894	133 599	103 161	146 785
Trade payables	3 093 787	4 402 062	3 340 846	4 753 596
Taxes and social security payments	472 253	671 955	295 022	419 778
Other accounts payable	245 485	349 294	258 118	367 269
Accrued liabilities	162 078	230 616	71 882	102 279
Deferred	-	-	1 000	1 423
Derivatives	-	-	-	-
Dividend for the financial year	-	-	-	-
<b>Total current liabilities</b>	<b>9 530 622</b>	<b>13 560 853</b>	<b>7 085 263</b>	<b>10 081 421</b>
<b>Total liabilities</b>	<b>26 133 373</b>	<b>37 184 440</b>	<b>26 568 696</b>	<b>37 803 849</b>
<b>Total liabilities &amp; shareholders' equity</b>	<b>56 696 215</b>	<b>80 671 446</b>	<b>55 709 522</b>	<b>79 267 508</b>



## A/S VALMIERAS STIKLA ŠĶIEDRA

### STATEMENT OF PROFIT AND LOSS

FOR THE YEARS ENDED 31 December 2011 AND 31 December 2010

	31.12.2011	31.12.2011	31.12.2010	31.12.2010
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Revenues	46 581 066	66 278 886	39 165 581	55 727 601
Changes in inventories	(90 577)	(128 879)	(1 617 517)	(2 301 519)
Work performed by the entity and capitalized	55 141	78 459	8 646	12 302
Other operating income	439 598	625 492	943 479	1 342 450
Raw materials and consumables	(25 269 399)	(35 955 116)	(18 977 396)	(27 002 402)
Personnel expenses	(7 131 697)	(10 147 491)	(6 225 893)	(8 858 648)
Depreciation and amortization	(5 031 930)	(7 159 791)	(5 027 299)	(7 153 202)
Other operating expenses	(6 660 636)	(9 477 231)	(6 447 814)	(9 174 413)
<b>Profit from operations</b>	<b>2 891 566</b>	<b>4 114 328</b>	<b>1 821 787</b>	<b>2 592 169</b>
Interest - and similar income	68 176	97 006	153 902	218 983
Interest - and similar expenses	(1 253 670)	(1 783 812)	(1 359 215)	(1 933 989)
<b>Profit before taxes</b>	<b>1 706 072</b>	<b>2 427 522</b>	<b>616 474</b>	<b>877 163</b>
Corporate income tax	100 000	142 287	-	-
<b>Net profit</b>	<b>1 606 072</b>	<b>2 285 235</b>	<b>616 474</b>	<b>877 163</b>
<b>Basic earnings per share</b>	<b>0.0672</b>	<b>0.0956</b>	<b>0.0258</b>	<b>0.0367</b>

# A/S VALMIERAS STIKLA ŠĶIEDRA

## STATEMENTS OF CASH FLOWS

	2011		2010	
	12 Months		12 Months	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
<b>Operating activities</b>				
Profit / (loss) before taxation	1 706 072	2 427 522	616 474	877 163
Adjustments:				
Depreciation and amortization	5 031 930	7 159 791	5 027 299	7 153 202
(Profit) or loss from disposal of fixed assets	(68 500)	(97 467)	(921)	(1 310)
Interest expense	1 253 068	1 782 955	1 358 709	1 933 269
Interest income	(10 479)	(14 910)	(1 489)	(2 119)
<b>Changes in operating assets and liabilities:</b>				
Inventories	(1 509 403)	(2 147 687)	(1 285 009)	(1 828 403)
Accounts receivable and other assets	206 770	294 207	487 424	693 542
Accounts payable and other liabilities	(18 741)	(26 666)	1 501 356	2 136 237
Interest received	10 479	14 910	1 489	2 119
<b>Cash provided by operating activities</b>	<b>6 601 196</b>	<b>9 392 656</b>	<b>7 705 332</b>	<b>10 963 700</b>
<b>Financing activities</b>				
Received loans from credit institution	(4 724 121)	(6 721 819)	(1 317 120)	(1 874 093)
Paid loans to credit institutions	79 485	113 097	29 232	41 593
Change in credit line	<b>(4 644 636)</b>	<b>(6 608 722)</b>	<b>(1 287 888)</b>	<b>(1 832 500)</b>
Paid dividends				
Paid finance lease				
Interest expenses paid	-	-	-	-
<b>Net cash provided by financing activities</b>	<b>(2 970 393)</b>	<b>(4 226 488)</b>	<b>(2 970 393)</b>	<b>(4 226 488)</b>
	2 453 402	3 490 877	(2 362 583)	(3 361 653)
Net (decrease) / increase in cash and cash equivalents	(184 055)	(261 887)	-	-
	(15 803)	(22 486)	(20 706)	(29 462)
Cash and cash equivalents at the beginning of the year	(1 253 069)	(1 782 957)	(1 357 923)	(1 932 150)
<b>Cash and cash equivalents at the end of the year</b>	<b>(1 969 918)</b>	<b>(2 802 941)</b>	<b>(6 711 605)</b>	<b>(9 549 754)</b>
<b>Financing activities</b>				
Received loans from credit institution	<b>(13 358)</b>	<b>(19 007)</b>	<b>(294 161)</b>	<b>(418 553)</b>
Paid loans to credit institutions				
Change in credit line	231 995	330 099	526 156	748 653
Paid dividends	<b>218 637</b>	<b>311 092</b>	<b>231 995</b>	<b>330 099</b>

**A/S VALMIERAS STIKLA ŠĶIEDRA****STATEMENTS OF SHAREHOLDERS' EQUITY****As of 31.December 2011**EUR exchange rate **0.702804**

	Share capital LVL	Retained earnings LVL	Total LVL	Share capital EUR	Retained earnings EUR	Total EUR
<b>AS of 31 December 2009</b>	<b>23 903 205</b>	<b>4 621 147</b>	<b>28 524 352</b>	<b>34 011 197</b>	<b>6 575 300</b>	<b>40 586 496</b>
Profit for 2010		616 474	616 474		877 163	877 163
<b>AS of 31 December 2010</b>	<b>23 903 205</b>	<b>5 237 621</b>	<b>29 140 826</b>	<b>34 011 197</b>	<b>7 452 463</b>	<b>41 463 660</b>
Dividends paid		- 184 056	- 184 056		- 261 888	- 261 888
Current year profit		1 606 072	1 606 072		2 285 235	2 285 235
<b>As of 31 December 2011</b>	<b>23 903 205</b>	<b>6 659 637</b>	<b>30 562 842</b>	<b>34 011 197</b>	<b>9 475 810</b>	<b>43 487 006</b>

# A/S VALMIERAS STIKLA ŠĶIEDRA

## ANNEX

### 1. Share Capital

The company's registered share capital as at 31 December 2011 and 2010 was LVL 23.903.205. The company's paid share capital registered with the Enterprise Register as at 31 December 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 31 December 2011 and 2010 the shareholders of the Company, in accordance with the records maintained by the Latvian Central Depository, were as follows:

	<b>2011</b>	<b>2010</b>
	<b>12 Months</b>	<b>12 Months</b>
P-D Glasseiden Oschatz GmbH	26.0%	26.0%
Vitrolan International DmbH	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%
	<b>100.0%</b>	<b>100.0%</b>

### 2. Information concerning the profit and loss account

#### 1. Material expenses

	<b>2011</b>	<b>EUR</b>	<b>2010</b>	<b>EUR</b>
	<b>12 months</b>		<b>12 months</b>	
	<b>LVL</b>	<b>0.702804</b>	<b>LVL</b>	<b>0.702804</b>
Raw materials	16 323 053	23 225 612	11 610 373	16 520 072
Electricity	3 311 040	4 711 185	2 541 388	3 616 069
Ore processing costs	299 554	426 227	265 493	377 763
Natural gas	2 443 118	3 476 244	2 625 845	3 736 241
Depletion of ore	207 448	295 172	173 587	246 992
Other	2 685 186	3 820 675	1 760 710	2 505 265
	<b>25 269 399</b>	<b>35 955 116</b>	<b>18 977 396</b>	<b>27 002 402</b>

#### 2. Personnel expenses

Salaries	5 115 729	7 279 027	4 575 792	6 510 765
Social security payments	1 287 724	1 832 266	1 142 943	1 626 261
Illness and vacation expenses	558 259	794 331	421 358	599 538
Provisions of Board and Council	101 165	143 945	-	-
Insurance of employees	41 185	58 601	41 782	59 450
Other	27 635	39 321	44 018	62 632
	<b>7 131 697</b>	<b>10 147 491</b>	<b>6 225 893</b>	<b>8 858 648</b>

#### 3. Depreciation and amortisation

Fixed asset depreciation	5 026 704	7 152 355	5 015 342	7 136 189
Intangible asset amortisation	5 226	7 436	11 957	17 013
<b>Total</b>	<b>5 013 930</b>	<b>7 159 791</b>	<b>5 027 299</b>	<b>7 153 202</b>

#### 4. Other operating expenses

Transportation	2 943 200	4 187 796	2 505 535	3 565 055
Commission	1 213 552	1 726 729	1 402 950	1 996 218
Service costs	5 97 710	850 465	554 949	789 621
Spare parts	362 464	515 740	449 918	640 176
Repair expenses	433 998	617 524	414 039	589 124
Insurance	141 159	200 851	130 743	186 031
Business trips	218 323	310 646	134 978	192 056

Research and development expenses	121 570	172 979	75 664	107 660
Labor safety and specific clothing	35 476	50 478	26 758	38 073
Communication	60 191	85 644	54 771	77 932
Leasing	83 775	119 201	97 500	138 730
Property tax	57 232	81 434	57 139	81 301
Office expenses	43 372	61 713	33 462	47 612
Selling expenses	49 809	70 872	36 707	52 229
Allowance for doubtful receivables	18 960	26 978	5 766	8 204
Other	279 845	398 184	466 935	664 389
	<b>6 660 636</b>	<b>9 477 231</b>	<b>6 447 814</b>	<b>9 174 413</b>

### 3. TRADE RECEIVABLES

	<b>2011</b>	<b>EUR</b>	<b>2010</b>	<b>EUR</b>
	<b>12 months</b>		<b>12 months</b>	
	<b>LVL</b>	<b>0.702804</b>	<b>LVL</b>	<b>0.702804</b>
P-D Glasseiden Oschatz GmbH	2 158 263	3 070 932	3 444 019	4 900 398
P-D Tatneft Alabuga Steklovolokno OOO	91 282	129 883	18 233	25 943
P-D Refractories GmbH DYKO GLASS	7 797	11 094	-	-
Vitrulan Textilglas GmbH	436	620	80 620	114 712
Other trade receivables	3 729 110	5 306 045	3 016 283	4 291 784
	<b>5 986 888</b>	<b>8 518 574</b>	<b>6 559 155</b>	<b>9 332 837</b>

**Andris Oskars Brutāns**  
Chairman of the Board

On information stated in this financial report, please contact

**Dzintars Rudzītis**  
Head Accountant  
Phone 4202271. 29116594  
**E-Mail: [Dzintars@VSS.lv](mailto: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	B1000GI, B1000PI, B1300GI, B1300PI, OMXBGI, OMXBPI, OMXRGI

### JSC “Valmieras stikla šķiedra” share price development for the period 01.01.11 – 31.12.11



Currency: LVL

Open	0,688 LVL
Max	0,910 LVL
Min	0,500 LVL
Last	0,566 LVL
Change	-14,242 %
Trades	594
No of shares traded	290 609
Turnover	199 273,49 LVL