



**VALMIERA GLASS®**

*JSC “Valmieras stikla šķiedra”*

*FINANCIAL STATEMENT*

*as at 30.June 2012*

*Not audited*

COMPANY NAME	Valmieras stikla šķiedra
LEGAL STATUS	Joint Stock Company
REGISTRATION NUMBER, PLACE AND DATE	Nr. 40003031676 Riga, September 30, 1991
TYPE OF BUSINESS	Production of fibre glass 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 (until 25.05.2012) Jöran Pfuhl (from 25.05.2012) 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 STATEMENT	January 1 to June 30, 2012

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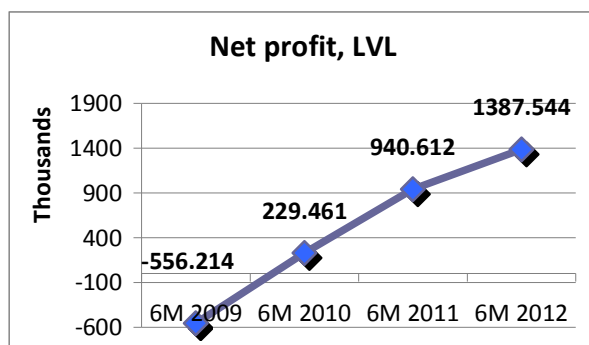
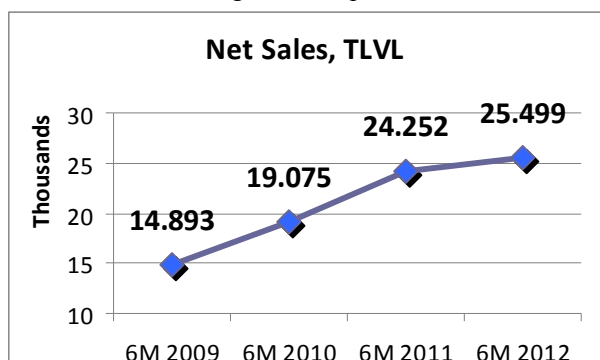
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## AS VALMIERAS STIKLA ŠĶIEDRA MANAGEMENT REPORT

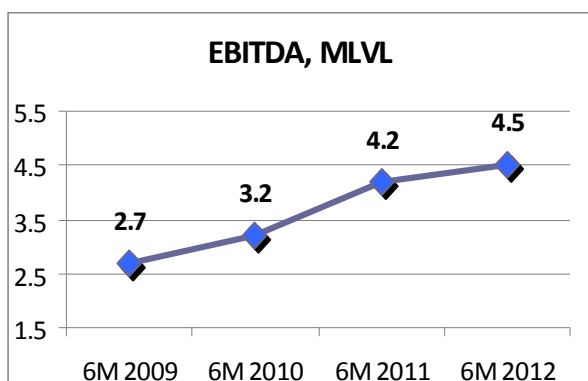
The Company's primary business is manufacture and sale of fiberglass and fiberglass products. The production is sold in Europe, USA, Japan, Canada, Russia, Ukraine and the Baltic states, total in 32 countries. 75 % of the total production is sold to companies in the European Union; export sales comprise 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 16 March 2012 the Company received quality management system certificate that is valid until 15 March 2015

In the first half of 2012 the Company has reached net sales of 25.5 million LVL, that is 5% more than over the same period of 2011, and has gained net profit of 1.387 TLVL, that is about 48% more than over the same period of 2011.



The operating profit (EBITDA) was 4.478 million LVL, or 18% in relation to total amount and it is 7% more than in the I.half of 2011. The earnings before interest and taxes (EBIT) was 2.052 million LVL, 8% in relation to total amount and it is 387 TLVL or 23% % more than in the I.half of 2011. Return on assets is 8.3%, that is 1.2 percentage points higher than over the same period of 2011, while return on capital (ROCE) 4.4%, that is 0.9 percentage points higher than over the same period of 2011.



In the first 6 months of 2012 the sales price has risen for about 5.3% in relation to the first 6 months of 2011 due to the use of products with higher added value. The Sales in the geographical markets for the I.half of 2012 are as follows: USA and Canada – an increase of 26 %; Russia and Ukraine – an increase of 34%; other (inc. Switzerland, Japan, Croatia and India) – an increase of 61%. In the European Union the sales have been stabile. The company's customer base has expanded, especially in the U.S. market and in the East.

From the product segments there has been an evident rise in the group of products with high added value: construction mash, mats and products with high SiO<sub>2</sub> content. These products have been sold with a approximate total increase of 24% in relation to the I.half of 2011. The sales in all the other product segments are being considered as stabile.

Taking into account the results of the company in the first half of 2012 and the market situation, that is considered stabile, the management maintains the forecast for the company's' financial results – in 2012 the net sales could reach 53.5 million LVL and the net profit could reach 2.65 million LVL.

A project for the construction of a new glass furnace is being realized and for it a support contract with the Latvian Investment and Development agency has been signed. The new furnace is intended for the production of high temperature resistance (up to 1000 °C) glass fiber after the latest, most advanced technology. The conclusion of this

project is expected for October/November of this year. At this moment the company has signed sales contracts for the full engineered capacity of the new furnace.

The share price of JSC "Valmieras stikla šķiedra" listed in Riga Stock Exchange has increased by LVL 0.10 or 17.5%, i.e., from LVL 0.57 31.12.2011. to LVL 0.67 30.06.2012.

As at March 31,2012 there are 855 employees working in the JSC "Valmieras stikla šķiedra".

For the preparation of the not revised financial report for 1.half of 2012 the accounting policy of the revised report of 2011 was used.

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Andris Oskars Brutāns  
Chairmen of the Board  
July 31, 2012

**AS 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 30 June 2012 and the results of its operations and cash flows for the period ended 31 March 2012. 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 Requirements of the Financial Statement Law of Republic of Latvia 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  
July 31, 2012

# AS VALMIERAS STIKLA ŠĶIEDRA

## BALANCE SHEET

As at 30.June 2012 and 30.June 2011

	2012.30.06. LVL	2012.30.06. EUR <b>0.702804</b>	2011.30.06. LVL	2011.30.06. EUR <b>0.702804</b>
<b>ASSETS</b>				
<i>Non-current assets</i>				
<i>Intangible assets</i>				
Patents and licenses	12 651	18 001	9 887	14 068
Other intangible assets	22 277	31 697	22 277	31 697
<b>Total intangible assets</b>	<b>34 928</b>	<b>49 698</b>	<b>32 164</b>	<b>45 765</b>
<i>Fixed assets</i>				
Land and buildings	7 721 091	10 986 123	8 513 151	12 113 123
Equipment and machinery	22 628 457	32 197 394	22 669 686	32 256 057
Other fixed assets	268 199	381 613	241 548	343 692
Construction in progress	1 408 784	2 004 519	470 640	669 660
Advance payments for fixed assets	1 815 838	2 583 705	2 089 105	2 972 529
<b>Total fixed assets</b>	<b>33 842 369</b>	<b>48 153 353</b>	<b>33 984 130</b>	<b>48 355 061</b>
<b>Total non-current assets</b>	<b>33 877 297</b>	<b>48 203 051</b>	<b>34 016 294</b>	<b>48 400 826</b>
<i>Current assets</i>				
<i>Inventory</i>				
Raw materials	10 224 153	14 547 659	8 598 358	12 234 361
Work in progress	1 711 202	2 434 821	1 216 301	1 730 640
Finished goods	3 148 008	4 479 212	3 598 226	5 119 814
Advance payments for inventories	79 540	113 175	17 791	25 314
<b>Total inventory</b>	<b>15 162 903</b>	<b>21 574 867</b>	<b>13 430 676</b>	<b>19 110 130</b>
<i>Accounts receivable</i>				
Trade receivables	10 026 078	14 265 824	9 339 564	13 289 002
Other receivables	449 627	639 762	302 006	429 716
Deferred expenses	339 865	483 584	371 142	528 087
<b>Total accounts receivable</b>	<b>10 815 570</b>	<b>15 389 170</b>	<b>10 012 712</b>	<b>14 246 806</b>
Derivatives	-	-	-	-
Cash and cash equivalents	152 891	217 544	513 059	730 017
<b>Total current assets</b>	<b>26 131 364</b>	<b>37 181 581</b>	<b>23 956 447</b>	<b>34 086 953</b>
<b>TOTAL ASSETS</b>	<b>60 008 661</b>	<b>85 384 632</b>	<b>57 972 741</b>	<b>82 487 779</b>

# AS VALMIERAS STIKLA ŠĶIEDRA

## BALANCE SHEET

As at 30.June 2012 and 30.June 2011

	2012.30.06.	2012.30.06.	2011.30.06.	2011.30.06.
	LVL	EUR	LVL	EUR
<b>LIABILITIES &amp; SHAREHOLDERS EQUITY</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	6 584 360	9 368 700	5 053 567	7 190 578
b) current year profit	1 387 544	1 974 297	940 612	1 338 370
<b>Total shareholders' equity</b>	<b>31 875 109</b>	<b>45 354 194</b>	<b>29 897 384</b>	<b>42 540 145</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Due to credit institutions	14 998 406	21 340 809	17 968 799	25 567 298
Finance lease	19 149	27 247	-	-
Provisions for taxes	70 000	99 601	40 000	56 915
<b>Total non-current liabilities</b>	<b>15 087 555</b>	<b>21 467 657</b>	<b>18 008 799</b>	<b>25 624 212</b>
<b>Current liabilities</b>				
Due to credit institutions	7 165 788	10 195 998	5 853 576	8 328 888
Finance lease	4 171	5 935	45 653	64 958
Advance payments from customers	385 144	548 011	2 476	3 523
Trade payables	4 378 472	6 230 004	3 498 010	4 977 220
Taxes and social security payments	299 107	425 591	225 652	321 074
Other accounts payable	332 786	473 512	304 317	433 004
Accrued liabilities	486 119	691 685	209 768	298 473
Deferred	-5 590	-7 954	-72 894	-103 719
Derivatives	-	-	-	-
Dividends	-	-	-	-
<b>Total current liabilities</b>	<b>13 045 997</b>	<b>18 562 781</b>	<b>10 066 558</b>	<b>14 323 422</b>
<b>Total liabilities</b>	<b>28 133 552</b>	<b>40 030 438</b>	<b>28 075 357</b>	<b>39 947 634</b>
<b>Total liabilities &amp; shareholders equity</b>	<b>60 008 661</b>	<b>85 384 632</b>	<b>57 972 741</b>	<b>82 487 779</b>



## AS VALMIERAS STIKLA ŠĶIEDRA

### STATEMENT OF PROFIT AND LOSS 6 months 2012

	30.06.2012.		30.06.2011.	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Revenues	25 499 335	36 282 285	24 251 918	34 507 370
Changes in inventories	(936 334)	(1 332 283)	(1 082 178)	(1 539 801)
Work performed by the entity and capitalized	130 215	185 279	186 256	265 018
Other operating income	(12 790 173)	(18 198 777)	(12 463 440)	(17 733 877)
Raw materials and consumables	(4 038 872)	(5 746 797)	(3 566 877)	(5 075 209)
Personnel expenses	(2 425 490)	(3 451 161)	(2 537 045)	(3 609 890)
Depreciation and amortization	(3 385 764)	(4 817 508)	(3 122 928)	(4 443 526)
Other operating expenses	<b>2 052 917</b>	<b>2 921 038</b>	<b>1 665 706</b>	<b>2 370 086</b>
Interest - and similar income	5 389	7 668	274	390
Interest - and similar expenses	(600 762)	(854 807)	(685 368)	(975 191)
<b>Profit before taxes</b>	<b>1 457 544</b>	<b>2 073 898</b>	<b>980 612</b>	<b>1 395 285</b>
Corporate income tax	70 000	99 601	40 000	56 915
<b>Net profit</b>	<b>1 387 544</b>	<b>1 974 297</b>	<b>940 612</b>	<b>1 338 370</b>
<b>Basic earnings per share</b>	<b>0,058</b>	<b>0,0825</b>	<b>0,0394</b>	<b>0,0561</b>

# AS VALMIERAS STIKLA ŠĶIEDRA

## STATEMENTS OF CASH FLOW

	30.06.2012.		30.06.2011.	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
<b>Operating activities</b>				
Profit / (loss) before taxation	1 457 544	2 073 898	980 612	1 395 285
Adjustments:				
Depreciation and amortization	2 425 490	3 451 161	2 537 045	3 609 890
Profit or (loss) from disposal of fixed assets	(8 851)	(12 594)	-	-
Interest expense	549 124	781 333	630 441	897 037
Interest received	(5 369)	(7 639)	(274)	(390)
<b>Changes in operating assets and liabilities:</b>				
Inventories	1 135 443	1 615 590	1 309 228	1 862 864
Accounts receivable and other assets	(3 896 870)	(5 544 746)	(2 924 442)	(4 161 106)
Accounts payable and other liabilities	1 802 762	2 565 099	54 778	77 942
Interest received	5 369	7 639	142	202
<b>Cash flow from operating activities</b>	<b>3 464 642</b>	<b>4 929 741</b>	<b>2 587 530</b>	<b>3 681 723</b>
<b>Cash flow from investments</b>				
Acquisition of fixed assets and intangible assets	(3 211 753)	(4 569 913)	(2 929 907)	(4 168 882)
Income from sold assets	8 851	12 594	68 575	97 573
<b>Net cash flow from investments</b>	<b>(3 202 902)</b>	<b>(4 557 319)</b>	<b>(2 861 332)</b>	<b>(4 071 309)</b>
<b>Cash flow from financing activities</b>				
Paid loans to credit institutions	(1 485 196)	(2 113 244)	(1 485 196)	(2 113 244)
Received credit line	23 439 093	33 350 825	11 406 811	16 230 430
Paid credit line	(21 722 068)	(30 907 718)	(8 548 595)	(12 163 555)
Dividends paid	-	-	(184 055)	(261 887)
Paid finance lease	(10 191)	(14 500)	(3 658)	(5 205)
Paid interest expenses	(549 124)	(781 333)	(630 441)	(897 037)
<b>Net cash provided by financing activities</b>	<b>(327 486)</b>	<b>(465 971)</b>	<b>554 866</b>	<b>789 503</b>
Net (decrease) / increase in cash and cash equivalents	<b>(65 746)</b>	<b>(93 548)</b>	<b>281 064</b>	<b>399 918</b>
Cash and cash equivalents at the beginning of the year	218 637	311 092	231 995	330 099
<b>Cash and cash equivalents at the end of the year</b>	<b>152 891</b>	<b>217 544</b>	<b>513 059</b>	<b>730 017</b>

**AS VALMIERAS STIKLA ŠĶIEDRA****STATEMENTS OF SHAREHOLDERS' EQUITY****As of 30.June 2012**

EUR exchange rate

**0.702804**

	Share capital LVL	Retained earnings LVL	Total LVL	Share capital EUR	Retained earnings EUR	Total EUR
<b>As at 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>
Profit as at 6 Months 2011		940 612	940 612		1 338 370	1 338 370
Profit as at July to December 2011		590 183	590 183		839 755	839 755
Dividends paid		- 184 056	- 184 056		- 261 888	- 261 888
<b>As at 31.December 2011</b>	<b>23 903 205</b>	<b>6 584 360</b>	<b>30 487 565</b>	<b>34 011 197</b>	<b>9 368 700</b>	<b>43 379 897</b>
Profit as at 6 Months 2012		1 387 544	1 387 544		1 974 297	1 974 297
<b>As at 30.June 2012</b>	<b>23 903 205</b>	<b>7 971 904</b>	<b>31 875 109</b>	<b>34 011 197</b>	<b>11 342 997</b>	<b>45 354 194</b>

# A/S VALMIERAS STIKLA ŠĶIEDRA

## ATTACHMENT

### 1. Share Capital

The company's registered share capital as at 30.June 2012 and 2011 was LVL 23.903.205. The company's paid share capital registered with the Enterprise Register as at 30.June 2012 and 2011 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 30.June 2012 and 2011 the shareholders of the Company, in accordance with the records maintained by the Latvian Central Depository, were as follows:

	<b>6 Months 2012</b>	<b>6 Months 2011</b>
P-D Glasseiden Oschatz GmbH	26.0%	26.0%
Vitruvan International GmbH	36.2%	36.2%
P-D Management Industries-Technologies GmbH	23.9%	23.9%
VAS VSAA	2.4%	2.4%
Braune Beatrix	2.6%	2.6%
Citi	8.9%	8.9%
	<b>100%</b>	<b>100%</b>

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

#### 1. Material expenses

	<b>6 months 2012 LVL</b>	<b>EUR</b>	<b>6 months 2011 LVL</b>	<b>EUR</b>
Raw materials	7 463 052	10 618 966	7 820 649	11 127 781
Electricity	1 833 472	2 608 796	1 607 916	2 287 858
Ore processing costs	168 753	240 114	152 459	216 930
Natural gas	1 612 952	2 295 024	1 292 329	1 838 819
Depletion of ore	140 054	199 279	125 221	178 173
Other	1 571 890	2 236 598	1 464 866	2 084 317
	<b>12 790 173</b>	<b>18 198 777</b>	<b>12 463 440</b>	<b>17 733 877</b>

#### 2. Personnel expenses

Salaries	2 747 860	3 909 853	2 619 612	3 727 372
Social security payments	716 100	1 018 919	644 097	916 467
Illness and vacation expenses	237 082	337 337	208 736	297 005
Provisions of Board and Council	307 500	437 533	60 000	85 372
Insurance of employees	20 078	28 568	19 128	27 217
Other	10 252	14 587	15 304	21 776
	<b>4 038 872</b>	<b>5 746 797</b>	<b>3 566 877</b>	<b>5 075 209</b>

#### 3. Depreciation and amortization

Fixed asset depreciation	2 423 458	3 448 270	2 534 303	3 605 988
Intangible asset amortization	2 032	2 891	2 742	3 902
	<b>2 425 490</b>	<b>3 451 161</b>	<b>2 537 045</b>	<b>3 609 890</b>

#### 4. Other operating expenses

Transportation	1 517 200	2 158 781	1 363 636	1 940 279
Commission	497 384	707 714	614 591	874 484
Service costs	323 249	459 942	296 168	421 409
Spare parts	232 254	330 468	187 958	267 440
Repair expenses	237 404	337 795	227 177	323 244
Insurance	78 785	112 101	70 895	100 874
Business trips	79 145	112 613	82 922	117 987
Research and development expenses	63 900	90 922	32 440	46 158

Labor safety and specific clothing	18 492	26 312	12 356	17 581
Communication	25 463	36 231	22 080	31 417
Leasing	76 954	109 496	28 797	40 974
Property tax	29 289	41 674	28 499	40 550
Office expenses	19 057	27 116	17 886	25 449
Selling expenses	49 625	70 610	34 108	48 531
Allowance for doubtful receivables	18 000	25 612	2 000	2 846
Other	119 563	170 123	101 415	144 301
	<b>3 385 764</b>	<b>4 817 508</b>	<b>3 122 928</b>	<b>4 443 526</b>

### 3. TRADE RECEIVABLES

	<b>6 Months</b>	<b>EUR</b>	<b>6 Months</b>	<b>EUR</b>
	<b>2012</b>		<b>2011</b>	
	<b>LVL</b>	<b>0.702804</b>	<b>LVL</b>	<b>0.702804</b>
P-D Glasseiden Oschatz GmbH	4 676 133	6 653 538	4 194 939	5 968 860
P-D Tatneft Alabuga Steklovolokno OOO	158 928	226 134	17 338	24 670
Vitrolan Technical Textiles GmbH	516 574	735 019	600 478	854 403
Vitrolan Textile Glass GmbH	197 917	281 611	232 159	330 332
Other trade receivables	4 476 526	6 369 523	4 294 650	6 110 736
	<b>10 026 078</b>	<b>14 265 824</b>	<b>9 339 564</b>	<b>13 289 002</b>

**Andris Oskars Brutāns**  
Chairman of the Board

On information stated in this financial report, please contact

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