



VALMIERA GLASS®

***JSC “Valmieras stikla šķiedra”
Reg. No. 40003031676***

FINANCIAL STATEMENT

as at 30th September 2012

Not audited

Made based on Requirements of the Financial Statement Law of Republic of Latvia

COMPANY NAME	Valmieras stikla šķiedra
LEGAL STATUS	Joint Stock Company
REGISTRATION NUMBER, PLACE AND DATE	Nr. 40003031676 Riga, September 30th, 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, vice president Wilfried Queißer (until 25th May, 2012) Jöran Pfuhl (from 25th May, 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 1st to September 30th, 2012

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JSC 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, India, 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%.

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 March 16, 2012 the Company received quality management system certificate that is valid until March 15, 2015.

In the first nine months of 2012 the Company has reached sales of 39.82 million LVL, that is 7% or 2.6 million LVL more than over the same period of 2011, and has gained net profit of 2.2 million LVL, that is about 150% more than over the same period of 2011.

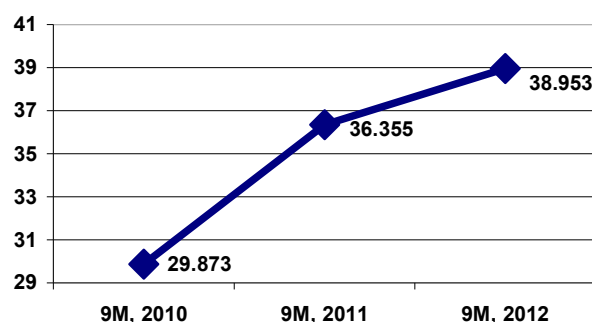
The operating profit (EBITDA) was 6.836 million LVL, or 18% in relation to total amount and it is 19% more than in the first nine months of 2011. The earnings before interest and taxes (EBIT) was 3.189 million LVL, 8% in relation to total amount and it is 1243 TLVL or 64% % more than in the same period of 2011. Return on assets is 8.4%, that is 2.8 percentage points higher than over the same period of 2011, while return on capital (ROCE) 6.9%, that is also 2.8 percentage points higher than over the same period of 2011.

In the first 9 months of 2012 the sales amount has risen for the products with higher added value: glass fibre nettings, unweaved materials and products with high SiO₂ content. These products have been sold with an approximate total increase of 21% in relation to the third quarter 2011. The sales in all the other product segments are being considered as stabile and consistently robust.

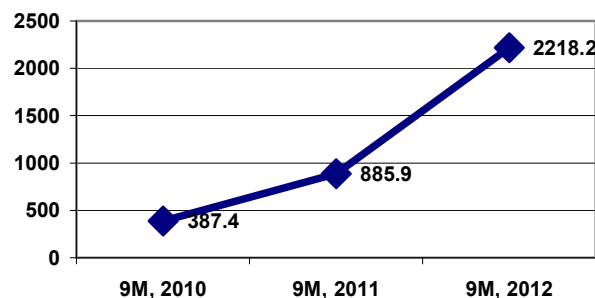
Taking into account the results of the company in the first nine months of 2012 and the market situation, that is considered stabile, the management maintains the forecast for the company's financial results – in 2012 the net profit could reach 2.65 million LVL.

Based on the agreement signed at January 13th, 2012 between Latvian Investment and Development agency and Valmieras stikla šķiedra, a project for the construction of a new glass furnace is being realized. It is planned that the project will be finishes in November 2012. The total costs of this project are 4.57 million LVL, of which 976 thousands LVL are agency funding and 3.6 million LVL Company's funding.

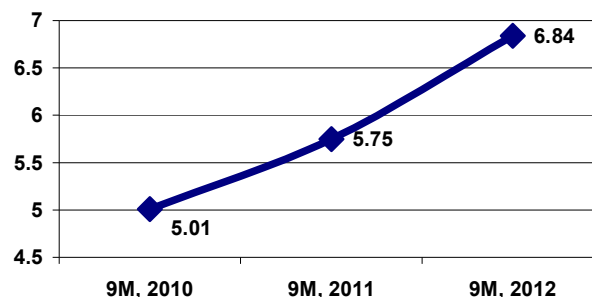
Net Sales, TLVL



Net profit, TLVL



EBITDA, MLVL



The share price of JSC “Valmieras stikla šķiedra” listed in NASDAQ OMX Riga has increased by LVL 0.13 or 22.8%, i.e., from LVL 0.57 at 31.12.2011. to LVL 0.70 at 30.09.2012.

As at September 30th, 2012 there are 854 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.

Andris Oskars Brutāns
Chairmen of the Board
October 31st, 2012

JSC VALMIERAS STIKLA ŠĶIEDRA

STATEMENT OF MANAGEMENT RESPONSIBILITIES

The management of JSC "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 September 30th, 2012 and the results of its operations and cash flows for the period ended at 30th September 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

Andris Oskars Brutāns
Chairman of the Board
October 31st, 2012

JSC VALMIERAS STIKLA ŠĶIEDRA

BALANCE SHEET

As at 30th September 2012 and 30th September 2011

	30.09.2012.	30.09.2012.	30.09.2011.	30.09.2011.
	LVL	EUR	LVL	EUR
ASSETS		0.702804		0.702804
<i>Non-current assets</i>				
<i>Intangible assets</i>				
Patents and licenses	11 556	16 443	10 704	15 230
Other intangible assets	111 892	159 208	22 277	31 697
Total intangible assets	123 448	175 651	32 981	46 928
<i>Fixed assets</i>				
Land and buildings	7 558 212	10 754 367	8 287 877	11 792 587
Equipment and machinery	21 810 413	31 033 422	21 952 366	31 235 403
Other fixed assets	255 552	363 618	229 930	327 161
Construction in progress	2 404 431	3 421 197	3 365 256	4 788 328
Advance payments for fixed assets	2 049 005	2 915 471	77 239	109 901
Total fixed assets	34 077 613	48 488 075	33 912 668	48 253 379
Total non-current assets	34 201 061	48 663 726	33 945 649	48 300 307
<i>Current assets</i>				
<i>Inventory</i>				
Raw materials	10 146 391	14 437 014	8 827 485	12 560 380
Work in progress	1 606 428	2 285 741	1 098 619	1 563 194
Finished goods	2 960 102	4 211 846	2 583 547	3 676 056
Advance payments for inventories	107 898	153 525	73 701	104 867
Total inventory	14 820 819	21 088 126	12 583 352	17 904 497
<i>Accounts receivable</i>				
Trade receivables	9 536 444	13 569 137	9 102 996	12 952 396
Other receivables	395 250	562 390	326 509	464 580
Deferred expenses	288 191	410 059	490 097	697 345
Total accounts receivable	10 219 885	14 541 586	9 919 602	14 114 322
Derivatives	-	-	-	-
Cash and cash equivalents	473 078	673 129	403 331	573 888
Total current assets	25 513 782	36 302 841	22 906 285	32 592 707
TOTAL ASSETS	59 714 843	84 966 567	56 851 934	80 893 014

JSC VALMIERAS STIKLA ŠĶIEDRA

BALANCE SHEET

As at 30th September 2012 and 30th September 2011

	30.09.2012.	30.09.2012.	30.09.2011.	30.09.2011.
	LVL	EUR	LVL	EUR
		Currency exchange rate on 30.09.2012. EUR 0.702804		Currency exchange rate on 30.09.2012. EUR 0.702804
LIABILITIES & SHAREHOLDERS EQUITY				
Shareholders' equity				
Share capital	23 903 205	34 011 197	23 903 205	34 011 197
Reserves				
Retained earnings:				
a) Retained earnings	5 962 877	8 484 410	5 053 565	7 190 575
b) Current year profit	2 218 177	3 156 182	885 939	1 260 578
Total shareholders' equity	32 084 259	45 651 788	29 842 709	42 462 349
Liabilities				
Non-current liabilities				
Due to credit institutions	14 255 808	20 284 187	17 226 201	24 510 676
Finance lease	19 149	27 247	-	-
Deferred tax	105 000	149 402	70 000	99 601
Total non-current liabilities	14 379 957	20 460 835	17 296 201	24 610 277
Current liabilities				
Due to credit institutions	7 051 588	10 033 506	5 987 735	8 519 779
Finance lease	52 036	74 041	38 046	54 135
Advance payments from customers	803 272	1 142 953	48 679	69 264
Trade payables	4 007 314	5 701 894	2 784 168	3 961 514
Taxes and social security payments	284 094	404 229	236 873	337 040
Other accounts payable	374 622	533 039	258 505	367 819
Accrued liabilities	677 701	964 282	371 768	528 978
Deferred	-	-	-12 750	-18 142
Derivatives	-	-	-	-
Dividend for the financial year	-	-	-	-
Total current liabilities	13 250 627	18 853 944	9 713 024	13 820 388
Total liabilities	27 630 584	39 314 779	27 009 225	38 430 665
Total liabilities & shareholders equity	59 714 843	84 966 567	56 851 934	80 893 014

JSC VALMIERAS STIKLA ŠĶIEDRA

STATEMENT OF PROFIT AND LOSS

9 months 2012

	30.09.2012.		30.09.2011.	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Revenues	38 952 666	55 424 650	36 354 526	51 727 830
Changes in inventories	(1 228 853)	(1 748 500)	(2 214 412)	(3 150 824)
Other operating income	222 815	317 037	400 172	569 393
Raw materials and consumables	(19 707 640)	(28 041 445)	(18 812 911)	(26 768 361)
Personnel expenses	(6 104 881)	(8 686 463)	(5 236 581)	(7 450 983)
Depreciation and amortization	(3 647 679)	(5 190 180)	(3 806 915)	(5 416 752)
Other operating expenses	(5 297 810)	(7 538 105)	(4 738 258)	(6 741 934)
Profit from operations	3 188 618	4 536 995	1 945 621	2 768 369
Interest - and similar income	5 657	8 049	289	411
Interest - and similar expenses	(871 098)	(1 239 461)	(989 971)	(1 408 602)
Profit before taxes	2 323 177	3 305 583	955 939	1 360 179
Corporate income tax	105 000	149 402	70 000	99 601
Net profit	2 218 177	3 156 182	885 939	1 260 578
Basic earnings per share	0.0928	0.1320	0.0371	0.0527

JSC VALMIERAS STIKLA ŠĶIEDRA

STATEMENTS OF CASH FLOW

	9 months 2012		9 months 2011	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Operating activities				
Profit / (loss) before taxation	2 323 177	3 305 583	955 939	1 360 179
Adjustments:				
Depreciation and amortization	3 647 679	5 190 180	3 806 915	5 416 752
Profit or (loss) from disposal of fixed assets	(10900)	(15509)	(65867)	(93720)
Interest expense	811 279	1 154 346	950 408	1 352 309
Interest received	(5657)	(8049)	(289)	(411)
Changes in operating assets and liabilities:				
Inventories	1 477 527	2 102 332	2 156 552	3 068 497
Accounts receivable and other assets	(3 329 153)	(4 736 958)	(2 831 332)	(4 028 622)
Accounts payable and other liabilities	2 100 602	2 988 887	(425 308)	(605 159)
Interest received	5 657	8 049	289	411
Cash flow from operating activities	7 020 211	9 988 860	4 547 307	6 470 235
Investing activities				
Purchase of fixed assets and intangible assets, advance payments	(4 756 612)	(6 768 049)	(4 066 304)	(5 785 829)
Proceeds from sale of fixed assets	10 900	15 509	71 485	101 714
Net cash used in investing activities	(4 745 712)	(6 752 540)	(3 994 819)	(5 684 115)
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	35 616 415	50 677 593	19 906 204	28 323 977
Paid credit line	(34 013 590)	(48 396 978)	(16 913 830)	(24 066 212)
Paid dividends	(621 483)	(884 291)	(184 055)	(261 887)
Paid finance lease	37 674	53 605	(11 268)	(16 033)
Interest expenses paid	(811 279)	(1 154 346)	(950 408)	(1 352 309)
Net cash provided by financing activities	(2 020 058)	(2 874 284)	(381 152)	(542 330)
Net (decrease) / increase in cash and cash equivalents	254 441	362 037	171 336	243 789
Cash and cash equivalents at the beginning of the year	218 637	311 092	231 995	330 099
Cash and cash equivalents at the end of the year	473 078	673 129	403 331	573 888

JSC VALMIERAS STIKLA ŠĶIEDRA**STATEMENTS OF SHAREHOLDERS' EQUITY****As of 30th September 2012**

Exchange of rate EUR

0.702804

	Share capital LVL	Retained earnings LVL	Total LVL	Share capital EUR	Retained earnings EUR	Total EUR
As at 31st December 2010	23 903 205	5 237 621	29 140 826	34 011 197	7 452 463	41 463 660
Dividends paid		(184 056)	(184 056)		(261 888)	(261 888)
Current 9 months 2011 profit		885 939	885 939		1 260 578	1 260 578
Current X-XII 2011 profit		644 857	644 857		917 549	917 549
As at 31st December 2011	23 903 205	6 584 361	30 487 566	34 011 197	9 368 702	43 379 898
Dividends paid		(621 484)	(621 484)		(884 292)	(884 292)
Current 9 Months 2012 profit		2 218 177	2 218 177		3 156 182	3 156 182
Current of 30th September 2012	23 903 205	8 181 054	32 084 259	34 011 197	11 640 591	45 651 788

JSC VALMIERAS STIKLA ŠĶIEDRA

ANNEX

1. Share Capital

The company's registered share capital as at September 30th, 2012 and 2011 was LVL 23.903.205.

The company's paid share capital registered with the Enterprise Register as at September 30th, 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 1,00.

As at September 30th, 2012 and 2011 the shareholders of the Company, in accordance with the records maintained by the Latvian Central Depository, were as follows:

	9 months 2012		9 months 2011	
P-D Glasseiden Oschatz GmbH	26.0%		26.0%	
Vitulan 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%	
Others	8.9%		8.9%	
	100%		100%	

2. Information concerning the profit and loss account

	9 months 2012		9 months 2011	
	LVL	EUR (0.702804)	LVL	EUR (0.702804)
2.1. Material expenses				
Raw materials	11 595 014	16 498 219	12 249 110	17 428 913
Electricity	2 762 374	3 930 504	2 382 729	3 390 318
Ore processing costs	260 221	370 261	214 796	305 627
Natural gas	2 385 091	3 393 679	1 697 389	2 415 167
Depletion of ore	216 454	307 986	178 129	253 455
Other	2 488 486	3 540 797	2 090 758	2 974 881
Total	19 707 640	28 041 445	18 812 911	26 768 361
2.2. Personnel expenses				
Salaries	4 097 689	5 830 486	3 682 402	5 239 586
Social security payments	1 088 961	1 549 452	952 576	1 355 394
Illness and vacation expenses	467 842	665 679	463 366	659 310
Provisions of Board and Council	405 000	576 263	90 000	128 058
Insurance of employees	29 444	41 895	29 733	42 306
Other	15 945	22 688	18 504	26 329
Total	6 104 881	8 686 463	5 236 581	7 450 983
2.3. Depreciation and amortization				
Fixed asset depreciation	3 644 552	5 185 730	3 802 976	5 411 147
Intangible asset amortization	3 127	4 449	3 939	5 605
Total	3 647 679	5 190 180	3 806 915	5 416 752
2.4. Other operating expenses				
Transportation	2 404 319	3 421 038	2 076 702	2 954 881
Sales Commission	748 657	1 065 243	865 119	1 230 953
Service costs	486 497	692 223	503 295	716 124

Spare parts	349 448	497 220	260 030	369 989
Repair expenses	348 479	495 841	334 645	476 157
Insurance	125 133	178 048	103 701	147 553
Business trips	151 501	215 567	122 039	173 646
Labor safety and specific clothing	31 283	44 512	20 373	28 988
Research and development expenses	95 273	135 561	55 508	78 981
Communication	40 166	57 151	33 497	47 662
Leasing	133 338	189 723	51 003	72 571
Property tax	44 250	62 962	42 784	60 876
Office expenses	30 015	42 707	32 162	45 762
Selling expenses	58 636	83 432	41 778	59 445
Allowance for doubtful receivables	21 000	29 880	5 000	7 114
Other	229 815	326 997	190 622	271 231
Total	5 297 810	7 538 105	4 738 258	6 741 934

3. TRADE RECEIVABLES

	9 months 2012		9 months 2011	
	LVL	EUR (0.702804)	LVL	EUR (0.702804)
P-D Glasseiden Oschatz GmbH	4 308 647	6 130 652	3 774 201	5 370 204
P-D Tafneft Fiberglas Alabuga	125 293	178 276	91 897	130 758
Vitrolan Technical Textiles GmbH	515 087	732 903	453 217	644 870
Vitrolan Textile Glass GmbH	221 129	314 638	204 223	290 583
Other trade receivables	4 366 288	6 212 668	4 579 458	6 515 982
Total trade receivables	9 536 444	13 569 137	9 102 996	12 952 396

Andris Oskars Brutāns
Chairman of the Board

On information stated in this financial report, please contact

Dzintars Rudzītis
Head Accountant
Phone 64202271, mob. 29116594
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	B1000GI, B1000PI, B1300GI, B1300PI, OMXBBCAPGI, OMXBBCAPPI, OMXBBGI, OMXBBPI, OMXBGI, OMXBPI, OMXRGI

JSC “Valmieras stikla šķiedra” share price development for the period 01.01.12 – 30.09.12



Currency: LVL

Open	0,575 LVL
Max	0,797 LVL
Min	0,575 LVL
Last	0,697 LVL
Change	23,145 %
Trades	515
No of shares traded	592 854
Turnover	416 829,90 LVL

Information source: AS „NASDAQ OMX Riga” web page www.nasdaqomxbaltic.com