

Joint Stock Company "Valmieras stikla šķiedra"  
Reg. No. 40003031676  
13 Cempu Street, Valmiera, LV-4201

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**JOINT STOCK COMPANY "VALMIERAS STIKLA ŠĶIEDRA"**

Registration Number 40003031676

Financial Report for the period ended December 31<sup>st</sup>, 2012

**UNAUDITED**

Made in accordance with the Financial Statement Law of Latvian Republic and the regulations of the Cabinet of Ministers No. 188 and No. 481

Valmiera  
2013

## COMPANY PROFILE

The name of the enterprise:	Valmieras stikla šķiedra
The legal status:	Joint Stock Company
Registration number:	40003031676
Registration place, date:	Riga, September 30 <sup>th</sup> , 1991
Type of business:	Production of glass fibre products
Registered office:	13 Cempu Street Valmiera, LV- 4201 Latvia
The board:	<i>The Chairman of the Board:</i> Andris Oskars Brutāns, President  <i>Board Members:</i> Andre Heinz Schwiontek, Vice President Wilfried Queißer (until Mai 25 <sup>th</sup> , 2012) Jöran Pfuhl (from Mai 25 <sup>th</sup> , 2012) Karl Heinz Will Dainis Šēnbergs Stefan Jugel Friedhelm Schwender
The council:	<i>The Chairman of the Council:</i> Jürgen Preiss-Daimler  <i>Council Members:</i> Reinhard Conradt Hans Peter Cordts Guntis Strazds Aivars Lošmanis
The period of the report:	January 1 <sup>st</sup> , 2012 – December 31 <sup>st</sup> , 2012

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## MANAGEMENT REPORT

### General information

The main profiles of JSC "Valmieras stikla šķiedra" are glass fibre research, development, manufacturing and sales. JSC "Valmieras stikla šķiedra" manufactures glass fibre and glass fibre products from 3 types of glass (E-glass 600°C, HR-glass 800°C, SiO<sub>2</sub>-glass 1000+°C), which can be used for further processing, for thermal and technical insulation materials, as ready-made building and mechanical engineering materials etc.

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<sup>th</sup>, 2012 the Company received quality management system certificate that is valid until March 15<sup>th</sup>, 2015.

The products of the company are sold in 36 countries of the world. 74% of the production is sold to companies in the European Union. The export rate reaches 96% of the total production. The sales volume in 2012 in comparison to 2011 increased in the geographic markets of USA and Canada (for 24%), Russia and Ukraine (for 11%) as well as other countries (inc. Swiss, Japan, India, Croatia etc.) – the growth of 33%. In the European Union was the sales volume stable, with not so large growth – 3%.

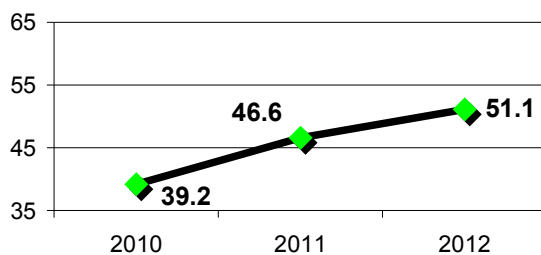
Analysing the segments of products, the growth of the sales volume has been recognized for the products with high added value: products with higher SiO<sub>2</sub> content, nettings and non-woven fabrics. These products were sold for 31% more than in 2011. For the other product segments is the sales volume stable.

At the December 31<sup>st</sup>, 2012 there were 898 employees working for the company. In average there were 838 employees at the company for 2012.

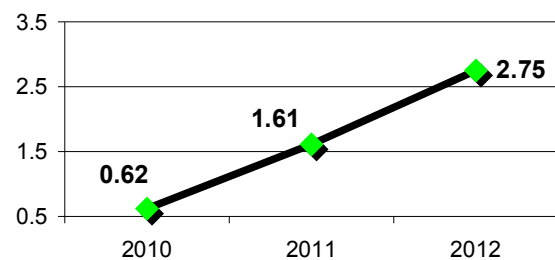
### Finance results

The annual turnover at 2012 is higher than ever and reaches LVL 51.1 Million (EUR 72.71 Million). It's for 7% higher than the annual turnover of 2011. The net profit of the company has reached LVL 2.75 Millions (EUR 3.91 Million) or 79.6% more as 2011.

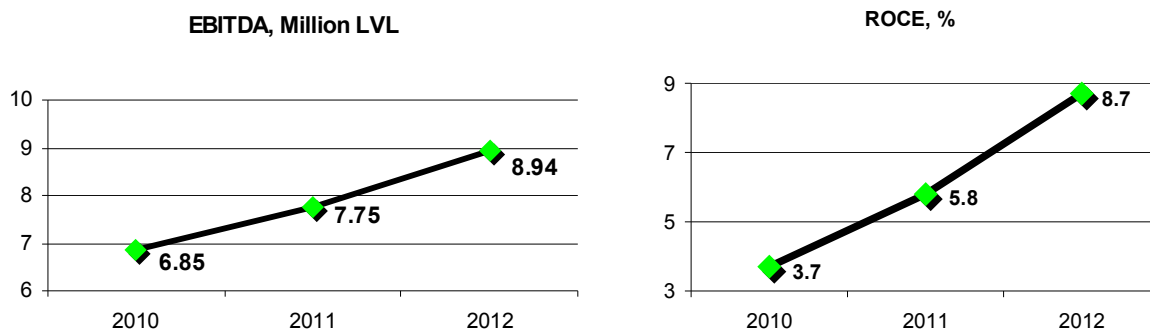
Annual turnover, Million LVL



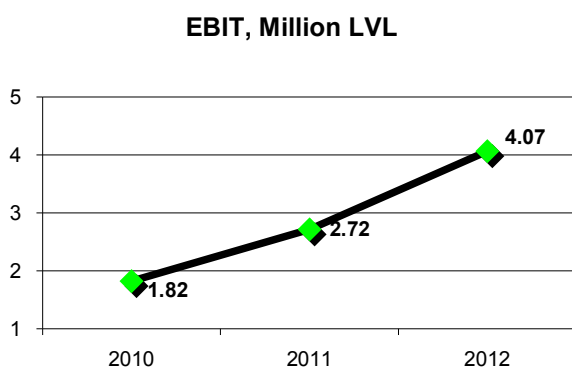
Net profit, Million LVL



The operating profit (EBITDA) was LVL 8.94 Millions (EUR 12.72 Millions) and it's 15% more than at 2011. The earnings before the interest and taxes (EBIT) for 2012 reaches LVL 4.07 Millions (EUR 5.79 Millions), or is almost 50% more than in the same period of 2011. Return on assets for the four quarters of 2012 are 8,0%, that's for 2.2 percentage points higher than over the same period of 2011, while the return on capital (ROCE) is 8.7% or 2.9 percentage points more as in 2011.



For 4.54% has grown the average price of the products sold by the company at 2012 in comparing to 2011. This was cultivated by the production of the products with high added value.



In November 2012 has the company realized the project and construction of the new, third glass furnace with the aim to promote the production capacity and quality of glass fibre. The total costs of this project were LVL 4.57 Millions (EUR 6.50 Millions), of which LVL 976 Thousands (EUR 1.39 Millions) are the funding of Investment and Development Agency of Latvia and LVL 3.6 Millions (EUR 5.12 Millions) – the Company's funding.

2013 plans the JSC "Valmieras stikla šķiedra" to invest LVL 7.1 Million (EUR 10.1 Million) for the development of the company, including new plants, modernization and a new warehouse, with the aim of increasing the production capacity.

Concerning the tendencies of the market trends as well as the results of the company, the management of JSC "Valmieras stikla šķiedra" prognoses that the annual turnover for 2013 could reach LVL 62.87 Million (EUR 89.46 Million). In addition to the prognoses of the company's management and the budget of JSC "Valmieras stikla šķiedra" the net profit at 2013 could reach LVL 5.17 Million (EUR 7.36 Million).

## Shares market

The shares of JSC "Valmieras stikla šķiedra" are listed on NASDAQ OMX Riga Secondary market since February 24<sup>th</sup>, 1997.

The Company's share price from January 1<sup>st</sup>, 2012 till December 31<sup>st</sup>, 2012 has increased for LVL 0.275 (EUR 0.391) or 50.18%. The value of one share at January 1<sup>st</sup>, 2012 was LVL 0.575 (EUR 0.818), but till December 31<sup>st</sup>, 2012 the price had to LVL 0.850 (EUR 1.209), that is the maximal price of one share in 2012 (look "The share price development of JSC "Valmieras stikla šķiedra" in the period of January 1<sup>st</sup>, 2012 to December 31<sup>st</sup>, 2012").

The total amount of sold shares is 857 Thousands and the shares turnover of JSC "Valmieras stikla šķiedra" has reached LVL 609.2 Thousands (EUR 866.8 Thousands).

*The share price development of JSC „Valmieras stikla šķiedra” in the period of  
January 1<sup>st</sup>, 2012 to December 31<sup>st</sup>, 2012.  
Information from: AS „NASDAQ OMX Riga”, home page [www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com)*



For the preparation of this unaudited financial report for 12 months of 2012 was used the accounting policy of the revised report of 2011.

JSC "Valmieras stikla šķiedra"  
The Chairman of the Board

Andris Oskars Brutāns

February 20<sup>th</sup>, 2013

## THE 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 December 31<sup>st</sup>, 2012 and the results of its operations and cash flows for the period ended at December 31<sup>st</sup>, 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 8 to 14. The management also confirms that applicable requirements of the Financial Statement Law of Republic of Latvia and the regulations of the Cabinet of Ministers No. 188 and No. 481 are followed. The financial statement has 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 Latvian Republic.

In the name of the management,

JSC "Valmieras stikla šķiedra"  
The Chairman of the Board

Andris Oskars Brutāns

February 20<sup>th</sup>, 2013

## BALANCE SHEET (ASSETS)

*As at December 31<sup>st</sup>, 2012 and December 31<sup>st</sup>, 2012*

	31.12.2012.		31.12.2011.	
	LVL	EUR	LVL	EUR
<b>ASSETS</b>		0.702804		0.702804
<b>Non-current assets</b>				
<b>Intangible assets</b>				
Patents and licenses	16 435	23 385	9 418	13 401
Other intangible assets	110 296	156 937	22 277	31 697
<b>Total intangible assets</b>	<b>126 731</b>	<b>180 322</b>	<b>31 695</b>	<b>45 098</b>
<b>Fixes assets</b>				
Lands and buildings	8 229 441	11 709 440	8 081 078	11 498 338
Equipment and machinery	25 715 236	36 589 484	23 848 599	33 933 499
Other fixed assets	6 405 540	9 114 262	244 431	347 794
Construction in progress	1 432 075	2 037 659	578 763	823 506
Advance payments for fixed assets	732 817	1 042 705	334 437	475 861
<b>Total fixed assets</b>	<b>42 515 109</b>	<b>60 493 550</b>	<b>33 087 308</b>	<b>47 078 998</b>
<b>Total non-current assets</b>	<b>42 641 840</b>	<b>60 673 872</b>	<b>33 119 003</b>	<b>47 124 096</b>
<b>Current assets</b>				
<b>Inventory</b>				
Raw materials	4 132 990	5 880 715	10 477 519	14 908 166
Works in progress	1 457 109	2 073 279	1 269 216	1 805 932
Finished goods	5 137 301	7 309 721	4 536 750	6 455 214
Advanced payments for inventories	27 623	39 304	14 861	21 145
<b>Total inventory</b>	<b>10 755 023</b>	<b>15 303 019</b>	<b>16 298 346</b>	<b>23 190 457</b>
<b>Accounts receivable</b>				
Trade receivables	6 483 598	9 225 329	5 996 120	8 531 710
Other receivables	597 501	850 167	582 766	829 201
Deferred expenses	245 469	349 271	311 846	443 717
<b>Total accounts receivable</b>	<b>7 326 568</b>	<b>10 424 767</b>	<b>6 890 732</b>	<b>9 804 628</b>
Derivatives	-	-		
Cash and cash equivalents	168 422	239 643	218 637	311 092
<b>Total current assets</b>	<b>18 250 013</b>	<b>25 967 429</b>	<b>23 407 715</b>	<b>33 306 178</b>
<b>TOTAL ASSETS</b>	<b>60 891 853</b>	<b>86 641 301</b>	<b>56 526 718</b>	<b>80 430 274</b>



## BALANCE SHEET (LIABILITIES)

*As at December 31<sup>st</sup>, 2012 and December 31<sup>st</sup>, 2012*

	31.12.2012.		31.12.2011.	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>				
<b>Shareholders' equity</b>				
Share capital	23 903 205	34 011 197	23 903 205	34 011 197
Reserves				
Retained earnings				
a) Retained earnings	5 962 877	8 484 410	5 053 565	7 190 575
b) Current year profit	2 748 765	3 911 140	1 530 796	2 178 126
<b>Total shareholders' equity</b>	<b>32 614 847</b>	<b>46 406 746</b>	<b>30 487 566</b>	<b>43 379 898</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Due to credit institutions	14 135 609	20 113 160	16 483 602	23 454 053
Finance lease	19 149	27 247	19 149	-
Deferred tax	113 729	161 822	-	-
<b>Total non-current liabilities</b>	<b>14 268 487</b>	<b>20 302 228</b>	<b>16 502 751</b>	<b>23 481 299</b>
<b>Current liabilities</b>				
Due to credit institutions	6 788 397	9 659 019	5 448 763	7 752 891
Finance lease	107 501	152 960	14 362	20 435
Advance payments from customers	479 477	682 234	104 673	148 936
Trade payables	5 153 670	7 333 012	3 093 787	4 402 062
Taxes and social security payments	428 531	609 745	472 253	671 955
Other accounts payable	350 907	499 296	245 485	349 294
Accrued liabilities	248 394	353 433	157 078	223 502
Deferred income	451 642	642 629	-	-
Derivatives	-	-	-	-
Dividend for the financial year	-	-	-	-
<b>Total current liabilities</b>	<b>14 008 519</b>	<b>19 932 327</b>	<b>9 536 401</b>	<b>13 569 076</b>
<b>Total liabilities</b>	<b>28 277 006</b>	<b>40 234 555</b>	<b>26 039 152</b>	<b>37 050 375</b>
<b>Total liabilities &amp; shareholders' equity</b>	<b>60 891 853</b>	<b>86 641 301</b>	<b>56 526 718</b>	<b>80 430 274</b>

## STATEMENT OF PROFIT AND LOSS

*For the years ended December 31<sup>st</sup>, 2012 and December 31<sup>st</sup>, 2011*

	31.12.2012.		31.12.2011.	
	LVL	EUR 0.702804	LVL	EUR 0.702804
Sales	49 907 073	71 011 367	46 580 169	66 277 609
Change in inventories	799 027	1 136 913	(90 577)	(128 879)
Costs capitalized to non-current assets	102 547	145 911	55 141	78 459
Other operating income	292 249	415 833	372 258	529 675
Raw materials and consumables	(26 332 087)	(37 467 184)	(25 220 360)	(35 885 339)
Personnel expenses	(8 345 330)	(11 874 335)	(7 126 697)	(10 140 376)
Depreciation and amortization	(4 874 322)	(6 935 535)	(5 031 930)	(7 159 791)
Other operating expenses	(7 482 197)	(10 646 207)	(6 821 053)	(9 705 484)
<b>Profit from operations</b>	<b>4 066 960</b>	<b>5 786 763</b>	<b>2 716 951</b>	<b>3 865 873</b>
Interest- and similar income	1 639	2 332	67 515	96 065
Interest- and similar expenses	(1 206 105)	(1 716 133)	(1 253 670)	(1 783 812)
<b>Profit before taxes</b>	<b>2 862 494</b>	<b>4 072 962</b>	<b>1 530 796</b>	<b>2 178 126</b>
Corporate income tax	113 729	161 822		
<b>Net profit</b>	<b>2 748 765</b>	<b>3 911 140</b>	<b>1 530 796</b>	<b>2 178 126</b>
<b>Basic earnings per share</b>	<b>0.1150</b>	<b>0.1636</b>	<b>0.0640</b>	<b>0.0911</b>

## STATEMENT OF CASH FLOWS

	12 months 2012		12 months 2011	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
<b>OPERATING ACTIVITIES</b>				
Profit / (loss) before taxation	2 862 494	4 072 962	1 530 796	2 178 126
Adjustments:				
Depreciation and amortization	4 874 322	6 935 535	5 031 930	7 159 791
Profit or loss from disposal of fixed assets	(12657)	(18009)	171 412	243 897
Interest expense	1 063 951	1 513 866	1 253 069	1 782 957
Interest income	(5657)	(8049)	(10777)	(15334)
<b>Changes in operating assets and liabilities:</b>				
Inventory	(658 575)	(937 068)	(1558442)	(2217463)
Accounts receivable and other assets	(435 836)	(620 139)	197 538	281 071
Accounts payable and other liabilities	3 039 345	4 324 598	1 876	2 669
Interest received	1 639	2 332	10 777	15 334
<b>Cash provided by operating activities</b>	<b>12 046 176</b>	<b>17 140 164</b>	<b>6 628 179</b>	<b>9 431 049</b>
<b>Investing activities</b>				
Purchase of fixed assets and intangible assets, advance payments	(9 508 716)	(13 529 684)	(4 740 333)	(6 744 886)
Proceeds from sale of fixed assets	12 979	18 467	67 341	95 818
<b>Net cash used in investing activities</b>	<b>(9 495 737)</b>	<b>(13 511 216)</b>	<b>(4 672 992)</b>	<b>(6 649 069)</b>
<b>Financing activities</b>				
Received loans from credit institution	633 996	902 095	-	-
Paid loans to credit institutions	(2 978 124)	(4 237 489)	(2 970 393)	(4 226 488)
Received credit line	47 968 372	68 252 844	27 780 014	39 527 399
Paid credit line	(46 632 604)	(66 352 218)	(25 326 612)	(36 036 522)
Paid dividends	(621 483)	(884 291)	(184 056)	(261 888)
Paid finance lease	93 140	132 526	(15 800)	(22 481)
Interest expenses paid	(1 063 951)	(1 513 866)	(1 251 698)	(1 781 006)
<b>Net cash provided by financing activities</b>	<b>(2 600 654)</b>	<b>(3 700 397)</b>	<b>(1 968 545)</b>	<b>(2 800 987)</b>
Net (decrease) / increase in cash and cash equivalents	(50 215)	(71 450)	(13 358)	(19 007)
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>168 422</b>	<b>239 643</b>	<b>218 637</b>	<b>311 092</b>

## STATEMENT OF SHAREHOLDERS' EQUITY

**As at December 31<sup>st</sup>, 2012 and December 31<sup>st</sup>, 2012**

*EUR rate of exchange 0.702804*

	Share capital LVL	Retained earnings LVL	Total LVL	Share capital EUR	Retained earnings EUR	Total EUR
<b>As of December 31<sup>st</sup>, 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
Profit for 2011		1 530 796	1 530 796		2 178 126	2 178 126
<b>As of December 31<sup>st</sup>, 2011</b>	<b>23 903 205</b>	<b>6 584 361</b>	<b>30 487 566</b>	<b>34 011 197</b>	<b>9 368 702</b>	<b>43 379 898</b>
Dividends paid		-621 484	-621 484		-884 292	-884 292
Current year profit		2 748 765	2 748 765		3 911 140	3 911 140
<b>As of December 31<sup>st</sup>, 2012</b>	<b>23 903 205</b>	<b>8 711 642</b>	<b>32 614 847</b>	<b>34 011 197</b>	<b>12 395 550</b>	<b>46 406 746</b>

## ANNEX

### 1. Share capital

The company's registered share capital as at December 31<sup>st</sup>, 2012 and December 31<sup>st</sup>, 2011 was LVL 23 903 205.00. The company's paid share capital registered with the Enterprise Register as at December 31<sup>st</sup>, 2012 and December 31<sup>st</sup>, 2011 was LVL 23 903 205.00, 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 December 31<sup>st</sup>, 2012 and December 31<sup>st</sup>, 2011 the shareholders of the Company, in accordance with the records maintained by the Latvian Central Depository, were as follows:

	12 months 2012	12 months 2011
P-D Glasseiden GmbH Oschatz	26.1%	26.0%
Vitrolan International GmbH	36.2%	36.2%
P-D Management Industries-Technologies GmbH	23.9%	23.9%
Valsts sociālās apdrošināšanas aģentūra, VAS	2.4%	2.4%
Preiss-Daimler Beatrix	4.5%	2.6%
Others	6.9%	8.9%
	<b>100.00%</b>	<b>100.00%</b>

### 2. INFORMATION CONCERNING THE PROFIT OR LOSS ACCOUNT

	12 months 2012		12 months 2011	
	LVL	EUR (0.702804)	LVL	EUR (0.702804)
<b>2.1. Material expenses</b>				
Raw materials	15 794 856	22 474 055	16 273 053	23 154 468
Electricity	3 698 143	5 261 983	3 311 040	4 711 185
Ore processing costs	355 913	506 419	299 554	426 227
Natural gas	3 243 297	4 614 796	2 443 118	3 476 244
Depletion of ore	217 854	309 978	207 448	295 172
Other	3 022 024	4 299 953	2 686 147	3 822 043
<b>Total</b>	<b>26 332 087</b>	<b>37 467 184</b>	<b>25 220 360</b>	<b>35 885 339</b>
<b>2.2. Personnel expenses</b>				
Salaries	6 170 051	8 779 192	5 115 729	7 279 027
Social security payments	1 485 757	2 114 042	1 287 724	1 832 266
Illness and vacation expenses	467 842	665 679	558 259	794 331
Provisions of Board and Council	152 527	217 026	96 165	136 830
Insurance of employees	41 094	58 471	41 185	58 601
Other	28 059	39 924	27 635	39 321
<b>Total</b>	<b>8 345 330</b>	<b>11 874 335</b>	<b>7 126 697</b>	<b>10 140 376</b>
<b>2.3. Depreciation and amortization</b>				
Fixed asset depreciation	4 870 019	6 929 413	5 026 704	7 152 355
Intangible asset amortization	4 303	6 123	5 226	7 436

<b>Total</b>	<b>4 874 322</b>	<b>6 935 535</b>	<b>5 031 930</b>	<b>7 159 791</b>
<b>2.4. OTXER OPERATING EXPENSES</b>				
Transportation	3 402 003	4 840 614	2 943 200	4 187 796
Commission	1 007 541	1 433 602	1 213 541	1 726 713
Service costs	679 568	966 938	597 710	850 465
Repairs	496 631	706 642	362 464	515 740
Maintenance expenses	434 725	618 558	433 998	617 524
Insurance	203 285	289 248	141 159	200 851
Business trips	223 703	318 301	218 323	310 646
Labour protection and specific clothing	48 032	68 343	35 476	50 478
Research and development expenses	147 176	209 413	121 570	172 979
Communications	70 569	100 411	60 191	85 644
Leasing	210 553	299 590	83 775	119 201
Property tax	49 810	70 873	57 232	81 434
Office expenses	47 280	67 273	43 372	61 713
Selling expenses	61 759	87 875	49 809	70 872
Audit fees	19 698	28 028	20 050	28 529
Allowance for doubtful receivables	21 029	29 922	18 960	26 978
<b>Total</b>	<b>358 835</b>	<b>510 576</b>	<b>420 223</b>	<b>597 923</b>

### 3. TRADE RECEIVABLES

	12 months 2012		12 months 2012	
	LVL	EUR (0.702804)	LVL	EUR (0.702804)
P-D Glasseiden GmbH Oschatz	3 068 248	4 365 724	2 158 263	3 070 932
P-D Tafneft Fiberglas Alabuga	158 928	226 134	91 282	129 883
P-D Refractories GmbH	-	-	7 797	11 094
Vitrolan Textile Glass GmbH	-	-	0 436	0 620
Vitrolan Technical Textiles GmbH	60 172	85 617	-	-
Other trade receivables	3 260 098	4 638 702	3 800 457	5 407 563
Allowances for doubtful receivables	-63 848	-90 848	-62 115	-88 382
<b>Total</b>	<b>6 483 598</b>	<b>9 225 329</b>	<b>5 996 120</b>	<b>8 531 710</b>

For information stated in this financial report please contact:

#### Dzintars Rudzītis

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