

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 March 31<sup>st</sup> 2013

**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>Chairman of the Board:</i> Andris Oskars Brutāns, President  <i>Board Members:</i> Andre Heinz Schwiontek, Vice President Jöran Pfuhl Karl Heinz Will Dainis Šēnbergs Stefan Jugel Friedhelm Schwender
The council:	<i>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> 2013 – March 31 <sup>st</sup> 2013

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## MANAGEMENT REPORT

### General information

The main profiles of JSC Valmieras stikla šķiedra (further – Company) 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.

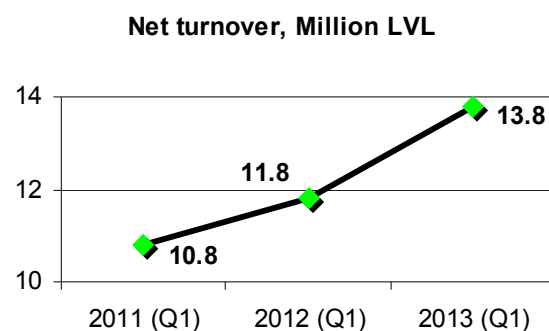
The products of the company are sold in 36 countries of the world, reaching the export rate of 96%. At the first quarter of 2013 strengthened the JSC Valmieras stikla šķiedra it's position in the market and let the turnover grow. The main export markets are still steady: European Union (73%), USA, Japan, India and Russia. The sales volume in the three months of 2013 in comparison to the same period of 2012 has grown in markets of European Union (the growth of 12%), USA and Canada (the growth of 43%), Russia and Ukraine (for 12%). In other countries (including Swiss, Japan, India, Croatia etc.) the sales volume is stable. The range of customers is getting larger, particularly in USA and in export markets of East regions.

Analyzing the segments of products, the growth of the sales volume has been recognized for the products with high added value: glass fibre nettings, technical fabrics, non-woven fabrics and products with higher SiO<sub>2</sub> content.

The average number of employees working in the Company at the first three months of 2013 is 891. Comparing to the first quarter 2012, the workforce increased for 10%.

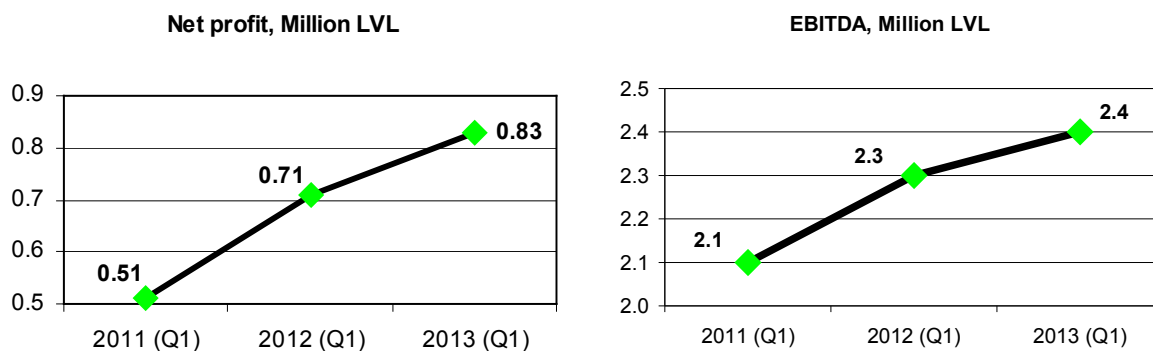
### Finance results

The net turnover at first three months of 2013 reached LVL 13.8 Million (EUR 19.6 Mill.). It's for 17% higher than the net turnover at the same period of 2012 and the highest net turnover at the first quarter of the year since the foundation of the company, overfilling the budget for 7%. The net profit of the company has reached LVL 0.83 Millions (EUR 1.18 Mill.) or 17% more as first quarter of 2012 and overfills the budget for 70%.

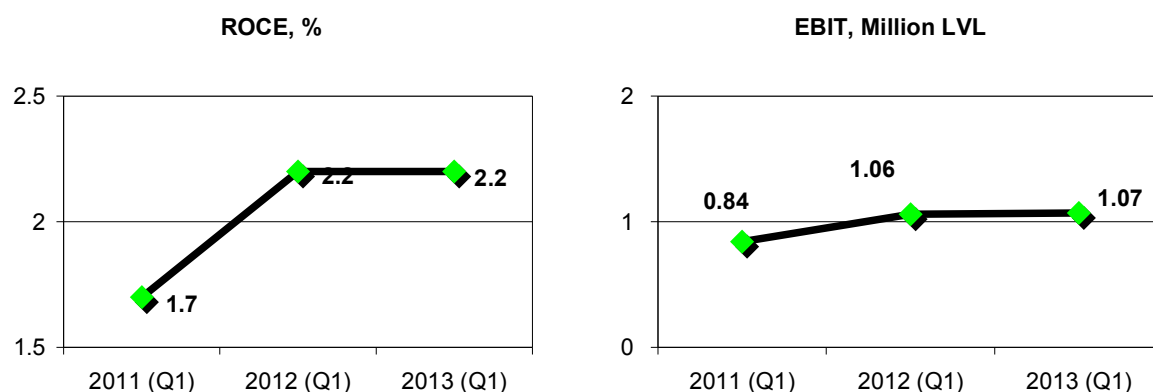


Significant for JSC Valmieras stikla šķiedra was the January 2013 as the record turnover for one month was reached – LVL 5.17 Million (7.36 mil. EUR). It's for 29% more as in January 2012 and the budget for January 2013 is for 47% overfilled. This is an important growth because the winter is the less active period in the market.

The operating profit (EBITDA) was LVL 2.43 Millions (EUR 3.46 Mill.) and it's 7.2% more than at 2012. The earnings before the interest and taxes (EBIT) reach LVL 1.07 Millions (EUR 1.52 Mill.) or are 1.1% more than at the first quarter of 2012. These are the highest rates since the foundation of company.



The return on capital (ROCE) is 2.2% keeping the level of the first quarter of 2012.



For 2.5% has grown the average price of the products sold by the company at the first quarter of 2013, comparing it to 2012. This was cultivated by the production of the products with high added value.

2013 plans the JSC Valmieras stikla šķiedra to invest LVL 7.1 Million (EUR 10.1 Mill.) for the development of the company, including new plants, modernization the existing technological and technical solutions 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 Mill.). 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 Mill.).

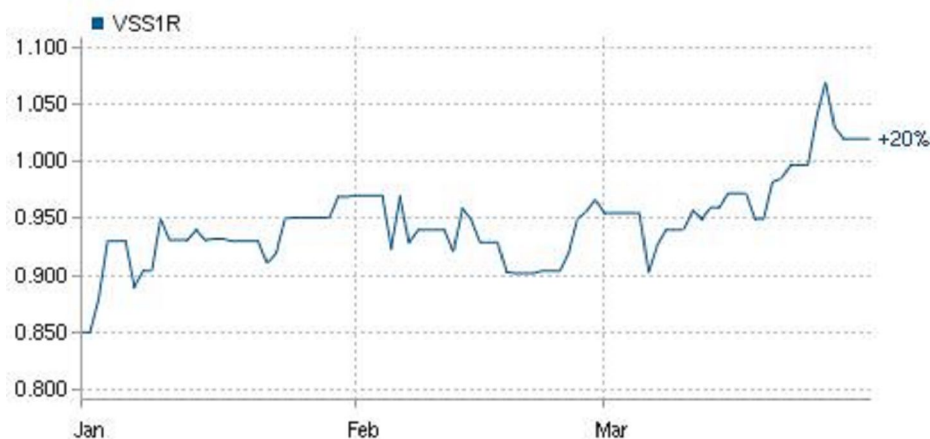
## Shares market

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> 2013 till March 31<sup>st</sup> 2013 has increased for LVL 0.17 (EUR 0.24) or 20%. The value of one share at January 1<sup>st</sup> 2013 was LVL 0.80 (EUR 1.21), but till March 31<sup>st</sup> 2013 the price had to LVL 1.02 (EUR 1.45).

The total amount of sold shares in first quarter 2013 is 122 Thousands and the shares turnover of JSC Valmieras stikla šķiedra has reached LVL 120 Thousands (EUR 170.8 Thousands).

*The share price development of JSC Valmieras stikla šķiedra in period of  
January 1<sup>st</sup> 2013 to March 31<sup>st</sup> 2013.  
Information from: AS „NASDAQ OMX Riga”, home page [www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com)*



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For the preparation of this unaudited financial report for 3 months of 2013 was used the accounting policy of the revised report of 2012.

JSC Valmieras stikla šķiedra  
The Chairman of the Board  
Andris Oskars Brutāns

April 25<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 March 31<sup>st</sup> 2013 and the results of its operations and cash flows for the period ended at March 31<sup>st</sup> 2013. 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

April 25<sup>th</sup> 2013

## BALANCE SHEET (ASSETS)

**As at March 31<sup>st</sup> 2013 and March 31<sup>st</sup> 2012**

	31.03.2013		31.03.2012	
	LVL	EUR	LVL	EUR
<b>ASSETS</b>		0.702804		0.702804
<b>Non-current assets</b>				
<b>Intangible assets</b>				
Patents and licenses	19 020	27 063	8 327	11 848
Other intangible assets	110 296	156 937	22 277	31 697
<b>Total intangible assets</b>	<b>129 316</b>	<b>184 000</b>	<b>30 604</b>	<b>43 546</b>
<b>Fixes assets</b>				
Buildings	8 083 533	11 501 831	7 923 496	11 274 119
Equipment and machinery	31 635 921	45 013 860	23 098 723	32 866 522
Other fixed assets	370 082	526 579	262 732	373 834
Construction in progress	1 899 951	2 703 387	858 303	1 221 255
Advance payments for fixed assets	762 222	1 084 544	1 334 086	1 898 233
<b>Total fixed assets</b>	<b>42 751 709</b>	<b>60 830 202</b>	<b>33 477 340</b>	<b>47 633 963</b>
<b>Total non-current assets</b>	<b>42 881 025</b>	<b>61 014 202</b>	<b>33 507 944</b>	<b>47 677 509</b>
<b>Current assets</b>				
<b>Inventory</b>				
Raw materials	4 011 991	5 708 549	10 505 236	14 947 604
Work in progress	1 522 844	2 166 812	1 396 253	1 986 689
Finished goods	4 885 092	6 950 860	4 338 969	6 173 797
Advanced payments for goods	51 007	72 576	83 361	118 612
<b>Total inventory</b>	<b>10 470 934</b>	<b>14 898 797</b>	<b>16 323 819</b>	<b>23 226 702</b>
<b>Accounts receivable</b>				
Due from related parties	9 934 348	14 135 304	8 866 522	12 615 924
Other receivables	420 525	598 353	423 492	602 575
Deferred expenses	374 282	532 555	350 709	499 014
<b>Total accounts receivable</b>	<b>10 729 155</b>	<b>15 266 212</b>	<b>9 640 723</b>	<b>13 717 513</b>
Derivatives	-	-	-	-
Cash	86 476	123 044	174 399	248 147
<b>Total current assets</b>	<b>21 286 565</b>	<b>30 288 053</b>	<b>26 138 941</b>	<b>37 192 362</b>
<b>TOTAL ASSETS</b>	<b>64 167 590</b>	<b>91 302 255</b>	<b>59 646 885</b>	<b>84 869 871</b>



## BALANCE SHEET (LIABILITIES)

**As at March 31<sup>st</sup> 2013 and March 31<sup>st</sup> 2012**

	31.03.2013		31.03.2012	
	LVL	EUR 0.702804	LVL	EUR 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	8 711 642	12 395 550	6 584 360	9 368 700
b) Current year profit	830 149	1 181 196	707 701	1 006 968
<b>Total shareholders' equity</b>	<b>33 444 996</b>	<b>47 587 942</b>	<b>31 195 266</b>	<b>44 386 865</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Due to credit institutions	14 423 477	20 522 759	15 741 004	22 397 431
Finance lease	19 149	27 247	19 149	27 247
Deferred tax	113 729	161 822	40 000	56 915
Deferred income	662 689	942 921	0	0 000
<b>Total non-current liabilities</b>	<b>15 219 044</b>	<b>21 654 749</b>	<b>15 800 153</b>	<b>22 481 592</b>
<b>Current liabilities</b>				
Due to credit institutions	8 243 527	11 729 482	6 924 001	9 851 966
Finance lease	109 226	155 415	10 771	15 326
Advance payments from customers	10 705	15 232	372 715	530 326
Trade payables	5 944 111	8 457 708	4 237 154	6 028 927
Taxes and social security payments	366 968	522 148	270 425	384 780
Other accounts payable	324 944	462 354	371 304	528 318
Accrued liabilities	399 594	568 571	470 686	669 726
Deferred income	104 475	148 655	-5 590	-7 954
Derivatives	-	-	-	-
<b>Total current liabilities</b>	<b>15 503 550</b>	<b>22 059 564</b>	<b>12 651 466</b>	<b>18 001 414</b>
<b>Total liabilities</b>	<b>30 722 594</b>	<b>43 714 313</b>	<b>28 451 619</b>	<b>40 483 007</b>
<b>Total liabilities &amp; shareholders' equity</b>	<b>64 167 590</b>	<b>91 302 255</b>	<b>59 646 885</b>	<b>84 869 871</b>

## STATEMENT OF PROFIT AND LOSS

*For the period ended March 31<sup>st</sup> 2013 and March 31<sup>st</sup> 2012*

	31.03.2013		31.03.2012	
	LVL	EUR 0.702804	LVL	EUR 0.702804
Revenues	13 772 209	19 596 088	11 783 511	16 766 426
Change in inventories				
Work performed by the entity and capitalized	(238 022)	(338 675)	(71 049)	(101 094)
Other operating income	107 069	152 345	80 836	115 019
Raw materials and consumables	(7 122 890)	(10 134 959)	(5 933 759)	(8 442 978)
Personnel expenses	(2 237 103)	(3 183 111)	(1 980 329)	(2 817 754)
Depreciation and amortization	(1 441 393)	(2 050 917)	(1 279 908)	(1 821 145)
Other operating expenses	(1 771 373)	(2 520 437)	(1 542 406)	(2 194 646)
<b>Profit from operations</b>	<b>1 068 497</b>	<b>1 520 334</b>	<b>1 056 896</b>	<b>1 503 828</b>
Interest- and similar income	-	-	843	1 199
Interest- and similar expenses	(238 348)	(339 139)	(310 038)	(441 144)
<b>Profit before taxes</b>	<b>830 149</b>	<b>1 181 196</b>	<b>747 701</b>	<b>1 063 883</b>
Corporate income tax	-	-	(40 000)	(56 915)
<b>Net profit</b>	<b>830 149</b>	<b>1 181 196</b>	<b>707 701</b>	<b>1 006 968</b>
<b>Basic earnings per share</b>	<b>0.0347</b>	<b>0.0494</b>	<b>0.0296</b>	<b>0.0421</b>

## STATEMENT OF CASH FLOWS

	3 months 2013		3 months 2012	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
<b>OPERATING ACTIVITIES</b>				
Profit before taxation	830 149	1 181 196	747 701	1 063 883
Adjustments:				
Depreciation and amortization	1 441 393	2 050 917	1 209 732	1 721 294
Profit or loss from disposal of fixed assets	(6 762)	(9 621)	(6 813)	(9 694)
Interest income	-	-	(843)	(1 199)
Interest expense	240 381	342 031	275 124	391 466
<b>Changes in operating assets and liabilities:</b>				
Inventory	450 027	640 331	(25 473)	(36 245)
Accounts receivable and other assets	(3 409 351)	(4 851 069)	(2 749 991)	(3 912 885)
Accounts payable and other liabilities	723 284	1 029 140	1 672 328	2 379 508
Interest received	-	-	843	1 199
<b>Cash provided by operating activities</b>	<b>269 121</b>	<b>382 925</b>	<b>1 122 608</b>	<b>1 597 327</b>
<b>Investing activities</b>				
Purchase of fixed assets and intangible assets, advance payments	(1 853 215)	(2 636 887)	(1 627 583)	(2 315 842)
Proceeds from sale of fixed assets	6 762	9 621	6 813	9 694
<b>Net cash used in investing activities</b>	<b>(1 846 453)</b>	<b>(2 627 266)</b>	<b>(1 620 770)</b>	<b>(2 306 148)</b>
<b>Financing activities</b>				
Received loans from credit institution	1 085 340	1 544 300	-	-
Paid loans to credit institutions	(754 953)	(1 074 201)	(742 598)	(1 056 622)
Received credit line	15 363 895	21 860 853	11 350 569	16 150 405
Paid credit line	(13 951 284)	(19 850 889)	(9 875 332)	(14 051 332)
Paid finance lease	(7 231)	(10 289)	(3 591)	(5 110)
Interest expenses paid	(240 381)	(342 031)	(275 124)	(391 466)
<b>Net cash provided by financing activities</b>	<b>1 495 386</b>	<b>2 127 743</b>	<b>453 924</b>	<b>645 876</b>
Net (decrease) / increase in cash	<b>-81 946</b>	<b>-116 599</b>	<b>-44 238</b>	<b>-62 945</b>
Cash and cash equivalents at the beginning of the year	168 422	239 643	218 637	311 092
<b>Cash and cash equivalents at the end of the year</b>	<b>86 476</b>	<b>123 044</b>	<b>174 399</b>	<b>248 147</b>

## STATEMENT OF SHAREHOLDERS' EQUITY

**As at March 31<sup>st</sup> 2013 and March 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> 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>
Profit 3 months 2012		707 701	707 701		1 006 968	1 006 968
Profit April – December 2012		2 041 064	2 041 064		2 904 172	2 904 172
Dividends paid		-621 484	-621 484		-884 292	-884 292
<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>
Current 3 months 2013 profit		830 149	830 149		1 181 196	1 181 196
<b>As of March 31<sup>st</sup> 2013</b>	<b>23 903 205</b>	<b>9 541 791</b>	<b>33 444 996</b>	<b>34 011 197</b>	<b>13 576 745</b>	<b>47 587 942</b>

## ANNEX

### 1. Share capital

The company's registered share capital as at March 31<sup>st</sup> 2013 and March 31<sup>st</sup> 2012 was LVL 23 903 205.00. The company's paid share capital registered with the Enterprise Register as at March 31<sup>st</sup> 2013 and March 31<sup>st</sup> 2012 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 March 31<sup>st</sup> 2013 and March 31<sup>st</sup> 2012 the shareholders of the Company, in accordance with the records maintained by the Latvian Central Depository, were as follows:

	3 months 2013	3 months 2012
Vitrulan International GmbH	36.2%	36.2%
P-D Glasseiden GmbH Oschatz	26.1%	26.0%
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

	3 months 2013		3 months 2012	
	LVL	EUR (0.702804)	LVL	EUR (0.702804)
<b>2.1. Material expenses</b>				
Raw materials	4 463 771	6 351 374	3 421 789	4 868 767
Electricity	995 157	1 415 981	910 398	1 295 380
Ore processing costs	107 975	153 635	84 216	119 829
Natural gas	1 010 696	1 438 091	894 243	1 272 393
Other	545 291	775 879	623 113	886 610
<b>Total</b>	<b>7 122 890</b>	<b>10 134 959</b>	<b>5 933 759</b>	<b>8 442 978</b>
<b>2.2. Personnel expenses</b>				
Salaries	1 582 221	2 251 298	1 363 786	1 940 493
Social security payments	403 246	573 767	342 428	487 231
Illness and vacation expenses	121 639	173 077	92 293	131 321
Provisions for remuneration of Board and Council	109 600	155 947	168 000	239 042
Insurance of employees	10 603	15 087	10 253	14 589
Other	9 794	13 936	3 569	5 078
<b>Total</b>	<b>2 237 103</b>	<b>3 183 111</b>	<b>1 980 329</b>	<b>2 817 754</b>
<b>2.3. Depreciation and amortization</b>				
Fixed asset depreciation	1 360 089	1 935 232	1 208 641	1 719 741
Depletion of ore	80 012	113 847	70 176	99 851
Intangible asset amortization	1 292	1 838	1 091	1 552
<b>Total</b>	<b>1 441 393</b>	<b>2 050 917</b>	<b>1 279 908</b>	<b>1 821 145</b>

## 2.4. OTHER OPERATING EXPENSES

Transportation	812 511	1 156 099	675 535	961 200
Sales commission	229 396	326 401	255 943	364 174
Service costs	185 173	263 477	149 518	212 745
Spare parts	149 632	212 907	92 868	132 139
Repair expenses	126 725	180 313	119 465	169 983
Insurance	22 221	31 618	33 832	48 139
Business trips	51 460	73 221	28 106	39 991
Labour safety and specific clothing	12 669	18 026	9 000	12 806
Research and development expenses	22 673	32 261	33 338	47 436
Communications	8 500	12 094	11 443	16 282
Leasing	64 062	91 152	25 453	36 216
Office expenses	10 563	15 030	12 681	18 043
Selling expenses	16 099	22 907	25 748	36 636
Increase in doubtful debts	-	-	16 000	22 766
Other	59 689	84 929	53 476	76 089
<b>Total</b>	<b>1 771 373</b>	<b>2 520 437</b>	<b>1 542 406</b>	<b>2 194 646</b>

## 3. TRADE RECEIVABLES

	3 months 2013		3 months 2012	
	LVL	EUR (0.702804)	LVL	EUR (0.702804)
P-D Glasseiden GmbH Oschatz	3 529 625	5 022 204	3 496 323	4 974 819
P-D Tafneft Fiberglas Alabuga	146 316	208 189	105 632	150 301
P-D Industriegesellschaft mbH Bratendorf	48 230	68 625	-	-
P-D Interglas Technologies GmbH	11 231	15 980	-	-
Vitrolan Textile Glass GmbH	199 164	283 385	242 220	344 648
Vitrolan Technical Textiles GmbH	362 957	516 441	429 641	611 324
Other trade receivables	5 636 825	8 020 479	4 592 706	6 534 832
<b>Total</b>	<b>9 934 348</b>	<b>14 135 304</b>	<b>8 866 522</b>	<b>12 615 924</b>

For information stated in this financial report please contact:

### Dzintars Rudzītis

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 Mailto: Dzintars.Rudzitis@vss.lv