

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

Registration Number 40003031676

Financial Statement for the period ended June 30<sup>th</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

## 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:	Manufacturing of glass fiber products, NACE 23.14
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> Hans Peter Cordts Reinhard Conradt (till May 28 <sup>th</sup> 2013) Frank Wilhelm Behrends (since May 31 <sup>st</sup> 2013) Guntis Strazds Aivars Lošmanis
The period of the report:	January 1 <sup>st</sup> 2013 – June 30 <sup>th</sup> 2013

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## MANAGEMENT REPORT

### General information

The main profiles of JSC Valmieras stikla šķiedra are glass fiber research, development, manufacturing and sales. JSC Valmieras stikla šķiedra manufactures glass fiber and glass fiber 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 et al.

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 production manufactured in the company is being exported to 36 countries worldwide reaching the export rate of 96%. In the first half-year of 2013 JSC „Valmieras stikla šķiedra” was still strengthening its’ positions in the existing markets and was increasing sales. The main export markets are still the same: EU-States (7%), USA, Japan, India and Russia. The sales amounts comparing the first six months of this fiscal year and the previous one are grown in EU (growth of 15%), USA and Canada (growth of 48%), Russia and Ukraine (growth of 20%) geographical markets. In other states (including Swiss, Japan, India, Croatia et al.) the sales amounts are valued as stable. The clientele is evolving considerably, especially in USA and East export markets.

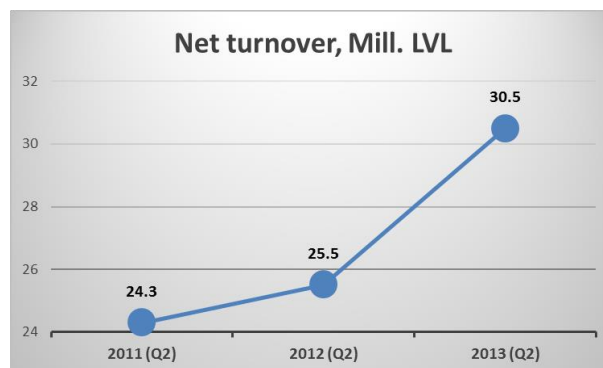
Analyzing the segments of products, growth of sales volume has been recognized for the products with high added value: glass fiber nettings, yarn, non-woven fabrics and glass fiber products with high SiO<sub>2</sub> content. All these products in the first half-year of 2013 has been sold for 26% more as at the same period of 2012. For other segments of products the sales amount is valued as stable.

The average sales price of the products has grown for 1% in the first half-year of 2013 comparing to the same period of 2012. The reason is production of products with higher added value. In accordance with the planned sales amount for the first half-year 2013 the budget overflow reaches 3%.

The average number of employees working in the Company at the first half-year of 2013 is 897. Comparing to the first half-year of 2012, the workforce increased for almost 10%.

### Finance results

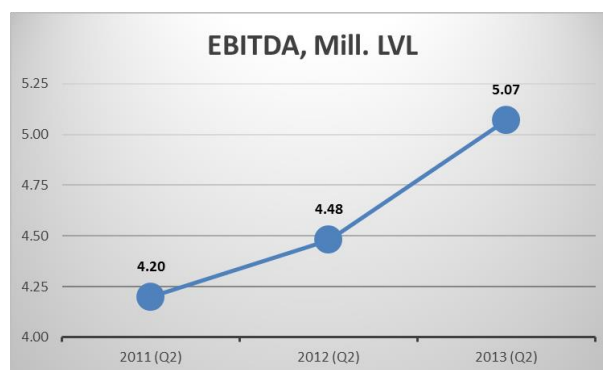
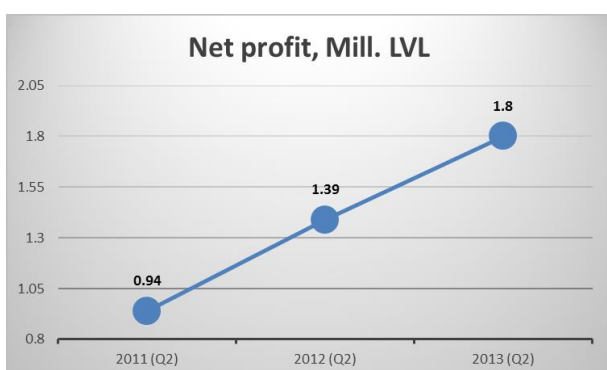
The net turnover at first six months of 2013 reached LVL 30.5 Million (EUR 43.3 Mill.). It's for 19% higher than the net turnover at the same period of 2012 and the highest net turnover at the first half-year since the foundation of the company. The net profit of the company has reached LVL 1.80 Million (EUR



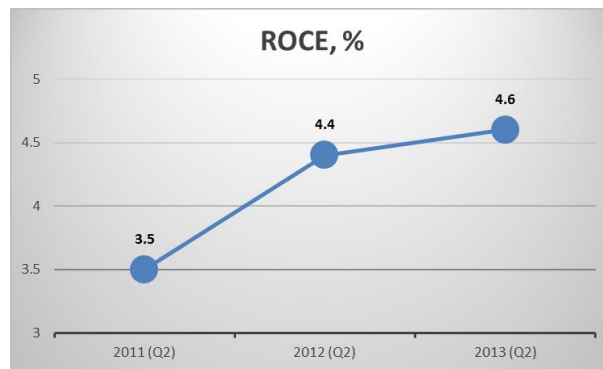
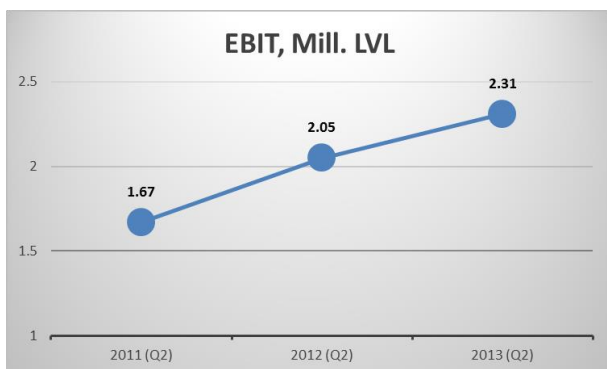
2.56 Mill.) or 29.5% more as at first six months of last fiscal year.

The operating profit (EBITDA) was LVL 5.07 Million (EUR 7.22 Mill.) and it's 13% more than at 2012. The earnings before the interest and taxes (EBIT) reached LVL 2.31 Million (EUR 3.29 Mill.) or is 12.6% more than at the first half-year of 2012. These are the highest rates since the foundation of company. The return on capital (ROCE) is 4.6% or for 0.2% higher as at the same period of 2012. Therefore the return on assets for the six months of 2013 is 7%.

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. In the first half-year of 2013 the company has already invested LVL 4.6 Million (EUR 6.6 Mill.) of planned investments for this year.



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 net turnover for 2013 could reach LVL 63.13 Million (EUR 89.82 Mill.). In addition to the prognoses of the company's management and the budget of JSC Valmieras stikla šķiedra the net profit 2013 could reach LVL 5.17 Million (EUR 7.36 Mill.).



## Shares market

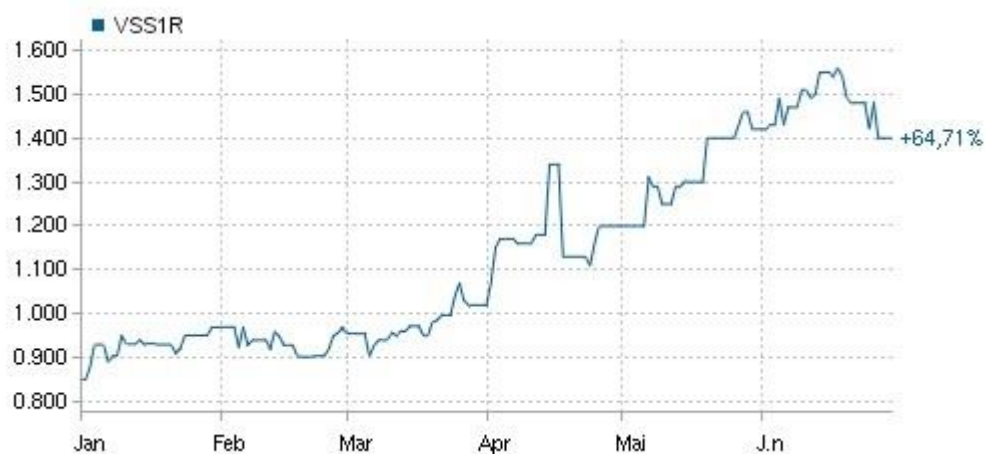
The shares of JSC "Valmieras stikla šķiedra" are listed on NASDAQ OMX Riga Secondary Market since February 24<sup>th</sup> 1997.

The Company's share price from January 1<sup>st</sup> 2013 till June 30<sup>th</sup> 2013 has increased for LVL 0.55 (EUR 0.78) or 64.7%. The value of one share at January 1<sup>st</sup> 2013 was LVL 0.80 (EUR 1.21), but till June 30<sup>th</sup> 2013 the price had to LVL 1.40 (EUR 1.99).

The total amount of sold shares in first half-year of 2013 is 203.7 Thousands and the shares turnover of JSC Valmieras stikla šķiedra has reached LVL 230 Thousands (EUR 327.3 Thousands).

*The share price development of JSC Valmieras stikla šķiedra in period of  
January 1<sup>st</sup> 2013 to June 30<sup>th</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 6 months 2013 was used the accounting policy of the revised report of 2012.

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

July 31<sup>st</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 June 30<sup>th</sup> 2013 and the results of its operations and cash flows for the period ended at June 30<sup>th</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

July 31<sup>st</sup> 2013

## BALANCE SHEET (ASSETS)

As at June 30<sup>th</sup> 2013 and June 30<sup>th</sup> 2012

	30.06.2013		30.06.2012	
	LVL	EUR	LVL	EUR
<b>ASSETS</b>		0.702804		0.702804
<b>Non-current assets</b>				
<b>Intangible assets</b>				
Patents, licenses, trade mark and similar rights	17 709	25 198	12 651	18 001
Development of intangible assets	110 296	156 937	22 277	31 697
<b>Total intangible assets</b>	<b>128 005</b>	<b>182 135</b>	<b>34 928</b>	<b>49 698</b>
<b>Tangible fixed assets</b>				
Buildings	7 998 904	11 381 415	7 721 091	10 986 123
Equipment and machinery	31 693 465	45 095 738	22 628 457	32 197 394
Other fixed assets	396 359	563 968	268 199	381 613
Construction in progress	3 176 930	4 520 364	1 408 784	2 004 519
Advance payments for fixed assets	147 105	209 312	1 815 838	2 583 705
<b>Total tangible fixed assets</b>	<b>43 412 763</b>	<b>61 770 797</b>	<b>33 842 369</b>	<b>48 153 353</b>
<b>Total non-current assets</b>	<b>43 540 768</b>	<b>61 952 931</b>	<b>33 877 297</b>	<b>48 203 051</b>
<b>Current assets</b>				
<b>Inventory</b>				
Raw materials	4 424 040	6 294 842	10 224 153	14 547 659
Work in progress	1 787 801	2 543 812	1 711 202	2 434 821
Finished goods	2 994 098	4 260 218	3 148 008	4 479 212
Advance payments for inventories	55 426	78 864	79 540	113 175
<b>Total inventory</b>	<b>9 261 365</b>	<b>13 177 735</b>	<b>15 162 903</b>	<b>21 574 867</b>
<b>Accounts receivable</b>				
Trade receivables	10 901 061	15 510 812	10 026 078	14 265 824
Other receivables	488 491	695 060	449 627	639 762
Deferred expenses	362 275	515 471	339 865	483 584
<b>Total accounts receivable</b>	<b>11 751 827</b>	<b>16 721 343</b>	<b>10 815 570</b>	<b>15 389 170</b>
Cash	244 475	347 857	152 891	217 544
<b>Total current assets</b>	<b>21 257 667</b>	<b>30 246 935</b>	<b>26 131 364</b>	<b>37 181 581</b>
<b>TOTAL ASSETS</b>	<b>64 798 435</b>	<b>92 199 867</b>	<b>60 008 661</b>	<b>85 384 632</b>



## BALANCE SHEET (LIABILITIES)

**As at June 30<sup>th</sup> 2013 and June 30<sup>th</sup> 2012**

	30.06.2013		30.06.2012	
	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
Retained earnings:				
a) Retained earnings	8 711 642	12 395 550	6 584 360	9 368 700
b) Current year profit	1 796 670	2 556 431	1 387 544	1 974 297
<b>Total shareholders' equity</b>	<b>34 411 517</b>	<b>48 963 178</b>	<b>31 875 109</b>	<b>45 354 194</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Due to credit institutions	14 723 757	20 950 019	14 998 406	21 340 809
Finance lease	19 149	27 247	19 149	27 247
Deferred tax	123 729	176 051	70 000	99 601
Deferred income	636 571	905 759	-	-
<b>Total non-current liabilities</b>	<b>15 503 206</b>	<b>22 059 075</b>	<b>15 087 555</b>	<b>21 467 657</b>
<b>Current liabilities</b>				
Due to credit institutions	7 971 464	11 342 371	7 165 788	10 195 998
Finance lease	109 887	156 355	4 171	5 935
Advance payments from customers	61 450	87 435	385 144	548 011
Trade payables	5 569 766	7 925 063	4 378 472	6 230 004
Taxes and social security contributions	367 086	522 316	299 107	425 591
Other accounts payable	304 820	433 720	332 786	473 512
Accrued liabilities	394 764	561 699	486 119	691 685
Deferred income	104 475	148 655	-5 590	-7 954
<b>Total current liabilities</b>	<b>14 883 712</b>	<b>21 177 614</b>	<b>13 045 997</b>	<b>18 562 781</b>
<b>Total liabilities</b>	<b>30 386 918</b>	<b>43 236 689</b>	<b>28 133 552</b>	<b>40 030 438</b>
<b>Total liabilities &amp; shareholders' equity</b>	<b>64 798 435</b>	<b>92 199 867</b>	<b>60 008 661</b>	<b>85 384 632</b>

## STATEMENT OF PROFIT AND LOSS

*For the period ended June 30<sup>th</sup> 2013 and June 30<sup>th</sup> 2012*

	30.06.2013		30.06.2012	
	LVL	EUR 0.702804	LVL	EUR 0.702804
<b>Sales</b>	30 450 068	43 326 543	25 499 335	36 282 285
Change in inventories	(1 924 059)	(2 737 689)	(936 334)	(1 332 283)
Other operating income	178 868	254 506	130 215	185 279
Raw materials and consumables	(15 007 712)	(21 354 050)	(12 650 119)	(17 999 498)
Personnel expenses	(4 497 476)	(6 399 332)	(4 038 872)	(5 746 797)
Depreciation and amortization	(2 923 024)	(4 159 088)	(2 565 544)	(3 650 440)
Other operating expenses	(3 964 905)	(5 641 552)	(3 385 764)	(4 817 508)
<b>Profit from operations</b>	<b>2 311 760</b>	<b>3 289 338</b>	<b>2 052 917</b>	<b>2 921 038</b>
Interest and similar income	492	700	5389	7668
Interest and similar expenses	(505 582)	(719 378)	(600 762)	(854 807)
<b>Profit before tax</b>	<b>1 806 670</b>	<b>2 570 660</b>	<b>1 457 544</b>	<b>2 073 898</b>
Corporate income tax	10 000	14 229	70 000	99 601
<b>Net profit</b>	<b>1 796 670</b>	<b>2 556 431</b>	<b>1 387 544</b>	<b>1 974 297</b>
<b>Earnings per share</b>	<b>0.0752</b>	<b>0.1070</b>	<b>0.058</b>	<b>0.0825</b>

## STATEMENT OF CASH FLOWS

	6 months 2013		6 months 2012	
	LVL	EUR	LVL	EUR
		<i>0.702804</i>		<i>0.702804</i>
<b>OPERATING ACTIVITIES</b>				
Profit before tax	1 806 670	2 570 660	1 457 544	2 073 898
Adjustments:				
Depreciation and amortization	2 923 024	4 159 088	2 425 490	3 451 161
Profit or loss from disposal of fixed assets	(8 659)	(12 321)	(8 851)	(12 594)
Interest income	(492)	(700)	(5369)	(7639)
Interest expenses	490 999	698 629	549 124	781 333
<b>Changes in operating assets and liabilities:</b>				
Inventories	1 659 596	2 361 392	1 135 443	1 615 590
Accounts receivable and other assets	(4 432 023)	(6 306 201)	(3 896 870)	(5 544 746)
Accounts payable and other liabilities	374 848	533 361	1 802 762	2 565 099
Interest received	492	700	5369	7639
<b>Cash provided by operating activities</b>	<b>2 814 455</b>	<b>4 004 609</b>	<b>3 464 642</b>	<b>4 929 741</b>
<b>Investing activities</b>				
Purchase of fixed and intangible assets	(4 012 814)	(5 709 720)	(3 211 753)	(4 569 913)
Proceeds from sale of fixed assets	8 659	12 321	8 851	12 594
<b>Net cash used in investing activities</b>	<b>(4 004 155)</b>	<b>(5 697 399)</b>	<b>(3 202 902)</b>	<b>(4 557 319)</b>
<b>FINANCING ACTIVITIES</b>				
Loans received	2 142 092	3 047 922	-	-
Loans paid	(1 511 425)	(2 150 564)	(1 485 196)	(2 113 244)
Credit line received	30 885 898	43 946 674	23 439 093	33 350 825
Credit line paid	(29 745 351)	(42 323 821)	(21 722 068)	(30 907 718)
Finance lease paid	(14 462)	(20 578)	(10 191)	(14 500)
Interest paid	(490 999)	(698 629)	(549 124)	(781 333)
<b>Net cash used in financing activities</b>	<b>1 265 753</b>	<b>1 801 004</b>	<b>(327 486)</b>	<b>(465 971)</b>
<b>Net decrease in cash</b>	<b>76 053</b>	<b>108 214</b>	<b>(65 746)</b>	<b>(93 548)</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>244 475</b>	<b>347 857</b>	<b>152 891</b>	<b>217 544</b>

## STATEMENT OF SHAREHOLDERS' EQUITY

*As at June 30<sup>th</sup> 2013 and June 30<sup>th</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 6 months 2012		1 387 544	1 387 544		1 974 297	1 974 297
Profit July – December 2012		1 361 221	1 361 221		1 936 843	1 936 843
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 6 months 2013 profit		1 796 670	1 796 670		2 556 431	2 556 431
<b>As of June 30<sup>th</sup> 2013</b>	<b>23 903 205</b>	<b>10 508 312</b>	<b>34 411 517</b>	<b>34 011 197</b>	<b>14 951 981</b>	<b>48 963 178</b>

## ANNEX

### 1. Share capital

The company's registered share capital as at June 30<sup>th</sup> 2013 and June 30<sup>th</sup> 2012 was LVL 23 903 205.00. The company's paid share capital registered with the Enterprise Register as at June 30<sup>th</sup> 2013 and June 30<sup>th</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 June 30<sup>th</sup> 2013 and June 30<sup>th</sup> 2012 the shareholders of the Company, in accordance with the records maintained by the Latvian Central Depository, were as follows:

	6 months 2013	6 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

	6 months 2013		6 months 2012	
	LVL	EUR (0.702804)	LVL	EUR (0.702804)
<b>2.1. Material expenses</b>				
Raw materials	9 463 344	13 465 125	7 463 052	10 618 966
Electricity	2 139 105	3 043 672	1 833 472	2 608 796
Ore processing costs	214 996	305 912	168 753	240 114
Natural gas	1 792 186	2 550 051	1 612 952	2 295 024
Other	1 398 081	1 989 290	1 571 890	2 236 598
<b>Total</b>	<b>15 007 712</b>	<b>21 354 050</b>	<b>12 650 119</b>	<b>17 999 498</b>
<b>2.2. Personnel expenses</b>				
Salaries	3 177 474	4 521 138	2 747 860	3 909 853
Social security payments	820 524	1 167 500	716 100	1 018 919
Illness and vacation expenses	291 506	414 776	237 082	337 337
Provisions for remuneration of Board and Council	169 600	241 319	307 500	437 533
Insurance of employees	20 686	29 434	20 078	28 568
Other	17 686	25 165	10 252	14 587
<b>Total</b>	<b>4 497 476</b>	<b>6 399 332</b>	<b>4 038 872</b>	<b>5 746 797</b>
<b>2.3. Depreciation and amortization</b>				
Fixed asset depreciation	2 759 087	3 925 827	2 423 458	3 448 270
Depletion of ore	161 170	229 324	140 054	199 279
Intangible asset amortization	2 767	3 937	2 032	2 891
<b>Total</b>	<b>2 923 024</b>	<b>4 159 088</b>	<b>2 565 544</b>	<b>3 650 440</b>
<b>2.4. Other operating expenses</b>				
Transportation	1 824 145	2 595 524	1 517 200	2 158 781
Sales commission	469 124	667 503	497 384	707 714

Service costs	388 644	552 991	323 249	459 942
Spare parts	307 248	437 175	232 254	330 468
Repair expenses	254 314	361 856	237 404	337 795
Insurance	76 866	109 370	78 785	112 101
Business trips	147 434	209 780	79 145	112 613
Occupational safety and specific clothing	25 580	36 397	18 492	26 312
Research and development expenses	50 998	72 564	63 900	90 922
Communications	28 302	40 270	25 463	36 231
Leasing	155 820	221 712	76 954	109 496
Office expenses	25 843	36 771	29 289	41 674
Selling expenses	19 323	27 494	19 057	27 116
Increase in doubtful debts	43 984	62 584	49 625	70 610
Other	1 000	1 423	18 000	25 612
<b>Total</b>	<b>3 964 905</b>	<b>5 641 552</b>	<b>3 385 764</b>	<b>4 817 508</b>

### 3. TRADE RECEIVABLES

	6 months 2013		6 months 2012	
	LVL	EUR (0.702804)	LVL	EUR (0.702804)
P-D Glasseiden GmbH Oschatz	1 933 316	2 750 861	4 676 133	6 653 538
P-D Tatneft Fiberglas Alabuga	128 657	183 062	158 928	226 134
P-D Interglas Technologies Ltd. Sherborne	186 861	265 879	-	-
P-D Industriegesellschaft mbH Bratendorf	7 514	10 691	17 938	25 523
P-D Interglas Technologies GmbH Erbach	20 606	29 320	-	-
Vitruilan Textile Glass GmbH	186 594	265 499	197 917	281 611
Vitruilan Technical Textiles GmbH	517 602	736 481	516 574	735 019
Other trade receivables	7 919 911	11 269 018	4 458 588	6 343 999
<b>Total</b>	<b>10 901 061</b>	<b>15 510 812</b>	<b>10 026 078</b>	<b>14 265 824</b>

For information stated in this financial report please contact:

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