

JOINT STOCK COMPANY "VALMIERAS STIKLA ŠĶIEDRA"
Registration Number 40003031676
Financial Report for the period ended March 31st 2014
UNAUDITED
Made in accordance with the International Financial Reporting Standards

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 th 1991
Type of business:	Production of glass fibre 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 Dainis Šēnbergs Jöran Pfuhl Hans-Jochen Häusler Stefan Jugel Friedhelm Schwender (till 25 th February 2014)
The council:	<i>Chairman of the Council:</i> Jürgen Preiss-Daimler <i>Council Members:</i> Hans Peter Cordts Frank Wilhelm Behrends Guntis Strazds Aivars Lošmanis
The period of the report:	January 1 st 2014 – March 31 st 2014
Companies included in consolidation:	Valmiera Glass UK Ltd (100% shares)

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MANAGEMENT REPORT

General information

Since October 4th 2013 with the completion of the purchase deal, due to unifying JSC "Valmieras stikla šķiedra" and Valmiera Glass UK Ltd, has been made the Valmiera Glass Group, positioning itself as a vertically integrated supplier of different composite materials for the aviation industry, architecture and other branches – from glass fibre production to impregnated / reinforced fabrics. Unifying the knowledge, experience and export possibilities of both companies as well as by making and developing new projects, JSC Valmieras stikla šķiedra with a strong growth potential is strengthening and broadening its' positions by manufacturing of glass fibre and its' products in the world. The company uninterruptedly evaluates the export possibilities in new markets with new clientele.

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 two types of glass (E-glass 600°C, SiO₂-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.

Valmiera Glass UK Ltd produces the glass fibre products for the aviation industry, thermal insulation and architecture. Products of Valmiera Glass UK Ltd profit from innovations and technical application, using modern manufacturing facilities. Acquired company has more as 80 years' experience in textile processing of glass fibre.

The production manufactured by JSC "Valmieras stikla šķiedra" is being exported to 36 countries worldwide reaching the export rate of 96%. 2014 JSC „Valmieras stikla šķiedra” was still strengthening its' positions in the existing markets and was increasing the sales. The main export markets are still the same: EU-States (75%) and North-America. Analysing the segments of products, growth of sales volume has been recognized for the products with high added value: glass fiber products with high SiO₂ content, glass fiber nettings and non-woven products. All these products in the first quarter of 2014 has been sold for 36% more as at the same period of 2013. For other product segments the sales amount is valued as stable or with a small growth.

The average number of employees working in Valmiera Glass Group at first quarter of 2013 are 1087 where the average number of employees in JSC "Valmieras stikla šķiedra" were 943 and Valmiera Glass UK Ltd – 144 that means the workforce increase compared to the same period of last fiscal year.

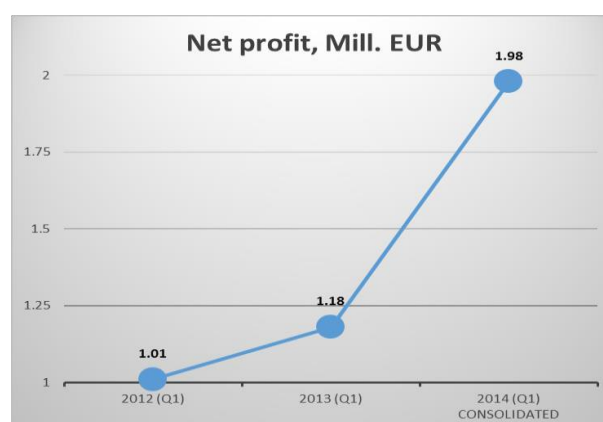
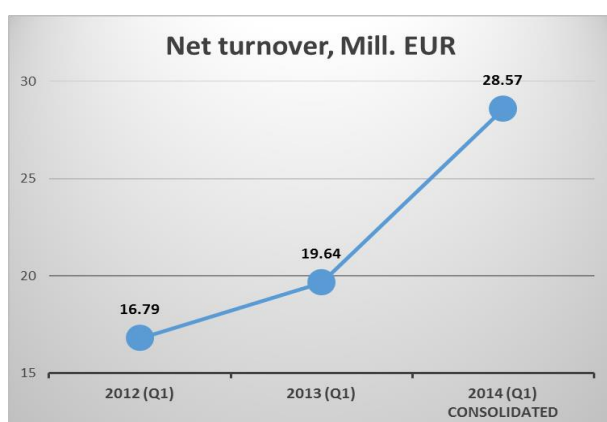
Operations of the Company are certified according to ISO 9001:2008 requirements. The German Quality management system certification company DQS GmbH once per three years audits compliance with these requirements. On March 16th 2012 the Company received quality management system certificate that is valid until March 15th 2015.

Finance results

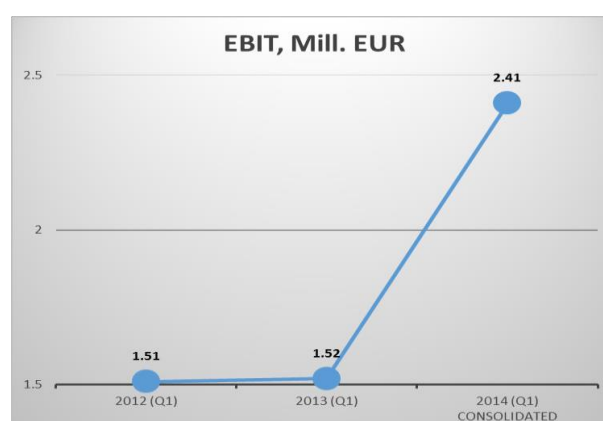
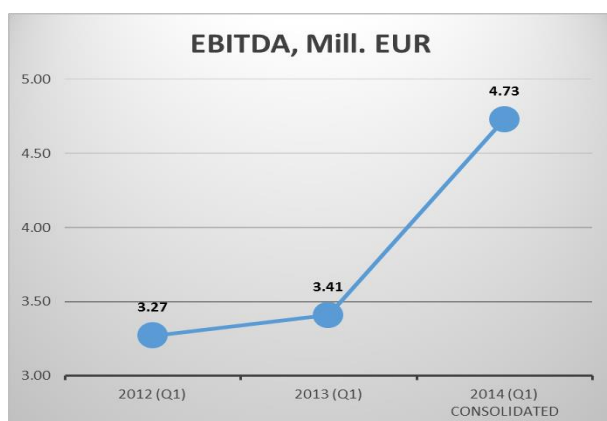
The consolidated net turnover of the group as in the first quarter of 2014 has reached EUR 28.57 Million.

JSC "Valmieras stikla šķiedra" has reached the record first quarter net turnover since the foundation of the company – EUR 28.57 Million. Comparing to the financial results of JSC "Valmieras stikla šķiedra" at the first quarter of 2013, it's a growth of EUR 8.93 Million or 46%.

The consolidated net profit of the group in the first three months 2014 has reached EUR 1.98 Million that is for 68% more compared to the net profit of JSC "Valmieras stikla šķiedra" at the same period of last fiscal year.



The consolidated operating profit (EBITDA) was EUR 4.73 Mill. and it's 39% more than at first quarter of 2013, compared to the financial results of JSC "Valmieras stikla šķiedra".



The earnings before the interest and taxes (EBIT) reached EUR 2.41 Mill. that is about 59% more as in the same period of 2013.

The consolidated return on capital (ROCE) is 8.1% whereas the consolidated operating profit margin ratio of the first quarter of 2014 was 8.4%.

In the first quarter of 2014 in the development of the Group were invested EUR 2.98 Million, including the modernization the existing technological and technical solutions and the development of new products with the aim of increasing the production capacity of the Group. The total investments of 2014 will reach EUR 8.62 Million.

In the first quarter of 2014 JSC "Valmieras stikla šķiedra" signed the contract with the Latvian Investment and Development agency for the financial supply of EUR 1.28 Million. For realizing the investment program the company received a loan for the total sum of EUR 2.5 Million from JSC "SEB banka" with the loan redemption date of December 2018.

Considering the results for the first quarter of 2014 and the tendencies of the development of the Group, the management is sure to reach the aims regarding the planned net turnover of the Group about EUR 127.02 Million and net profit about EUR 9.31 Million.

Shares market

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

The Company's share price from January 1st 2014 till March 31st 2014 has increased for EUR 0.04 or 1.79%. The value of one share at January 1st 2014 was EUR 2.063., but till March 31st 2014 the price had to EUR 2.10.

The total amount of shares sold in first quarter 2014 is over 60 Thousands and the share turnover of JSC Valmieras stikla šķiedra has reached EUR 128.5 Thousands.

*The share price development of JSC Valmieras stikla šķiedra in period of 01.01.2014 to 31.03.2014
Information from: AS „NASDAQ OMX Riga”, home page www.nasdaqomxbaltic.com*



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

April 30th 2014

THE STATEMENT OF MANAGEMENT RESPONSIBILITIES

The management of the Valmiera Glass Group 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 Group at the end of March 31st 2014 and the results of its operations and cash flows for the period ended on March 31st 2014. The management confirms that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements presented. The management also confirms that the applicable requirements of the International Financial Reporting Standards are followed. The financial statements of the Group have been prepared on a going concern basis.

The management of the Group is also responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. They are also responsible for operating the Group 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 30th 2014

BALANCE SHEET (ASSETS)

As at March 31st 2014 and March 31st 2013

	31.03.2014 EUR	31.03.2013 EUR
ASSETS		
Non-current assets		
Intangible assets		
Patents, licenses, trade mark and similar rights	48 758	27 063
Costs of establishment of intangible investments	156 937	156 937
Goodwill	3 930 822	-
Total intangible assets	4 136 517	184 000
Tangible fixed assets		
Land and buildings	11 715 548	11 501 831
Equipment and machinery	46 666 991	45 013 860
Other fixed assets	703 925	526 580
Constructions in progress	6 962 682	2 703 387
Advance payments for fixed assets	222 724	1 084 544
Total fixed assets	66 271 870	60 830 202
Long-term financial investments		
Deferred tax assets	1 096 112	-
Total non-current assets	71 504 499	61 014 202
Current assets		
Inventory		
Raw materials	8 964 335	5 708 549
Works in progress	3 201 069	2 166 812
Finished goods	11 538 148	6 950 860
Advance payments for inventories	114 450	72 576
Total inventory	23 818 002	14 898 797
Accounts receivable		
Trade receivables	18 340 451	14 135 304
Other receivables	1 022 671	598 353
Deferred expenses	610 983	532 555
Total accounts receivable	19 974 105	15 266 212
Cash and cash equivalents	601 646	123 044
Total current assets	44 393 753	30 288 053
TOTAL ASSETS	115 898 252	91 302 255

BALANCE SHEET (LIABILITIES)

As at March 31st 2014 and March 31st 2013

	31.12.2014	31.12.2013
	EUR	EUR
LIABILITIES & SHAREHOLDERS' EQUITY		
Shareholders' equity		
Share capital	34 011 196	34 011 197
Other reserves	510 621	-
Retained earnings:		
a) Retained earnings	13 461 507	9 977 825
b) Current year profit	1 980 235	1 181 196
Total shareholders' equity	49 963 559	45 170 218
Liabilities		
Non-current liabilities		
Due to credit institutions	27 783 295	20 522 759
Finance lease	130 773	27 247
Deferred tax	517 308	161 822
Retirement benefit obligation	4 486 190	-
Deferred income	1 267 867	942 921
Embedded derivatives	1 562 403	2 417 724
Total non-current liabilities	35 747 836	24 072 473
Current liabilities		
Due to credit institutions	11 269 732	11 729 482
Finance lease	53 349	155 415
Advance payments from customers	174 764	15 232
Trade payables	14 141 786	8 457 708
Taxes and social security contributions	952 278	522 148
Other accounts payable	697 622	462 354
Accrued liabilities	1 697 112	568 571
Retirement benefit obligations	994 370	-
Deferred income	205 844	148 654
Total current liabilities	30 186 857	22 059 564
Total liabilities	65 934 693	46 132 037
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	115 898 252	91 302 255

STATEMENT OF PROFIT AND LOSS

For the period ended March 31st 2014 and March 31st 2013

	31.12.2013 EUR	31.12.2012 EUR
Sales	28 566 522	19 596 088
Change in inventories	(82 901)	(338 675)
Other operating income	117 647	152 345
Raw materials and consumables	(14 735 074)	(10 134 959)
Personnel expenses	(5 091 773)	(3 183 111)
Depreciation and amortization	(2 317 707)	(2 050 917)
Other operating expenses	(4 044 091)	(2 520 437)
Operating profit	2 412 623	1 520 334
Interest and similar income	63 433	-
Interest and similar expenses	(410 765)	(339 138)
Profit from operations and before tax	2 065 291	1 181 196
Corporate income tax	(85 056)	-
NET PROFIT	1 980 235	1 181 196
Earnings per share	0.0828	0.0494

STATEMENT OF CASH FLOWS

	3 months 2014 EUR	3 months 2013 EUR
OPERATING ACTIVITIES		
Profit before tax	2 065 291	1 181 196
Adjustments:		
Change in fair value of embedded derivatives	(63 433)	-
Depreciation and amortization	2 317 707	2 050 917
Profit or loss from disposal of fixed assets	-	(9 621)
Interest expenses	410 765	342 031
Financial income EU Funding / LIAA State support	(41 930)	-
Changes in operating assets and liabilities:		
Inventories	255 822	640 331
Accounts receivable and other assets	(6 279 870)	(4 851 069)
Accounts payable and other liabilities	2 113 166	1 029 140
Cash provided by operating activities	777 518	382 925
Investing activities		
Share purchase related companies	(3 377 329)	(2 636 887)
Purchase of fixed and intangible assets	-	9 621
Net cash used in investing activities	(3 377 329)	(2 627 266)
FINANCING ACTIVITIES		
Loans received	2 071 699	1 544 300
Loans paid	(1 403 824)	(1 074 201)
Credit line received	1 684 757	2 009 964
Finance lease paid	(20 025)	(10 289)
EU / LIAA funding received	104 494	-
Interest paid	(410 765)	(342 032)
Net cash provided by financing activities	2 026 336	2 127 742
Net decrease / increase in cash and cash equivalents	(573 475)	(116 599)
Cash and cash equivalents at the beginning of the year	1 175 121	239 643
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	601 646	123 044

STATEMENT OF SHAREHOLDERS' EQUITY

As at March 31st 2014 and March 31st 2013

	EUR			
	Share capital	Retained earnings	Other reserves	Total
As of December 31st 2012	34 011 197	9 922 558	-	43 933 755
Profit 12 months 2013	-	5 103 463	-	5 103 463
Dividends paid	-	(1 564 514)	-	(1 564 514)
Other income	-	-	475 201	475 201
As of December 31st 2013	34 011 197	13 461 507	475 201	47 947 905
Profit 3 months 2014	-	1 980 235	-	1 980 235
Other income	-	-	35 419	35 419
As of March 31st 2014	34 011 197	15 441 742	510 620	49 963 559

ANNEX

1. Share capital

The registered share capital of JSC "Valmieras stikla šķiedra" as at March 31st 2014 and March 31st 2013 was LVL 23 903 205.00 (EUR 34 011 196.58). The company's paid share capital registered with the Enterprise Register as at March 31st 2014 and March 31st 2013 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 31st 2014 and March 31st 2013 the shareholders of the JSC "Valmieras stikla šķiedra", in accordance with the records maintained by the Latvian Central Depository, were as follows:

	3 months 2014	3 months 2013
Vitrulan International GmbH	36.2%	36.2%
P-D Glasseiden GmbH Oschatz	26.1%	26.1%
P-D Management Industries-Technologies GmbH	23.9%	23.9%
Valsts sociālās apdrošināšanas aģentūra, VAS	2.4%	2.4%
Preiss-Daimler Beatrix	4.5%	4.5%
Other	6.9%	6.9%
	100.00%	100.00%

2. INFORMATION CONCERNING THE PROFIT OR LOSS ACCOUNT

	3 months 2014 EUR	3 months 2013 EUR
2.1. Material expenses		
Raw materials	9 810 332	6 351 374
Natural gas	1 444 332	1 415 981
Electricity	1 745 142	1 438 091
Ore processing costs	261 739	153 635
Oxygen	207 693	-
Other	1 265 836	775 878
Total	14 735 074	10 134 959
2.2. Personnel expenses		
Salaries	3 740 784	2 251 298
Social security payments	524 854	573 767
Illness and vacation expenses	190 029	173 077
Provisions for remuneration of Board and Council	300 000	155 947
Insurance of employees	24 984	15 087
Other	311 122	13 935
Total	5 091 773	3 183 111

	3 months 2014	3 months 2013
	EUR	EUR
2.3. Depreciation and amortization		
Fixed asset depreciation	2 216 857	1 935 232
Depletion of ore	85 085	113 847
Intangible asset amortization	15 765	1 838
Total	2 317 707	2 050 917

2.4. OTHER OPERATING EXPENSES

Transportation	1 617 942	1 156 099
Sales commission	358 722	326 401
Service costs	479 630	263 477
Spare parts	380 387	212 907
Repair expenses	194 795	180 313
Insurance	98 634	31 618
Business trips	210 831	73 221
Labour safety and specific clothing	38 568	18 026
Research and development expenses	80 145	32 261
Communications	31 689	12 094
Leasing	161 323	91 152
Office expenses	41 911	15 030
Selling expenses	6 013	22 907
Property tax	52 545	-
Increase in doubtful debts	32 600	-
Other	258 356	84 931
Total	4 044 091	2 520 437

3. TRADE RECEIVABLES

	31.03.2014	31.03.2013
	EUR	EUR
P-D Glasseiden GmbH Oschatz	1 567 381	5 022 204
P-D Tafneft Fiberglas Alabuga	180 753	208 189
P-D Industriegesellschaft mbH Bratendorf	320 799	68 625
P-D Interglas Technologies GmbH	31 199	15 980
Vitrulan Textile Glass GmbH	281 584	283 385
Vitrulan Technical Textiles GmbH	939 852	516 441
Other trade receivables	15 165 582	8 020 480
Increase in doubtful debts	(146 699)	-
Total	18 340 451	14 135 304

For information stated in this financial report please contact:

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