

**JOINT STOCK COMPANY „VALMIERAS STIKLA ŠĶIEDRA”**

Registration Number 40003031676

Financial Report for the period ended June 30<sup>th</sup> 2015

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 <sup>th</sup> 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> Andre Heinz Schwiontek, President  <i>Board Members:</i> Dainis Šēnbergs, Vice President Doloresa Volkopa Hans-Jochen Häusler Stefan Jugel
The council:	<i>Padomes priekšsēdētājs:</i> Jürgen Preiss-Daimler  <i>Chairman of the Council:</i> Peter Hans Cordts Frank Wilhelm Behrends Andris Oskars Brutāns Jöran Pfuhl
The period of the report:	January 1 <sup>st</sup> 2015 – June 30 <sup>th</sup> 2015
Companies included in consolidation:	Valmiera Glass UK Ltd (100% shares) Valmiera Glass USA Corp (100% shares) Valmiera Glass Trading USA Corp (100% shares)

## SATURS

Company profile .....	2
Saturs .....	3
Management report .....	4
The statement of management responsibility .....	7
Balance sheet (Assets) .....	8
Balance sheet (Liabilities) .....	9
Statement of profit and loss .....	10
Statement of cash flows .....	11
Statement of shareholders' equity .....	12
Annex .....	13

## MANAGEMENT REPORT

### General Information

#### Type of business

During the reporting period the Valmiera Glass Group includes the JSC "Valmieras stikla šķiedra" and its' subsidiary Valmiera Glass UK Ltd in Great Britain (further in the text – Group). The main profiles of JSC "Valmieras stikla šķiedra" are glass fibre research, development, manufacturing and sales. The Group positions itself in the market as vertical integrated - from fibre glass production up to coated / impregnated fabrics – various composite material supplier for the airline industry, building industry and other manufacturing industries.

JSC Valmieras stikla šķiedra manufactures glass fibre and glass fibre products from two types of glass (E-glass 600°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.

The subsidiary company Valmiera Glass UK Ltd produces the glass fibre products for the aviation industry, thermal insulation and architecture, while starting with February 2015 Valmiera Glass USA Corp. produces glass fibre products with high added value – non-woven materials. Valmiera Glass Trading USA Corp. was established to perform sales activities of goods produced by the Group in United States of America.

#### Sales

In the first six months of 2015 the production manufactured by JSC "Valmieras stikla šķiedra" is being exported to 37 countries worldwide reaching the export rate of 98%. In the first six months JSC "Valmieras stikla šķiedra" continued to strengthen its positions in the existing markets and increased turnover. The main export markets remain stable: EU-Countries (70%) and North-America (14%). The sales volume in the first six months in 2015 compared with the same period in 2014 increased in the EU-Countries (an increase of 15%), North-America (an increase of 29%) geographic markets. Middle East and Asia region export market significantly evolve.

Analyzing the segments of products, growth of sales volume has been recognized for the products with high added value: glass fiber nettings and technical textiles. All these products in the first six months of 2015 have been sold 28% more than in the same period of 2014. In other product segments the sales amount is valued as stable.

#### Employees

The average number of employees working in Valmiera Glass Group in the first six months of 2015 are 1158 where the average number of employees in JSC "Valmieras stikla šķiedra" were 972, subsidiary Valmiera Glass UK Ltd – 149 and subsidiary Valmiera Glass USA Corp 37.

#### Investments

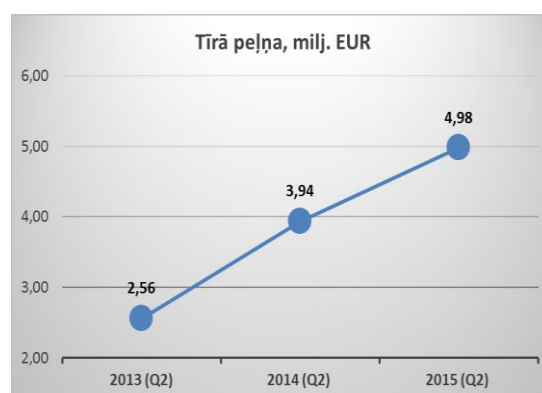
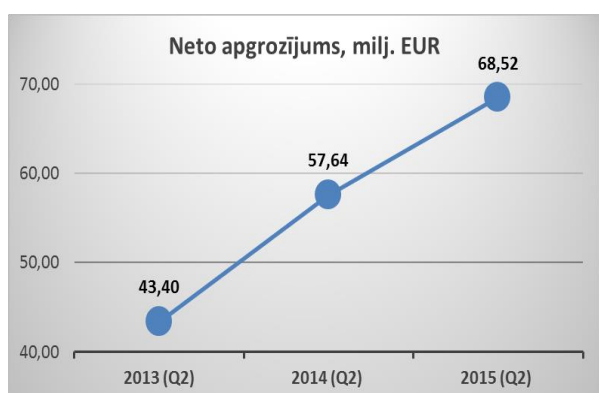
EUR 5.67 Million have been invested during the first six months of 2015 in development of the Group, which includes purchase of machinery for production, modernization of existing technologies and the development of new products with intentions to increase the production capacity of the Group.

## Quality management

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 18<sup>th</sup> 2015 the Company received quality management system certificate that is valid until March 15<sup>th</sup> 2018.

## Financial results

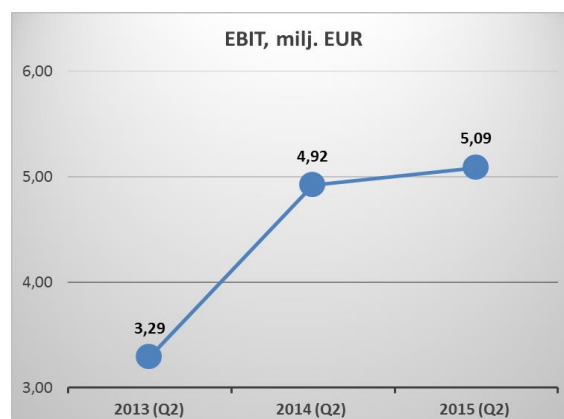
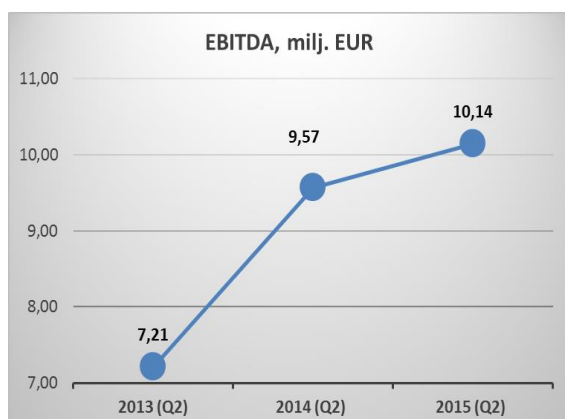
The consolidated net turnover of the Group in the first six months of 2015 has reached EUR 68.52 Million. Compared to the result of the Group in the first six months of 2014 it has increased by EUR 10.88 Million or 18.90%.



The consolidated net profit of the Group in the first six months of 2015 has reached EUR 4.98 Million and that is 26.4% more compared to the net profit of the Group in the same period of 2014.

The consolidated operating profit (EBITDA) was EUR 10.14 Million and it is 16% more than in the first six months of 2014. The earnings before interest and taxes (EBIT) reached EUR 5.09 Million and that is 4% more as in the same period of 2014.

The consolidated return on capital (ROCE) is 8.6% whereas the consolidated operating profit margin ratio of the first six months of 2015 was 7.3%.



Considering the results for the first six months of 2015 and the development of the Group management is confident to reach planned net turnover of the Group of EUR 127.7 Million and net profit EUR 10.77 Million in year 2015.

## Share market

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

*The share price development of JSC Valmieras stikla šķiedra in period of 01.01.2015 to 30.06.2015  
Information from: AS „NASDAQ OMX Riga”, home page [www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com)*



The Company's share price from January 1<sup>st</sup> 2015 till June 30<sup>th</sup> 2015 has increased by EUR 0.030 or 0.81%. The value of one share at January 1<sup>st</sup> 2015 was EUR 3.720 and on March 31<sup>st</sup> 2015 the price has increased to EUR 3.750.

The number of shares sold in first quarter 2015 is 1212.96 Thousand and turnover of JSC Valmieras stikla šķiedra shares has reached EUR 780 Thousand.

---

JSC "Valmieras stikla šķiedra"  
The Chairman of the Board  
Andre Heinz Schwiontek

July 31<sup>st</sup> 2015

## THE STATEMENT OF MANAGEMENT RESPONSIBILITY

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 June 30<sup>th</sup> 2015 and the results of its operations and cash flows for the period ended on June 30<sup>th</sup> 2015. 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. 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

Andre Heinz Schwiontek

July 31<sup>st</sup> 2015

## BALANCE SHEET (ASSETS)

*As at 30<sup>th</sup> June 2015 and June 30<sup>th</sup> 2014*

	<b>30.06.2015</b>	<b>30.06.2014</b>
	<b>EUR</b>	<b>EUR</b>
<b>AKTĪVS</b>		
Non-current assets		
Intangible assets		
Patents, licenses, trade mark and similar rights	559 979	45 544
Costs of establishment of intangible investments		156 937
Goodwill	3 930 822	3 930 822
<b>Total intangible assets</b>	<b>4 490 801</b>	<b>4 133 303</b>
<b>Tangible fixed assets</b>		
Land and buildings	17 621 996	13 407 024
Equipment and machinery	50 788 960	47 867 586
Other fixed assets	1 074 283	813 235
Constructions in progress	3 802 877	3 151 079
Advance payments for fixed assets	4 151 044	940 900
<b>Total fixed assets</b>	<b>77 439 160</b>	<b>66 179 824</b>
<b>Deferred tax assets</b>	<b>1 698 732</b>	<b>1 088 889</b>
<b>Total non-current assets</b>	<b>83 628 693</b>	<b>71 402 016</b>
<b>Current assets</b>		
<b>Inventory</b>		
Raw materials	10 621 354	8 465 933
Work in progress	4 163 720	2 801 667
Finished goods	10 604 923	11 767 823
Advance payments for inventories	716 605	241 190
<b>Total inventory</b>	<b>26 106 601</b>	<b>23 276 613</b>
<b>Accounts receivable</b>		
Trade receivables	17 508 608	14 274 207
Receivables from related parties	3 702 365	3 114 348
Other receivables	364 597	1 076 981
Deferred expenses	2 040 471	631 291
<b>Total accounts receivable</b>	<b>23 616 040</b>	<b>19 096 827</b>
<b>Cash and cash equivalents</b>	<b>842 165</b>	<b>446 098</b>
<b>Total current assets</b>	<b>50 564 806</b>	<b>42 819 538</b>
<b>TOTAL ASSETS</b>	<b>134 193 499</b>	<b>114 221 554</b>



## BALANCE SHEET (LIABILITIES)

*As at June 30<sup>th</sup> 2015 and June 30 2014*

	<b>30.06.2015</b>	<b>30.06.2014</b>
	<b>EUR</b>	<b>EUR</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		
<b>Shareholders' equity</b>		
Share capital	33 464 487	33 464 487
Other reserves	714 403	1 007 490
Retained earnings:		
a) Retained earnings	18 073 541	13 461 507
b) Current year profit	4 982 653	3 938 424
<b>Total shareholders' equity</b>	<b>57 235 084</b>	<b>51 871 908</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Due to credit institutions	31 183 993	29 154 232
Finance lease	191 322	100 209
Deferred tax	660 784	622 308
Retirement benefit obligation	6 017 713	4 486 190
Deferred income	3 638 765	1 678 794
Embedded derivatives	969 113	1 499 485
<b>Total non-current liabilities</b>	<b>42 661 691</b>	<b>37 541 218</b>
<b>Current liabilities</b>		
Due to credit institutions	18 551 542	9 596 664
Finance lease	34 305	82 915
Advance payments from customers	602 441	306 432
Trade payables	9 355 243	8 264 183
Payables related parties	967 840	2 140 607
Taxes and social security contributions	611 024	1 041 972
Other accounts payable	743 342	635 526
Accrued liabilities	2 059 881	1 576 030
Retirement benefit obligations	1 194 827	958 254
Deferred income	176 280	205 845
<b>Total current liabilities</b>	<b>34 296 724</b>	<b>24 808 428</b>
<b>Total liabilities</b>	<b>76 958 415</b>	<b>62 349 646</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>134 193 499</b>	<b>114 221 554</b>

## STATEMENT OF PROFIT AND LOSS

*For the period ended June 30<sup>th</sup> 2015 and June 30<sup>th</sup> 2014*

	30.06.2015 EUR	30.06.2014 EUR
<b>Sales</b>	<b>68 518 828</b>	<b>57 640 857</b>
Change in inventories	(7 844 763)	(244 775)
Other operating income	1 833 252	172 358
Raw materials and consumables	(30 606 657)	(29 039 693)
Personnel expenses	(12 074 347)	(10 468 036)
Depreciation and amortization	(5 046 157)	(4 654 851)
Other operating expenses	(9 690 218)	(8 489 559)
<b>Operating profit</b>	<b>5 089 939</b>	<b>4 916 301</b>
Interest and similar income	760 750	153 741
Interest and similar expenses	(867 892)	(870 995)
<b>Profit from operations and before tax</b>	<b>4 982 797</b>	<b>4 199 047</b>
Corporate income tax	(144)	(260 623)
<b>NET PROFIT</b>	<b>4 982 653</b>	<b>3 938 424</b>
<b>Earnings per share</b>	<b>0.2085</b>	<b>0.1648</b>

## STATEMENT OF CASH FLOWS

	6 months 2015	6 months 2014
<b>OPERATING ACTIVITIES</b>		
Profit before tax	4 982 797	4 199 047
Adjustments:		
Change in fair value of embedded derivatives	(281 026)	(126 351)
Depreciation and amortization	5 046 157	4 654 851
Loss on disposal and sales of fixed assets	660	-
Interest expenses	867 892	870 995
Interest income	(7 859)	(153 741)
Financial income EU Funding / LIAA State support	(254 973)	(95 238)
<b>Changes in operating assets and liabilities:</b>		
Inventories	6 354 211	797 211
Accounts receivable and other assets	(12 863 454)	(5 402 592)
Accounts payable and other liabilities	1 390 598	(2 104 877)
<b>Cash provided by operating activities</b>	<b>5 235 003</b>	<b>2 639 305</b>
<b>Investing activities</b>		
Purchase of fixed and intangible assets	(9 663 274)	(5 225 308)
Income from sales of fixed assets	5 837	-
Interest income received	7 859	153 741
<b>Net cash used in investing activities</b>	<b>(9 649 578)</b>	<b>(5 071 567)</b>
<b>Financing Activities</b>		
Loans received	8 292 992	3 734 500
Loans paid	(4 394 811)	(2 822 852)
Credit line received	709 674	1 138 853
Finance lease paid	(84 910)	(21 023)
EU funding received	418 337	544 756
Interest paid	(863 772)	(870 995)
<b>Net cash provided by financing activities</b>	<b>4 077 510</b>	<b>1 703 239</b>
<b>Net decrease / increase in cash and cash equivalents</b>	<b>(337 065)</b>	<b>(729 023)</b>
Cash and cash equivalents at the beginning of the year	1 179 230	1 175 121
<b>Cash and cash equivalents at the end of the year</b>	<b>842 165</b>	<b>446 098</b>

## STATEMENT OF SHAREHOLDERS' EQUITY

*As at June 30<sup>th</sup> 2015 and June 30<sup>th</sup> 2014*

	Share capital	Foreign currency reserve	Other reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
<b>As of 31<sup>st</sup> December 2013</b>	<b>34 011 197</b>	<b>19 071</b>	<b>456 130</b>	<b>12 926 129</b>	<b>47 412 527</b>
Profit of the financial period	-	-	-	7 155 281	7 155 281
Dividends paid	-	-	-	(2 007 869)	(2 007 869)
Denomination of share capital to euro	(546 710)	-	546 710	-	-
Other comprehensive income	-	656 856	(1 761 098)	-	(1 104 242)
<b>As of 31<sup>st</sup> December 2014</b>	<b>33 464 487</b>	<b>675 927</b>	<b>(758 258)</b>	<b>18 073 541</b>	<b>51 455 697</b>
Profit of the financial period	-	-	-	4 982 653	4 982 653
Other comprehensive income	-	920 554	(123 820)	-	796 734
<b>As of March 31<sup>st</sup> 2015</b>	<b>33 464 487</b>	<b>1 596 481</b>	<b>(882 078)</b>	<b>23 056 194</b>	<b>57 235 084</b>

## ANNEX

### 1. SHARE CAPITAL

The registered share capital of JSC "Valmieras stikla šķiedra" as at June 30<sup>th</sup> June 2015 is EUR 33 464 487. The company's paid share capital registered with the Enterprise Register as at June 30<sup>th</sup> 2015 is EUR 33 464 487, 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 EUR 1.40.

As at June 30<sup>th</sup> 2015 and June 30<sup>th</sup> 2014 the shareholders of the JSC "Valmieras stikla šķiedra", in accordance with the records maintained by the Latvian Central Depository, were as follows:

	6 months 2015	6 months 2014
Vitruhan 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%
Preiss-Daimler Beatrix	5.36%	4.5%
Citi	8.44	6.9%
	<b>100.0%</b>	<b>100.0%</b>

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

	6 months 2015 EUR	6 months 2014 EUR
<b>2.1. Material expenses</b>		
Raw materials	19 303 573	19 717 853
Natural gas	2 551 345	2 659 914
Electricity	3 535 979	3 522 078
Ore processing costs	281 398	525 985
Oxygen	418 421	411 942
Other	4 515 940	2 201 921
<b>Total</b>	<b>30 606 657</b>	<b>29 039 693</b>
<b>2.2. Personnel expenses</b>		
Salaries	8 114 801	7 343 363
Social security payments	1 655 158	1 502 944
Illness and vacation expenses	674 637	440 630
Provisions for remuneration of Board and Council	517 000	500 000
Insurance of employees	113 769	51 015
Other	998 982	630 084
<b>Total</b>	<b>12 074 347</b>	<b>10 468 036</b>

### 2.3. Depreciation and amortization

Fixed asset depreciation	4 794 107	4 481 415
Depletion of ore	196 752	166 659
Intangible asset amortization	55 298	6 777
<b>Total</b>	<b>5 046 157</b>	<b>4 654 851</b>

### 2.4. Other operating expenses

Transportation	4 214 727	3 363 355
Sales commission	1 124 552	869 276
Service costs	1 149 652	989 318
Spare parts	702 297	639 188
Repair expenses	255 906	472 136
Insurance	275 487	205 823
Business trips	500 070	442 690
Labour safety and specific clothing	128 427	85 035
Research and development expenses	243 094	195 305
Communications	108 466	75 859
Leasing	391 643	290 316
Office expenses	77 043	130 044
Selling expenses	130 026	40 344
Property tax	112 815	107 289
Increase in doubtful debts	16 819	60 000
Other	259 195	523 581
<b>Total</b>	<b>9 690 218</b>	<b>8 489 559</b>

### 3. TRADE RECEIVABLES

	30.06.2015 EUR	30.06.2014 EUR
P-D Glasseiden Oschatz GmbH	1 969 550	1 674 139
P-D Tafneft Fiberglas Alabuga	431 598	210 467
P-D Industriegesellschaft GmbH Bratendorf	329 589	196 239
P-D Interglas Technologies GmbH	162 762	420 567
Preis Daimler FibreGlass AB	238 502	-
VitruLAN Textile Glass GmbH GmbH	76 429	257 727
VitruLAN Technical Textiles GmbH	493 935	416 599
Other trade receivables	17 691 239	14 388 701
Increase in doubtful debts	(182 631)	(175 884)
<b>Total</b>	<b>21 210 973</b>	<b>17 388 555</b>

---

For information stated in this financial report please contact:

#### Marika Nīmante

JSC "Valmieras stikla šķiedra" Marketing project manager

Phone. +371 642 02 276

Mailto: Marika.Nimante@valmiera-glass.com