

JOINT STOCK COMPANY „VALMIERAS STIKLA ŠĶIEDRA”

Registration Number 40003031676

UNAUDITED
CONSOLIDATED FINANCIAL INFORMATION
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2017

Made in accordance with the International
Financial Reporting Standards



VALMIERA GLASS®

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COMPANY PROFILE

The name of the enterprise:	Valmieras stikla šķiedra
The legal status:	Joint Stock Company
Registration number:	40003031676
Registration place, date:	Riga, 30 September 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 (until 31.07.2017.) Doloresa Volkopa Stefan Jugel, Vice President (from 01.08.2017.)
The council:	<i>Chairman of the Council:</i> Heinz-Jürgen Preiss-Daimler <i>Council members:</i> Hans Peter Cordts Frank Wilhelm Behrends Jöran Pfuhl Andris Oskars Brutāns
The period of the report:	1 January 2017 – 30 September 2017
Companies included in consolidation:	Valmiera Glass UK Ltd (100% shares) P-D Valmiera Glass USA Corp (67% shares) Valmiera Glass Trading USA Corp (100% shares)

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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 30 September 2017 and the results of its operations and cash flows for the period ended on 30 September 2017. 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.

The Financial Statements were confirmed by the Board of Valmieras stikla šķiedra JSC, the parent company of the Valmiera Glass Group, these were signed on behalf of the Board by:

Valmieras stikla šķiedra JSC
The Chairman of the Board
Andre Heinz Schwiontek
24 November 2017

BALANCE SHEET (ASSETS)

As at 30 September 2017 and 31 December 2016

	30.09.2017 EUR	31.12.2016 EUR
ASSETS		
Non-current assets		
Intangible assets		
Software licenses, patents, trademarks and other rights	907 312	869 605
Goodwill	3 715 517	3 826 612
Total intangible assets	4 622 829	4 696 217
Tangible assets		
Land and buildings	16 008 019	17 243 174
Equipment and machinery	57 089 746	60 432 169
Other fixed assets	1 067 223	1 158 916
Constructions in progress	36 678 829	5 952 882
Advance payments for fixed assets	7 782 424	348 704
Total tangible assets	118 626 241	85 135 845
Non-current financial investments		
Deferred expenses	210 108	235 322
Total non-current financial investments	210 108	235 322
Deferred tax assets	1 837 870	1 923 581
Total non-current assets	125 297 047	91 990 965
Current assets		
Inventories		
Raw materials	8 988 488	10 480 108
Work in progress	5 451 595	5 101 281
Finished goods	17 554 056	17 095 254
Advance payments for inventories	247 082	300 804
Total inventories	32 241 221	32 977 447
Accounts receivable		
Trade receivables	14 927 050	10 118 616
Receivables from related parties	292 863	971 132
Other receivables	3 092 203	1 057 173
Deferred expenses	981 043	788 515
Total accounts receivable	19 293 158	12 935 436
Cash and cash equivalents	699 988	2 958 952
Total current assets	52 234 367	48 871 835
TOTAL ASSETS	177 531 415	140 862 800

BALANCE SHEET (LIABILITIES)

As at 30 September 2017 and 31 December 2016

	30.09.2017 EUR	31.12.2016 EUR
EQUITY AND LIABILITIES		
Equity		
Share capital	33 464 487	33 464 487
Share premium	(338 602)	-
Foreign currency translation reserve	(2 188 559)	(257 191)
Other reserves	(3 418 157)	(3 418 157)
Retained earnings:		
a) Retained earnings	24 044 472	19 237 518
b) Profit of the year	6 029 642	4 806 954
Total equity attributable to owners of the Company	57 593 282	53 833 611
Non-controlling interest	8 590 676	1 056 658
Total equity	66 183 957	54 890 269
Liabilities		
Non-current liabilities		
Borrowings from credit institutions	30 613 655	25 928 430
Borrowings from related companies	2 879 752	-
Finance lease	41 039	65 907
Finance lease from related parties	21 950	164 000
Other borrowings	1 265 700	1 620 204
Deferred tax liabilities	3 088 480	2 917 078
Defined benefit obligation	5 795 667	6 713 542
Deferred income	4 975 436	4 727 469
Derivative	195 432	431 006
Total non-current liabilities	48 877 111	42 567 636
Current liabilities		
Borrowings from credit institutions	24 804 917	23 534 569
Finance lease	43 540	68 804
Finance lease from related parties	111 000	111 000
Other borrowings	180 902	202 610
Advance payments from customers	989 401	121 902
Trade payables	30 337 460	13 232 522
Payables to related parties	700 837	515 908
Taxes and social security contributions	738 146	1 081 114
Other accounts payable	1 856 955	1 001 015
Accrued liabilities	1 255 150	2 104 964
Defined benefit obligation	963 959	992 782
Deferred income	488 079	437 705
Total current liabilities	62 470 345	43 404 895
Total liabilities	111 347 457	85 972 531
TOTAL EQUITY AND LIABILITIES	177 531 415	140 862 800

STATEMENT OF PROFIT AND LOSS

For the period ended 30 September 2017 and 30 September 2016

	9 months 2017 EUR	9 months 2016 EUR
Sales	97 591 897	98 886 774
Change in inventories	(2 507 691)	(3 097 485)
Costs capitalized to non-current assets	718 836	166 507
Other operating income	1 731 124	1 092 225
Raw materials and consumables	(48 298 959)	(50 349 231)
Personnel expenses	(20 416 143)	(19 389 617)
Depreciation and amortization	(8 375 639)	(7 877 547)
Other operating expenses	(13 375 110)	(13 777 593)
Profit from operations	7 068 315	5 654 034
Interest and similar income	881 176	597 951
Interest and similar expenses	(862 482)	(986 554)
Profit before tax	7 087 009	5 265 431
Corporate income tax	(440 623)	770 273
Profit for the year	6 646 386	4 495 159
<i>Attributable to:</i>		
Non-controlling interest	616 743	-
Owners of the Company	6 029 642	3 160 992
Earnings per share	0.2781	0.1881

STATEMENT OF CASH FLOWS

For the period ended 30 September 2017 and 30 September 2016

	9 months 2017 EUR	9 months 2016 EUR
OPERATING ACTIVITIES		
Profit before tax	7 087 009	5 265 431
Adjustments:		
Change in fair value of embedded derivatives	(235 574)	(178 537)
Depreciation and amortization	8 375 639	7 877 547
Interest expenses	862 482	986 554
Interest income	(22 433)	(4 098)
Financial income EU grants	(521 406)	(470 039)
Changes in working capital:		
(Increase) / decrease in inventories	736 226	2 986 496
(Decrease) / Increase in accounts receivable	(6 787 401)	(5 572 090)
Increase in accounts payable	8 581 143	(1 100 075)
Cash provided by operating activities	18 075 685	9 791 190
INVESTING ACTIVITIES		
Purchase of fixed and intangible assets	(43 292 647)	(9 413 359)
Income from investment in related party shares	7 128 000	-
Received interest	22 433	4 098
Net cash used in investing activities	(36 142 214)	(9 409 261)
FINANCING ACTIVITIES		
Loans received	19 909 252	7 233 077
Loans paid	(8 922 052)	(6 754 523)
Change in credit line	5 028 002	909 086
Finance lease paid	(192 182)	(91 176)
Paid interest expenses	847 027	1 403 663
Received EU and state grants	(862 482)	(986 554)
Net cash (used in) / provided by financing activities	15 807 565	1 713 572
Net cash flow for the financial year	(2 258 964)	2 095 500
Cash and cash equivalents at the beginning of the year	2 958 952	1 200 204
Cash and cash equivalents at the end of the year	699 988	3 295 704

STATEMENT OF SHAREHOLDERS' EQUITY

As of 30 September 2017 and 31 December 2016

	Share capital	Foreign currency translation reserve	Other reserves	Retained earnings	Non-controlling interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR
As of 31 December 2015	33 464 487	1 942 629	(951 732)	20 737 699	-	55 193 083
Current year profit	-	-	-	4 495 159	-	4 495 159
Payment of dividends	-	-	-	153 094	1 035 509	1 188 603
<i>Other comprehensive income</i>						
Remeasurement of defined benefit obligation	-	-	153 030	-	-	153 030
Exchange differences on translating foreign operations	-	(2 231 173)	-	-	-	(2 231 173)
As of 30 September 2016	33 464 487	(288 544)	(798 702)	25 385 953	1 035 509	58 798 703
As of 31 December 2016	33 464 487	(257 191)	(3 418 157)	24 044 472	1 056 658	54 890 269
Profit of the financial period	-	-	-	6 029 642	-	6 029 642
Payment of dividends	-	(338 602)	-	-	-	(338 602)
Non-controlling interest	-	-	-	-	7 534 018	7 534 018
<i>Other comprehensive income</i>						
Exchange differences on translating foreign operations	-	(1 931 368)	-	-	-	(1 931 368)
As of 30 September 2017	33 464 487	(2 527 162)	(3 418 157)	30 074 114	8 590 676	66 183 957

ANNEX

1. Share capital

The share capital as of 30 September 2017 and 30 September 2016 consists of 11,494,250 publicly listed bearer shares and 12,408,955 private placement ordinary shares, all with equal rights.

As of 30 September 2017 and 2016 the shareholders of the Parent company, in accordance with the records maintained by the Latvian Central Depository, were as follows:

	30.09.2017
Corvalis GmbH (former Vitrulan International GmbH)	30.80%
P-D Glasseiden GmbH Oschatz	26.07%
P-D Management Industries-Technologies GmbH	23.93%
Preiss-Daimler Beatrix	7.40%
Other	11.8%
	100.0%

	30.09.2016
Vitrulan International GmbH	36.2%
P-D Glasseiden GmbH Oschatz	26.10%
P-D Management Industries-Technologies GmbH	23.9%
Preiss-Daimler Beatrix	5.36 %
Other	8.44%
	100.0 %

As announced on 7 July 2017, Corvalis GmbH notified (Transactions under Regulation No. 596/2014) the Parent company of the intention to sell their bearer and registered shares of Valmieras stikla šķiedra JSC.

2. INFORMATION CONCERNING THE PROFIT OR LOSS STATEMENT

	9 months 2017 EUR	9 months 2016 EUR
2.1. RAW MATERIALS AND CONSUMABLES		
Raw materials	34 132 350	36 868 606
Natural gas	3 241 654	2 601 470
Electricity	5 112 868	5 181 244
Oxygen	647 818	467 854
Precious metal plates processing costs	591 437	559 177
Other	4 572 832	4 670 880
Total	48 298 959	50 349 231
2.2. PERSONNEL EXPENSES		
Salaries	15 204 756	13 822 200
State social security contributions	3 261 344	2 886 209
Illness and vacation expenses	1 660 242	1 492 681
Remuneration of Board and Council	(192 185)	460 000
Employee insurance	329 414	197 579
Other	152 571	530 947
Total	20 416 143	19 389 617
2.3. DEPRECIATION AND AMORTIZATION		
Fixed asset depreciation based on straight line method	7 917 187	7 491 187
Depreciation of precious metal plates	376 396	322 081
Intangible asset amortization	82 056	64 279
Total	8 375 639	7 877 547
2.4. OTHER OPERATING EXPENSES		
Transportation	5 755 429	6 315 334
Sales commission	1 138 943	1 139 918
Service costs	1 027 497	1 243 947
Spare parts	1 078 554	1 101 779
Repair expenses	473 575	412 303
Training and qualification of employees	343 914	373 392
Insurance	164 513	428 123
Business trips	529 143	553 465
Labour safety and specific clothing	236 547	216 429
Research and development expenses	175 631	218 940
Communications	120 894	153 880
Rent	625 163	553 974
Office expenses	114 433	41 521
Selling expenses	868 662	189 799
Property tax	169 094	165 574
Allowance for doubtful receivables	14 963	216 429
Audit fees	49 157	-
Other	488 998	656 420
Total	13 375 110	13 777 593

3. TRADE RECEIVABLES	30.09.2017	30.09.2016
	EUR	EUR
P-D Glasseiden Oschatz GmbH	-	890 992
P-D Industriegesellschaft GmbH	173 673	95 684
P-D Interglas Technologies GmbH	-	7 555
Preiss-Daimler FibreGlass AB	119 190	74 375
P-D Management Industries GmbH	-	1 191 313
Other trade receivables	15 541 343	16 487 129
Vitrulan Textile Glass GmbH GmbH	-	12 275
Vitrulan Technical Textiles GmbH	-	70 959
Allowance for doubtful receivables	(614 293)	(614 293)
Total	15 219 913	18 215 989

Disclaimer

The Financial Statement may contain future projections.

These projections include statements on the Group's further strategy, objectives, future plans, and tasks and planned events, the performance of which may be affected by the action of third parties not being under the Group's control, and therefore the said future results may differ from the results expressed or implied in the Financial Statement.

The management of Valmieras stikla šķiedra JSC assumes no responsibility for decisions made by third parties based on the projections provided by Valmieras stikla šķiedra JSC management within the Financial Statement.