

JOINT STOCK COMPANY "VALMIERAS STIKLA ŠĶIEDRA"

Registration Number 40003031676

Financial Statement for the period ended September 30th 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 th 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 Dainis Šēnbergs Jöran Pfuhl Karl Heinz Will (till September 1 st 2013) Hans-Jochen Häusler (since September 1 st 2013) 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 th 2013) Frank Wilhelm Behrends (since May 31 st 2013) Guntis Strazds Aivars Lošmanis
The period of the report:	January 1 st 2013 – September 30 th 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 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.

Since 4th October 2013 with the completion of the purchase deal, JSC "Valmieras stikla šķiedra" is a parent company of Valmiera Glass UK Ltd that is manufacturing the glass fiber products for 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. The turnover of Valmiera Glass UK Ltd in 2012 reached EUR 20 Million and the company has more than 130 employees.

Due to unifying JSC "Valmieras stikla šķiedra" and Valmiera Glass UK Ltd is made Valmiera Glass Group, positioning itself as vertically integrated supplier of different composite materials for the aviation industry, architecture and other branches – from glass fiber 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 the manufacturing of glass fiber and its' products in the world. The company uninterruptedly evaluates the export possibilities in new markets with new clientele.

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.

The production manufactured in the company is being exported to 36 countries worldwide reaching the export rate of 96%. In the first nine months of 2013 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 (72%), USA, Japan, India and Russia. The sales amounts comparing the three quarters of this fiscal year and the previous one are grown in EU (growth of 15%), USA and Canada (growth of 43%), Russia and Ukraine (growth of 30%) geographical markets.

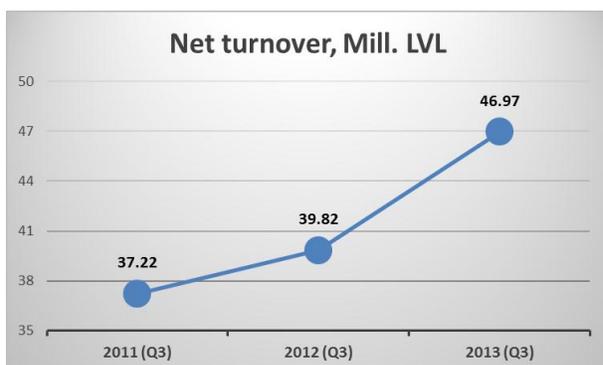
Analysing the segments of products, growth of sales volume has been recognized for the products with high added value: glass fiber products with high SiO₂ content, glass fiber nettings and non-woven products. All these products in the first nine months of 2013 has been sold for 32% more as at the same period of 2012. For other segments of products the sales amount is valuated as stable.

The average sales price of the products has grown for 1% in the first three quarters of 2013 comparing to the same period of 2012.

The average number of employees working in the Company at the first nine months of 2013 is 908. Comparing to the same period of 2012, the workforce increased for a bit more as 6%.

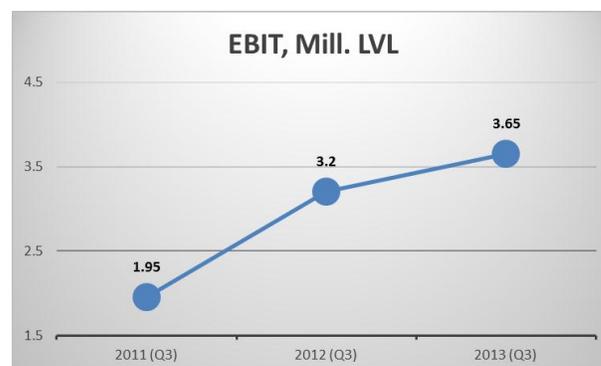
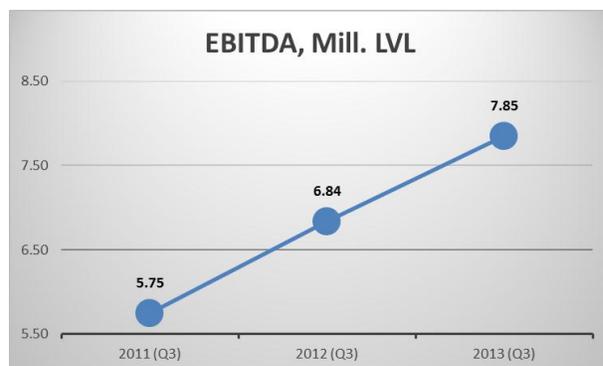
Finance results

The net turnover at first nine months of 2013 reached LVL 46.97 Million (EUR 66.84 Mill.). It's for 21% higher than the net turnover at the same period of 2012 and the highest net turnover at the first three quarters of year since the foundation of the company. The net profit of the company has reached LVL 2.84 Million (EUR 4.05 Mill.) or is for 28% more as at first nine months of last fiscal year.

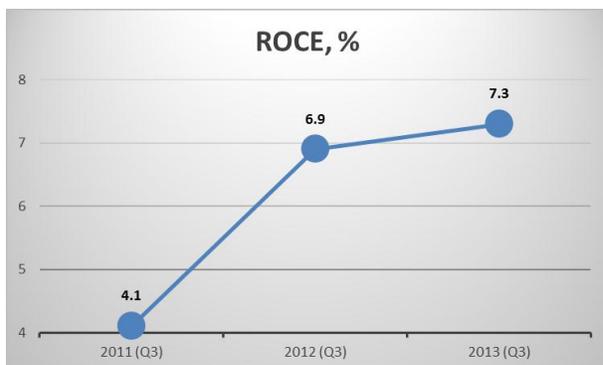


The operating profit (EBITDA) was LVL 7.85 Million (EUR 11.2 Mill.) and it's 15% more than at the same period in 2012. The earnings before the interest and taxes (EBIT) reached LVL 3.65 Million (EUR 5.2 Mill.) or is 14% more than at the three quarters of 2012.

These are the highest rates since the foundation of company. The return on capital (ROCE) is 7.3% or for 0.4% higher as at the same period of 2012. Therefore the return on assets for the nine months of 2013 is 8.1%.



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 61.13 Million (EUR 86.98 Mill.). Whereas, regarding the process development in the export markets, the acquisition dynamics of planned investments and the capacity of the Company within a last quarter, the planned net profit 2013 of JSC Valmieras stikla šķiedra is reassessed and valued at about LVL 3.65 Million (EUR 5.2 Mill.), exceeding the audited net profit of 2012 for 28%.



2013 plans JSC Valmieras stikla šķiedra to invest LVL 7.1 Million (EUR 10.1 Mill.) in 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 nine months of 2013 the company has already invested LVL 5.5 Million (EUR 7.8 Mill.) of total planned investments for this year.

Shares market

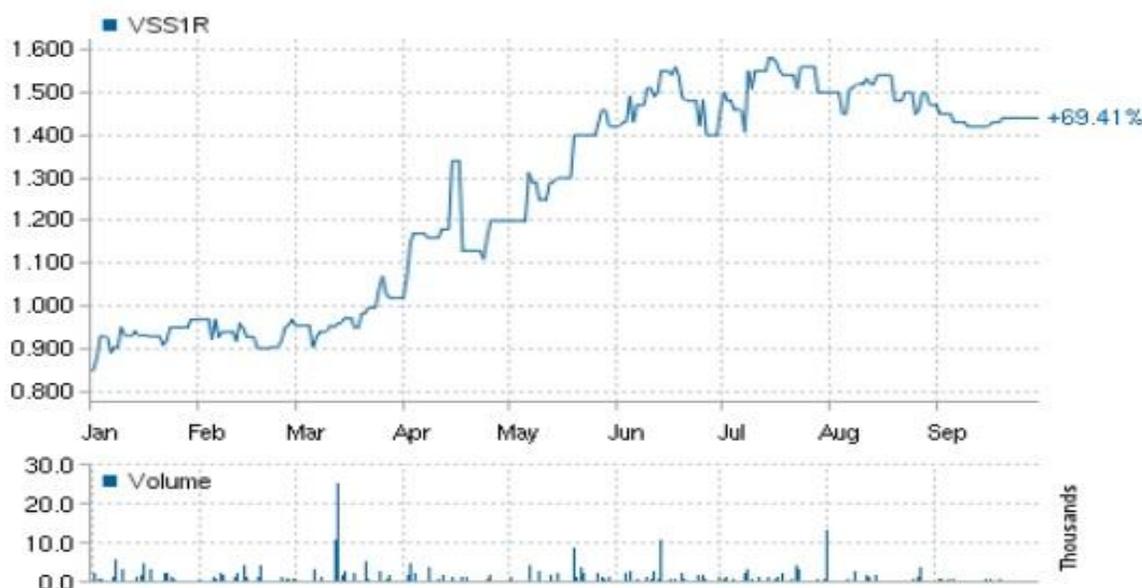
The shares of JSC "Valmieras stikla šķiedra" are listed on NASDAQ OMX Riga Secondary Market since February 24th 1997.

The Company's share price from January 1st 2013 till September 30th 2013 has increased for LVL 0.59 (EUR 0.84) or 69.41%. The value of one share at January 1st 2013 was LVL 0.85 (EUR 1.21), but till September 30th 2013 the price had to LVL 1.44 (EUR 2.05).

The total amount of sold shares in first nine months of 2013 are 233 Thousands and the shares turnover of JSC Valmieras stikla šķiedra has reached LVL 278 Thousands (EUR 395.6 Thousands).

The share price development of JSC Valmieras stikla šķiedra in period of January 1st 2013 to September 30th 2013.

Information from: AS „NASDAQ OMX Riga”, home page www.nasdaqomxbaltic.com



For the preparation of this unaudited financial report for 9 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

October 28th 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 September 30th 2013 and the results of its operations and cash flows for the period of first nine months 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 9 to 15. 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

October 28th 2013

BALANCE SHEET (ASSETS)

As at September 30th 2013 and September 30th 2012

	30.09.2013		30.09.2012	
	LVL	EUR	LVL	EUR
ASSETS		0.702804		0.702804
Non-current assets				
Intangible assets				
Patents, licenses, trade mark and similar rights	36 778	52 330	11 556	16 443
Other intangible assets	110 306	156 951	111 892	159 208
Total intangible assets	147 084	209 282	123 448	175 651
Tangible fixed assets				
Land and buildings	7 827 391	11 137 374	7 558 212	10 754 367
Equipment and machinery	32 857 874	46 752 543	21 810 413	31 033 422
Other fixed assets	451 296	642 136	255 552	363 618
Constructions in progress	1 568 741	2 232 117	2 404 431	3 421 197
Advance payments for fixed assets	206 922	294 423	2 049 005	2 915 471
Total fixed assets	42 912 224	61 058 594	34 077 613	48 488 075
Total non-current assets	43 059 308	61 267 876	34 201 061	48 663 726
Current assets				
Inventory				
Raw materials	4 374 761	6 224 724	10 146 391	14 437 014
Works in progress	1 675 796	2 384 443	1 606 428	2 285 741
Finished goods	3 046 141	4 334 268	2 960 102	4 211 846
Advance payments for inventories	129 563	184 352	107 898	153 525
Total inventory	9 226 261	13 127 787	14 820 819	21 088 126
Accounts receivable				
Trade receivables	10 309 165	14 668 620	9 536 444	13 569 137
Other receivables	458 544	652 449	395 250	562 390
Deferred expenses	393 136	559 382	288 191	410 059
Total accounts receivable	11 160 845	15 880 452	10 219 885	14 541 586
Cash and cash equivalents	835 833	1 189 283	473 078	673 129
Total current assets	21 222 939	30 197 522	25 513 782	36 302 841
TOTAL ASSETS	64 282 247	91 465 397	59 714 843	84 966 567

BALANCE SHEET (LIABILITIES)

As at September 30th 2013 and September 30th 2012

	30.09.2013		30.09.2012	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
LIABILITIES & SHAREHOLDERS' EQUITY				
Shareholders' equity				
Share capital	23 903 205	34 011 197	23 903 205	34 011 197
Retained earnings:				
a) Retained earnings	7 612 094	10 831 034	5 962 877	8 484 410
b) Current year profit	2 843 551	4 046 009	2 218 177	3 156 182
Total shareholders' equity	34 358 850	48 888 239	32 084 259	45 651 788
Liabilities				
Non-current liabilities				
Due to credit institutions	15 172 802	21 588 952	14 255 808	20 284 187
Finance lease	19 149	27 247	19 149	27 247
Deferred tax	123 729	176 051	105 000	149 402
Deferred income	752 612	1 070 870	-	-
Total non-current liabilities	16 068 292	22 863 120	14 379 957	20 460 835
Current liabilities				
Due to credit institutions	6 549 767	9 319 479	7 051 588	10 033 506
Finance lease	112 414	159 951	52 036	74 041
Advance payments from customers	148 060	210 670	803 272	1 142 953
Trade payables	5 612 974	7 986 542	4 007 314	5 701 894
Taxes and social security contributions	324 565	461 814	284 094	404 229
Other accounts payable	320 185	455 582	374 622	533 039
Accrued liabilities	682 665	971 345	677 701	964 282
Deferred income	104 475	148 655	-	-
Total current liabilities	13 855 105	19 714 038	13 250 627	18 853 944
Total liabilities	29 923 397	42 577 158	27 630 584	39 314 779
<hr/>				
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	64 282 247	91 465 397	59 714 843	84 966 567

STATEMENT OF PROFIT AND LOSS

For the period ended September 30th 2013 and September 30th 2012

	30.09.2013		30.09.2012	
	LVL	EUR 0.702804	LVL	EUR 0.702804
Sales	46 974 147	66 838 190	38 952 666	55 424 650
Change in inventories	(2 040 646)	(2 903 578)	(1 228 853)	(1 748 500)
Other operating income	367 062	522 282	222 815	317 037
Raw materials and consumables	(24 037 065)	(34 201 662)	(19 491 186)	(27 733 459)
Personnel expenses	(6 951 455)	(9 891 029)	(6 104 881)	(8 686 463)
Depreciation and amortization	(4 206 260)	(5 984 969)	(3 864 133)	(5 498 166)
Other operating expenses	(6 459 533)	(9 191 087)	(5 297 810)	(7 538 105)
Profit from operations	3 646 250	5 188 146	3 188 618	4 536 995
Interest and similar income	966	1 374	5 657	8 049
Interest and similar expenses	(793 665)	(1 129 284)	(871 098)	(1 239 461)
Profit before tax	2 853 551	4 060 237	2 323 177	3 305 583
Corporate income tax	10 000	14 229	105 000	149 402
NET PROFIT	2 843 551	4 046 009	2 218 177	3 156 182
Earnings per share	0.1190	0.1693	0.0928	0.1320

STATEMENT OF CASH FLOWS

	9 months 2013		9 months 2012	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
OPERATING ACTIVITIES				
Profit before tax	2 853 551	4 060 237	2 323 177	3 305 583
Adjustments:				
Depreciation and amortization	4 449 240	6 330 698	3 647 679	5 190 180
Profit or loss from disposal of fixed assets	(11359)	(16162)	(10900)	(15509)
Interest income	(966)	(1374)	(5657)	(8049)
Interest expenses	754 145	1 073 052	811 279	1 154 346
Changes in operating assets and liabilities:				
Inventories	1 694 700	2 411 341	1 477 527	2 102 332
Accounts receivable and other assets	(3 841 041)	(5 465 309)	(3 329 153)	(4 736 958)
Accounts payable and other liabilities	765 411	1 089 082	2 100 602	2 988 887
Interest received	966	1 374	5 657	8 049
Cash provided by operating activities	6 664 647	9 482 938	7 020 211	9 988 860
Investing activities				
Purchase of fixed and intangible assets	(5 073 122)	(7 218 402)	(4 756 612)	(6 768 049)
Proceeds from sale of fixed assets	11 359	16 162	10 900	15 509
Net cash used in investing activities	(5 061 763)	(7 202 240)	(4 745 712)	(6 752 540)
FINANCING ACTIVITIES				
Loans received	2 763 740	3 932 448	-	-
Loans paid	(1 684 028)	(2 396 156)	(2 227 795)	(3 169 867)
Credit line received	44 092 169	62 737 504	35 616 415	50 677 593
Credit line paid	(44 373 319)	(63 137 545)	(34 013 590)	(48 396 978)
Finance lease paid	(21 693)	(30 866)	37 674	53 605
Dividends paid	(1 099 547)	(1 564 514)	(621 483)	(884 291)
EU Funding received	141 350	201 123	-	-
Interest paid	(754 145)	(1 073 052)	(811 279)	(1 154 346)
Net cash provided by financing activities	(935 473)	(1 331 058)	(2 020 058)	(2 874 284)
Net decrease / increase in cash and cash equivalents	667 411	949 640	254 441	362 037
Cash and cash equivalents at the beginning of the year	168 422	239 643	218 637	311 092
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	835 833	1 189 283	473 078	673 129

STATEMENT OF SHAREHOLDERS' EQUITY

As at September 30th 2013 and September 30th 2012

EUR rate of exchange 0.702804

	LVL			EUR		
	Share capital	Retained earnings	Total	Share capital	Retained earnings	Total
As of December 31st 2011	23 903 205	6 584 361	30 487 566	34 011 197	9 368 702	43 379 898
Dividends paid		-621 484	-621 484		-884 292	-884 292
Profit 9 months 2012		2 218 177	2 218 177		3 156 182	3 156 182
Profit October – December 2012		530 588	530 588		754 959	754 959
As of December 31st 2012	23 903 205	8 711 642	32 614 847	34 011 197	12 395 550	46 406 746
Dividends paid		-1 099 548	-1 099 548		-1 564 516	-1 564 516
Current 9 months 2013 profit		2 843 551	2 843 551		4 046 009	4 046 009
As of September 30th 2013	23 903 205	10 455 645	34 358 850	34 011 197	14 877 043	48 888 239

ANNEX

1. Share capital

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

	9 months 2013	9 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%
	100.00%	100.00%

2. INFORMATION CONCERNING THE PROFIT OR LOSS ACCOUNT

	9 months 2013		9 months 2012	
	LVL	EUR (0.702804)	LVL	EUR (0.702804)
2.1. Material expenses				
Raw materials	15 232 594	21 674 029	11 595 014	16 498 219
Electricity	3 330 253	4 738 523	2 762 374	3 930 504
Precious metal plates processing costs	330 127	469 728	260 221	370 261
Natural gas	2 578 552	3 668 949	2 385 091	3 393 679
Oxygen	424 663	604 241	410 054	583 454
Other	1 897 896	2 700 463	2 078 432	2 957 342
Total	23 794 085	33 855 933	19 491 186	27 733 459
2.2. Personnel expenses				
Salaries	4 844 642	6 893 305	4 097 689	5 830 486
Social security payments	1 250 270	1 778 974	1 088 961	1 549 452
Illness and vacation expenses	539 492	767 628	467 842	665 679
Provisions of Board and Council	261 600	372 223	405 000	576 263
Insurance of employees	30 613	43 558	29 444	41 895
Other	24 838	35 341	15 945	22 688
Total	6 951 455	9 891 029	6 104 881	8 686 463
2.3. Depreciation and amortization				
Fixed asset depreciation	4 201 709	5 978 493	3 644 552	5 185 730
Depreciation of precious metal plates	242 980	345 729	216 454	307 986
Intangible asset amortization	4 551	6 475	3 127	4 449
Total	4 449 240	6 330 698	3 864 133	5 498 166

2.4. Other operating expenses

Transportation	3 007 065	4 278 668	2 404 319	3 421 038
Sales commission	721 566	1 026 696	748 657	1 065 243
Service costs	633 222	900 994	486 497	692 223
Spare parts	473 077	673 128	349 448	497 220
Repair expenses	385 459	548 459	348 479	495 841
Insurance	121 814	173 326	125 133	178 048
Business trips	264 063	375 728	151 501	215 567
Labour safety and specific clothing	35 955	51 159	31 283	44 512
Research and development expenses	78 407	111 563	95 273	135 561
Communications	49 292	70 136	40 166	57 151
Leasing	236 942	337 138	133 338	189 723
Property tax	39 324	55 953	44 250	62 962
Office expenses	29 962	42 632	30 015	42 707
Selling expenses	111 295	158 359	58 636	83 432
Increase in doubtful debts	1 000	1 423	21 000	29 880
Other	271 090	385 726	229 815	326 997
Total	6 459 533	9 191 087	5 297 810	7 538 105

3. TRADE RECEIVABLES

	9 months 2013		9 months 2012	
	LVL	EUR (0.702804)	LVL	EUR (0.702804)
P-D Glasseiden GmbH Oschatz	1 303 611	1 854 871	4 308 647	6 130 652
P-D Tatneft Fiberglass Alabuga	162 292	230 921	125 293	178 276
Valmiera Glass UK Ltd	495 957	705 683	-	-
P-D Industriegesellschaft mbH Bratendorf	117 430	167 088	-	-
Vitrulan Textile Glass GmbH	199 929	284 473	221 129	314 638
Vitrulan Technical Textiles GmbH	511 566	727 893	515 087	732 903
Other trade receivables	7 518 380	10 697 691	4 366 288	6 212 668
Total	10 309 165	14 668 620	9 536 444	13 569 137

For information stated in this financial report please contact:

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