

**JOINT STOCK COMPANY "VALMIERAS STIKLA ŠĶIEDRA"**  
Registration Number 40003031676  
Financial Report for the period ended June 30<sup>th</sup> 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 <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> Andris Oskars Brutāns, President  <i>Board Members:</i> Andre Heinz Schwiontek, Vice President Dainis Šēnbergs Jöran Pfuhl (till Mai 22 <sup>nd</sup> 2014) Hans-Jochen Häusler Stefan Jugel Friedhelm Schwender (till February 25 <sup>th</sup> 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 (till Mai 31 <sup>st</sup> 2014) Jöran Pfuhl (since Mai 31 <sup>st</sup> 2014)
The period of the report:	January 1 <sup>st</sup> 2014 – June 30 <sup>th</sup> 2014
Companies included in consolidation:	Valmiera Glass UK Ltd (100% shares)

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## 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. 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). These can be used for further processing, for technical (electro, thermal and sound) insulation materials, as well as ready-made building and mechanical engineering materials et al.

The subsidiary company Valmiera Glass UK Ltd, which has more as 80 years' experience in textile processing of glass fibre, produces the glass fibre products for the aviation industry, thermal insulation and architecture. Valmiera Glass Group positions 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.

#### Groups' activities of the reporting period

The Group has had a profitable first six months of the year, reaching the consolidated net profit of EUR 3.94 Million as well as the consolidated net turnover of EUR 57.64 Mill.

Analysing the further perspectives of the Group, 2014 were activities undertaken to establish the Valmiera Glass USA Corp. in the United States of America. The management of JSC "Valmieras stikla šķiedra" is in conversations with the public institutions of USA to solve formalities needed for the business launch. For the time being it's considered that Valmiera Glass USA Corp. could start active production in the first quarter of 2015. The management of the Group has planned to invest USD 6.5 Mill. (EUR 4.8 Mill.) in the first step for the launch of the new factory producing the high added value glass fibre products.

The foundation of a company in the USA is a next step of the business development. Each year the sales volume in North-America grows. For example 2013 (compared to 2012) the sales volume grown to 36%, exporting 14% of the company's sales straight to USA and Canada. Through the foundation of the company in USA the production will be more comfortably accessible to the clients, the terms of delivery will be shorter, in long-term the profitability of the company will grow and the partnership with the most important clients will be closer.

#### Sales

The main sales markets of JSC "Valmieras stikla šķiedra" are still same: The countries of the European Union (75%) as well as North America. The production of the company is being exported to 38 countries worldwide reaching the export rate of 97%. Analysing the segments of products, growth of sales volume has been recognized for the products with high added value: glass fibre products with high SiO<sub>2</sub> content, glass fibre nettings and non-woven products. All these products in the first six months of 2014 have been sold for 20% more as in the same period of 2013. For other product segments the sales growth is valued as stable.

## Employees

The average number of employees working in Valmiera Glass Group at first six months of 2014 were 1092 where the average number of employees in JSC "Valmieras stikla šķiedra" were 945. In the subsidiary company Valmiera Glass UK Ltd in the first six months of 2014 were 147 persons employed. Totally this means the workforce increase compared the data of 2014 to the same period of last fiscal year.

## Investments

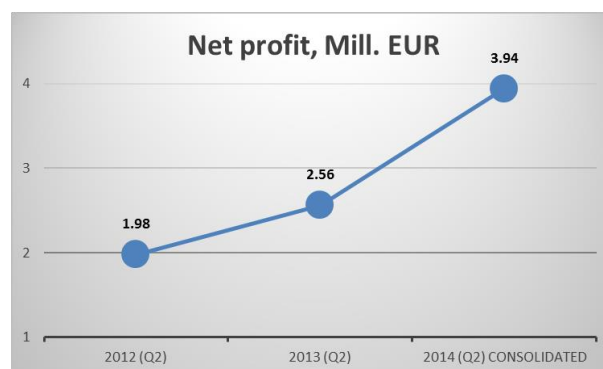
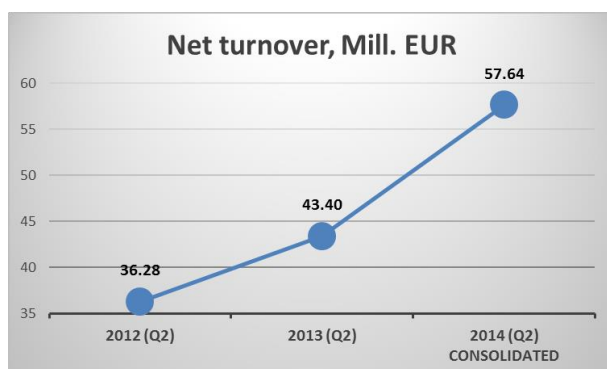
In the first six months of 2014 in the development of the Group were invested EUR 5.22 Million, including new production plants, the modernization of the existing technical and technological solutions and the development of new products with the aim of increasing the production capacity of the Group. It is planned that the total investments of 2014 could reach EUR 8.62 Million.

## 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 16<sup>th</sup> 2012 the Company received quality management system certificate that is valid until March 15<sup>th</sup> 2015.

## Finance results

The consolidated net turnover of the Group in the first six months of 2014 has reached EUR 57.64 Million. Comparing to the financial results of JSC "Valmieras stikla šķiedra" at the six months of 2013, it's a growth of EUR 14.24 Million or 32.8%.

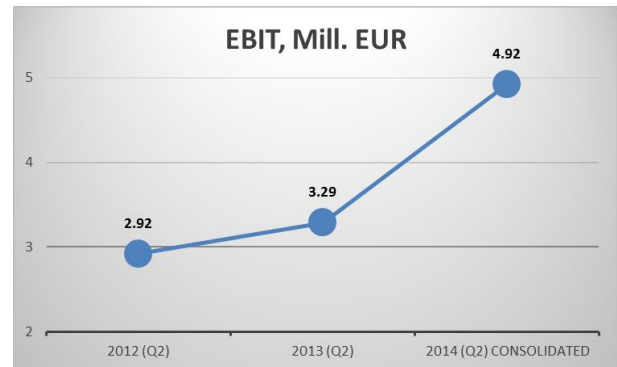
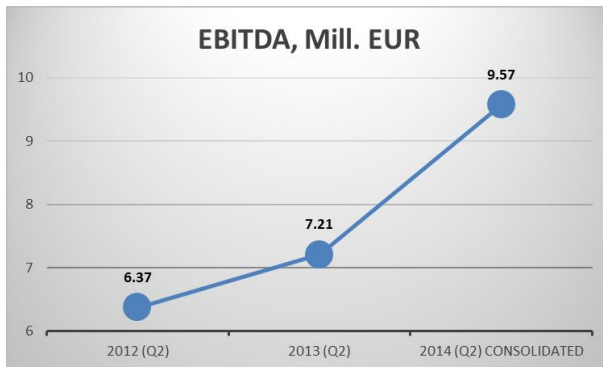


The consolidated net profit of the Group in the first two quarters of 2014 has reached EUR 3.94 Million that is for 54% more compared to the net profit of JSC "Valmieras stikla šķiedra" at the same period of last fiscal year.

The consolidated operating profit (EBITDA) was EUR 9.57 Million and it's 33% more than at first two quarters of 2013, compared to the financial results of JSC "Valmieras stikla šķiedra".

The earnings before the interest and taxes (EBIT) reached EUR 4.92 Mill. that is about 50% more as in the same period of 2013.

The consolidated return on capital (ROCE) is 8.4% whereas the consolidated operating profit margin ratio of the first quarter of 2014 was 8.5%.



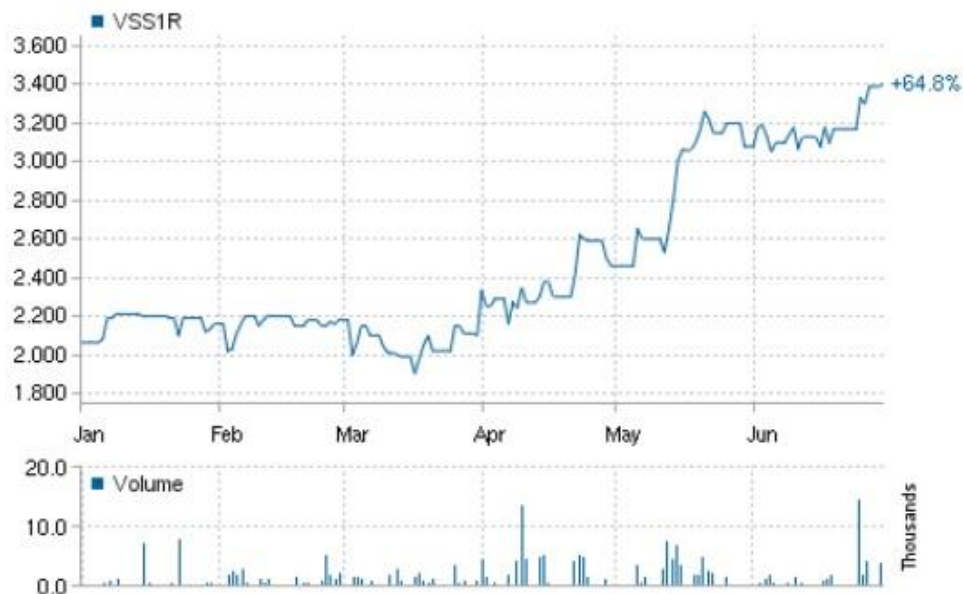
In the first quarter of 2014 JSC "Valmieras stikla šķiedra" signed the contract with the Latvian Investment and Development agency for the financial supply of EUR 1.28 Million. For realizing the investment program the company received a loan for the total sum of EUR 2.5 Million from JSC "SEB banka" with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

Considering the results for the first six months 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 24<sup>th</sup> 1997.

*The share price development of JSC Valmieras stikla šķiedra in period of 01.01.2014 to 30.06.2014  
 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> 2014 till June 30<sup>th</sup> 2014 has increased by EUR 1.337 or 64.8%. The value of one share at January 1<sup>st</sup> 2014 was EUR 2.063 but till June 30<sup>th</sup> 2014 the price had to EUR 3.40.

The total amount of shares sold in the first two quarters 2014 reach 192.5 Thousands and the share turnover of JSC "Valmieras stikla šķiedra" has reached EUR 490.1 Thousands.

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JSC Valmieras stikla šķiedra

The Chairman of the Board

Andris Oskars Brutāns

August 1<sup>st</sup> 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 June 30<sup>th</sup> 2014 and the results of its operations and cash flows for the period ended on June 30<sup>th</sup> 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

August 1<sup>st</sup> 2014



## BALANCE SHEET (ASSETS)

*As at June 30<sup>th</sup> 2014 and June 30<sup>th</sup> 2013*

	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b>EUR</b>	<b>EUR</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
<b>Intangible assets</b>		
Patents, licenses, trade mark and similar rights	45 544	25 198
Costs of establishment of intangible investments	156 937	156 937
Goodwill	3 930 822	-
<b>Total intangible assets</b>	<b>4 133 303</b>	<b>182 135</b>
<b>Tangible fixed assets</b>		
Land and buildings	13 407 024	11 381 415
Equipment and machinery	47 867 586	45 095 738
Other fixed assets	813 235	563 968
Constructions in progress	3 151 079	4 520 364
Advance payments for fixed assets	940 900	209 312
<b>Total fixed assets</b>	<b>66 179 824</b>	<b>61 770 797</b>
<b>Deferred tax assets</b>	<b>1 088 889</b>	<b>-</b>
<b>Total non-current assets</b>	<b>71 402 016</b>	<b>61 952 932</b>
<b>Current assets</b>		
<b>Inventory</b>		
Raw materials	8 465 933	6 294 842
Works in progress	2 801 667	2 543 812
Finished goods	11 767 823	4 260 218
Advance payments for inventories	241 190	78 863
<b>Total inventory</b>	<b>23 276 613</b>	<b>13 177 735</b>
<b>Accounts receivable</b>		
Trade receivables	17 388 555	15 510 812
Other receivables	1 076 981	695 060
Deferred expenses	631 291	515 471
<b>Total accounts receivable</b>	<b>19 096 827</b>	<b>16 721 343</b>
<b>Cash and cash equivalents</b>	<b>446 098</b>	<b>347 857</b>
<b>Total current assets</b>	<b>42 819 538</b>	<b>30 246 935</b>
<b>TOTAL ASSETS</b>	<b>114 221 554</b>	<b>92 199 867</b>

## BALANCE SHEET (LIABILITIES)

*As at June 30<sup>th</sup> 2014 and June 30<sup>th</sup> 2013*

	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b>EUR</b>	<b>EUR</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		
<b>Shareholders' equity</b>		
Share capital	33 464 487	34 011 197
Other reserves	1 007 490	-
Retained earnings:		
a) Retained earnings	13 461 507	12 395 550
b) Current year profit	3 938 424	2 556 431
<b>Total shareholders' equity</b>	<b>51 871 908</b>	<b>48 963 178</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Due to credit institutions	29 154 232	20 950 019
Finance lease	100 209	27 247
Deferred tax	622 308	176 051
Retirement benefit obligation	4 486 190	-
Deferred income	1 678 794	905 759
Embedded derivatives	1 499 485	-
<b>Total non-current liabilities</b>	<b>37 541 218</b>	<b>22 059 076</b>
<b>Current liabilities</b>		
Due to credit institutions	9 596 664	11 342 371
Finance lease	82 915	156 355
Advance payments from customers	306 432	87 435
Trade payables	10 404 790	7 925 062
Taxes and social security contributions	1 041 972	522 316
Other accounts payable	635 526	433 720
Accrued liabilities	1 576 030	561 699
Retirement benefit obligations	958 254	-
Deferred income	205 845	148 655
<b>Total current liabilities</b>	<b>24 808 428</b>	<b>21 177 613</b>
<b>Total liabilities</b>	<b>62 349 646</b>	<b>43 236 689</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>114 221 554</b>	<b>92 199 867</b>

## STATEMENT OF PROFIT AND LOSS

*For the period ended June 30<sup>th</sup> 2014 and June 30<sup>th</sup> 2013*

	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b>EUR</b>	<b>EUR</b>
<b>Sales</b>	<b>57 640 857</b>	<b>43 326 543</b>
Change in inventories	(244 775)	(2 737 689)
Other operating income	172 358	254 506
Raw materials and consumables	(29 039 693)	(21 354 050)
Personnel expenses	(10 468 036)	(6 399 332)
Depreciation and amortization	(4 654 851)	(4 159 088)
Other operating expenses	(8 489 559)	(5 641 552)
<b>Operating profit</b>	<b>4 916 301</b>	<b>3 289 338</b>
Interest and similar income	153 741	700
Interest and similar expenses	(870 995)	(719 378)
<b>Profit from operations and before tax</b>	<b>4 199 047</b>	<b>2 570 660</b>
Corporate income tax	(260 623)	14 229
<b>NET PROFIT</b>	<b>3 938 424</b>	<b>2 556 431</b>

## STATEMENT OF CASH FLOWS

	<b>6 months 2014 EUR</b>	<b>6 months 2013 EUR</b>
<b>OPERATING ACTIVITIES</b>		
Profit before tax	4 199 047	2 570 660
Adjustments:		
Change in fair value of embedded derivatives	(126 351)	-
Depreciation and amortization	4 654 851	4 159 088
Profit or loss from disposal of fixed assets	-	(12 321)
Interest expenses	870 995	698 629
Interest income	(153 741)	(700)
Financial income EU Funding / LIAA State support	(95 238)	-
<b>Changes in operating assets and liabilities:</b>		
Inventories	797 211	2 361 392
Accounts receivable and other assets	(5 402 592)	(6 306 201)
Accounts payable and other liabilities	(2 104 877)	533 361
<b>Cash provided by operating activities</b>	<b>2 639 305</b>	<b>4 004 609</b>
<b>Investing activities</b>		
Purchase of fixed and intangible assets	(5 225 308)	(5 709 720)
Share purchase related companies	153 741	12 321
<b>Net cash used in investing activities</b>	<b>(5 071 567)</b>	<b>(5 697 399)</b>
<b>Financing Activities</b>		
Loans received	3 734 500	3 047 922
Loans paid	(2 822 852)	(2 150 564)
Credit line received	1 138 853	1 622 853
Finance lease paid	(21 023)	(20 578)
EU / LIAA funding received	544 756	-
Interest paid	(870 995)	(698 629)
<b>Net cash provided by financing activities</b>	<b>1 703 239</b>	<b>1 801 004</b>
<b>Net decrease / increase in cash and cash equivalents</b>	<b>(729 023)</b>	<b>108 214</b>
Cash and cash equivalents at the beginning of the year	1 175 121	239 643
<b>Cash and cash equivalents at the end of the year</b>	<b>446 098</b>	<b>347 857</b>

## STATEMENT OF SHAREHOLDERS' EQUITY

*As at June 30<sup>th</sup> 2014 and June 30<sup>th</sup> 2013*

	EUR			
	Share capital	Retained earnings	Other reserves	Total
<b>As of December 31<sup>st</sup> 2012</b>	<b>34 011 197</b>	<b>9 922 558</b>	-	<b>43 933 755</b>
Profit 12 months 2013	-	5 103 463	-	5 103 463
Dividends paid	-	(1 564 514)	-	(1 564 514)
Other income	-	-	475 201	475 201
<b>As of December 31<sup>st</sup> 2013</b>	<b>34 011 197</b>	<b>13 461 507</b>	<b>475 201</b>	<b>47 947 905</b>
Profit 3 months 2014	-	3 938 424	-	3 938 424
Other income	(546 710)	-	532 289	(14 421)
<b>As of June 30<sup>th</sup> 2014</b>	<b>33 464 487</b>	<b>17 399 931</b>	<b>1 007 490</b>	<b>51 871 908</b>

## ANNEX

### 1. Share capital

The registered share capital of JSC "Valmieras stikla šķiedra" as at June 30<sup>th</sup> 2014 is EUR 33 464 487 and June 30<sup>th</sup> 2013 was EUR 34 011 196.58. The company's paid share capital registered with the Enterprise Register as at June 30<sup>th</sup> 2014 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> 2014 and June 30<sup>th</sup> 2013 the shareholders of the JSC "Valmieras stikla šķiedra", in accordance with the records maintained by the Latvian Central Depository, were as follows:

	6 months 2014	6 months 2013
Vitrolan 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%
	<b>100.0%</b>	<b>100.0%</b>

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

	6 months 2014 EUR	6 months 2013 EUR
<b>2.1. Material expenses</b>		
Raw materials	19 717 853	13 465 125
Natural gas	2 659 914	2 550 051
Electricity	3 522 078	3 043 672
Ore processing costs	525 985	305 912
Oxygen	411 942	-
Other	2 201 921	1 989 290
<b>Total</b>	<b>29 039 693</b>	<b>21 354 050</b>
<b>2.2. Personnel expenses</b>		
Salaries	7 343 363	4 521 138
Social security payments	1 502 944	1 167 500
Illness and vacation expenses	440 630	414 776
Provisions for remuneration of Board and Council	500 000	241 319
Insurance of employees	51 015	29 434
Other	630 084	25 165
<b>Total</b>	<b>10 468 036</b>	<b>6 399 332</b>

### 2.3. Depreciation and amortization

Fixed asset depreciation	4 481 415	3 925 827
Depletion of ore	166 659	229 324
Intangible asset amortization	6 777	3 937
<b>Total</b>	<b>4 654 851</b>	<b>4 159 088</b>

### 2.4. Other operating expenses

Transportation	3 363 355	2 595 524
Sales commission	869 276	667 503
Service costs	989 318	552 991
Spare parts	639 188	437 175
Repair expenses	472 136	361 856
Insurance	205 823	109 370
Business trips	442 690	209 780
Labour safety and specific clothing	85 035	36 397
Research and development expenses	195 305	72 564
Communications	75 859	40 270
Leasing	290 316	221 712
Office expenses	130 044	27 494
Selling expenses	40 344	62 584
Property tax	107 289	36 771
Increase in doubtful debts	60 000	1 423
Other	523 581	208 138
<b>Total</b>	<b>8 489 559</b>	<b>5 641 552</b>

### 3. TRADE RECEIVABLES

	30.06.2014	30.06.2013
	EUR	EUR
P-D Glasseiden GmbH Oschatz	1 674 139	2 750 861
P-D Tafneft Fiberglas Alabuga	210 467	183 062
P-D Industriegesellschaft mbH Bratendorf	196 239	10 691
P-D Interglas Technologies GmbH	420 567	29 320
Vitrolan Textile Glass GmbH	257 727	265 499
Vitrolan Technical Textiles GmbH	416 599	736 481
P-D Interglas Technologies Ltd. Sherborne	-	265 879
Other trade receivables	14 388 701	11 269 018
Increase in doubtful debts	(175 884)	-
<b>Total</b>	<b>17 388 555</b>	<b>15 510 811</b>

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For information stated in this financial report please contact:

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