

JOINT STOCK COMPANY "VALMIERAS STIKLA ŠĶIEDRA"

Registration Number 40003031676

Financial Report for the period ended September 30th 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 (till Mai 22 nd 2014) Hans-Jochen Häusler Stefan Jugel Friedhelm Schwender (till February 25 th 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 st 2014) Jöran Pfuhl (since Mai 31 st 2014)
The period of the report:	January 1 st 2014 – September 30 th 2014
Companies included in consolidation:	Valmiera Glass UK Ltd (100% shares) Valmiera Glass USA Corp. (100% shares) Valmiera Glass Trading USA Corp. (100% shares)

TABLE OF CONTENTS

Company profile	2
Table of Contents	3
Management report	4
The statement of management responsibilities	9
Balance Sheet (ASSETS).....	10
Balance Sheet (Liabilities)	11
Statement of profit and loss.....	12
Statement of cash flows	13
Statement of shareholders' eQuity	14
ANNEX.....	15

MANAGEMENT REPORT

General information

Type of Business

During the reporting period the Valmiera Glass Group includes the JSC "Valmieras stikla šķiedra" and its' subsidiaries Valmiera Glass UK Ltd in Great Britain and Valmiera Glass USA Corp and Valmiera Glass USA Trading Corp. in United States of America (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, SiO₂-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, while Valmiera Glass USA Corp. will produce glass fibre products with high added value. Valmiera Glass Trading USA Corp. will engage with sales of the Groups production in USA. It's planned, that Valmiera Glass USA Corp. will begin with production at 1st quarter 2015, while Valmiera Glass Trading USA Corp. in January 2015. 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.

Sales

The production of JSC Valmieras stikla šķiedra is being realized in 38 countries all over the world, reaching 97% export capacity. The main sales markets of JSC "Valmieras stikla šķiedra" are: the countries of the European Union (75%, an increase of 4% compared with the same period last year) and North America. Middle East and Asia region export market significantly evolve.

Analysing the segments of products, growth of sales volume has been recognized for the products with high added value: glass fibre products with high SiO₂ content, glass fibre nettings and non-woven products. All these products in the first nine months of 2014 have been sold for 13% more as in the same period of 2013. For other product segments the sales growth is valued as stable.

Establishment of Subsidiary Corporation in USA

The main occasion during the report period has been the establishment of two subsidiary companies in United States of America: Valmiera Glass USA Corp. – factory, where high added value glass fibre products will be manufactured –, and Valmiera Glass Trading USA Corp. – company, with the aim to sell Valmiera Glass Group production in USA.

The location of Valmiera Glass USA Corp. will be a 16ha land in an Industrial park in Dublin, Georgia. Expected that the 7,4 thousand square meter big factory will manufacture glass fibre

products with high added value for the North America market. Planned, that Valmiera Glass USA Corp. will start with the production on the first quarter 2015. In the company in the next five years 150 workplaces will be created and investments made in the amount of USD 20 Million, including USD 6,5 Million (EUR 4,8 Mill.) investing in the first new production phase.

Since the 13th of August 2014 both companies Valmiera Glass USA Corp. and Valmiera Glass Trading USA Corp. are recognized as JSC "Valmieras stikla šķiedra" assets and their shares are taken in accounts at JSC Valmieras stikla šķiedra. At the moment of the financial report for the nine months 2014 (till 30th September 2014), in Valmiera Glass USA Corp. are invested EUR 0,79 Million in construction of industrial building and equipment purchase.

The establishing of subsidiary companies in the USA is a business development step directed towards clients. Due to both companies' activities, the production will be more reachable to the client, the terms of delivery will decrease, looking at the long-term – profitability will increase and closer partnerships will form with the major clients. This shall lead to new business development opportunities and will strengthen the Groups positions in the world's glass fibre market.

Employees

The average number of employees working in Valmiera Glass Group at first nine months of 2014 were 1114 where the average number of employees in JSC "Valmieras stikla šķiedra" were 962. In the subsidiary company Valmiera Glass UK Ltd in the first nine months of 2014 were 150 persons employed, but in Valmiera Glass USA Corp. – 1. Totally this means the workforce increase compared the data of 2014 to the same period of last fiscal year.

Investments

In the first nine months of 2014 in the development of the Group were invested EUR 8.30 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.

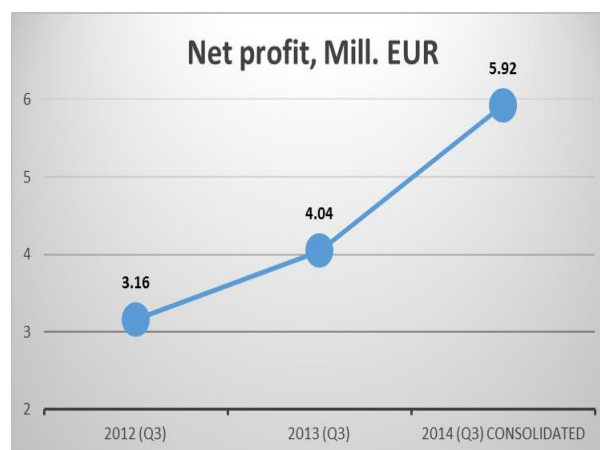
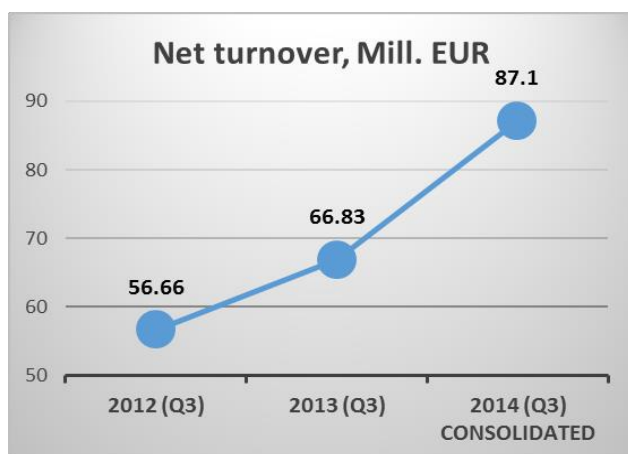
Quality management

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 16th 2012 the Company received quality management system certificate that is valid until March 15th 2015.

Finance results

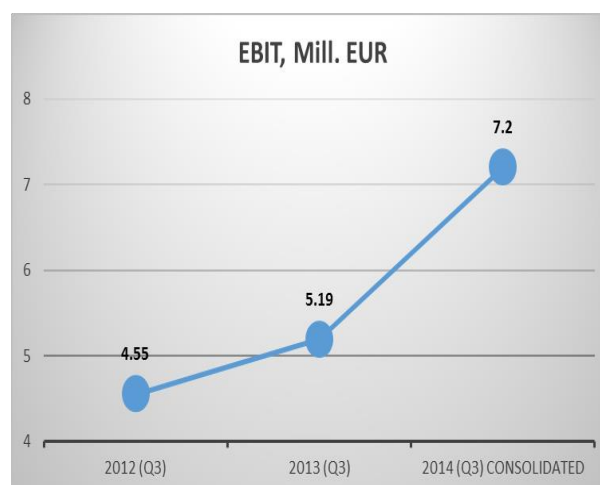
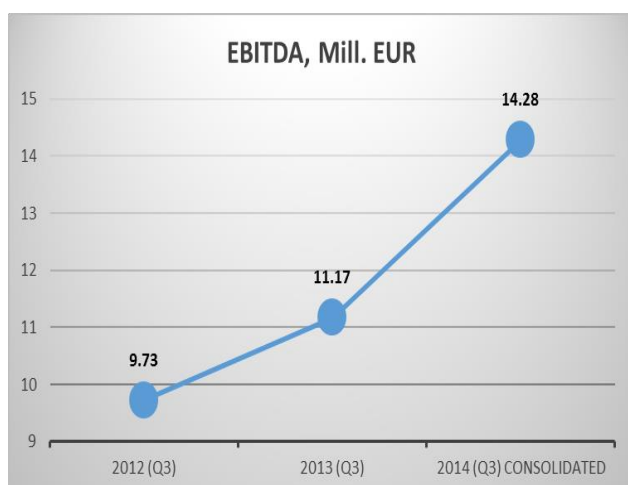
The consolidated net turnover of the Group in the first nine months of 2014 has reached EUR 87.10 Million. Comparing to the financial results of JSC "Valmieras stikla šķiedra" at the nine months of 2013, it's a growth of EUR 20.27 Million or 30%.

The consolidated net profit of the Group in the first three quarters of 2014 has reached EUR 5.92 Million that is for 47% more compared to the net profit of JSC "Valmieras stikla šķiedra" at the same period of last fiscal year.

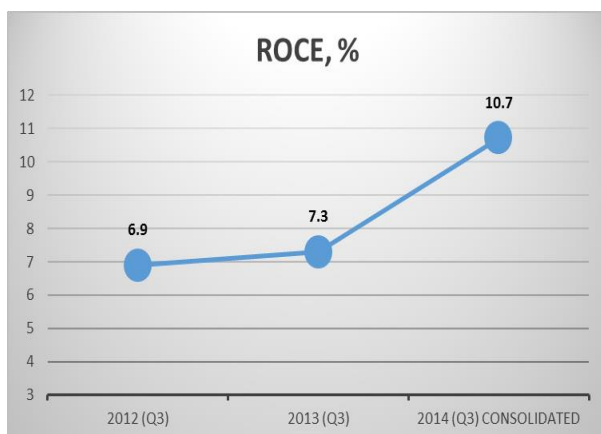


The consolidated operating profit (EBITDA) was EUR 14.28 Million and it's 28% more than at first three quarters of 2013, compared to the financial results of JSC "Valmieras stikla šķiedra".

The earnings before the interest and taxes (EBIT) reached EUR 7.20 Mill. that is about 38% more as in the same period of 2013.



The consolidated return on capital (ROCE) is 10,7% whereas the consolidated operating profit margin ratio of the first three quarters of 2014 was 8.3%.



In the third quarter of 2014 JSC "Valmieras stikla šķiedra" signed the contract with the Latvian Investment and Development agency about supply for high added value manufacturing investment with the financial supply of EUR 0.9 Million. For realizing the investment program the company received a loan for the total sum of EUR 1.7 Million from JSC "Swedbank" with the loan redemption date of August 2020.

In the third quarter of 2014 also a contract has been signed with the Latvian Investment and Development agency in the program "Innovation in the "green" manufacturing" with the financial supply of EUR 0,5 Million – the realization is planned at the end of 2014.

Although the Groups export market has been diversified, due to the geopolitical situation and currently difficult to predict Russia and Ukraine conflict political and economic perspectives and considering the Groups company's Valmiera Glass UK Ltd. couple of Atex® planned projects realization has been postponed to begin of 2015, JSC Valmieras stikla šķiedra management forecasts that the net turnover could reach EUR 122 Million, that is 38% more than the audited consolidated net turnover ratio the same period 2013. While consolidated net profit in 2014 has been reviewed and evaluated for EUR 8 Million that is about 57% more than the audited consolidated net profit ratio the same period 2013.

Shares market

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

*The share price development of JSC Valmieras stikla šķiedra in period of 01.01.2014 to 30.09.2014
Information from: AS „NASDAQ OMX Riga”, home page www.nasdaqomxbaltic.com*



The Company's share price from January 1st 2014 till September 30th 2014 has increased by EUR 1.947 or 94.36%. The value of one share at January 1st 2014 was EUR 2.063 but till September 30th 2014 the price had to EUR 4.01.

The total amount of shares sold in the first three quarters 2014 reach 395.6 thousand and the share turnover of JSC "Valmieras stikla šķiedra" has reached EUR 1.27 Million.

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

November 7th 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 September 30th 2014 and the results of its operations and cash flows for the period ended on September 30th 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

November 7th 2014

BALANCE SHEET (ASSETS)

As at September 30th 2014 and September 30th 2013

	30.09.2014	30.09.2013
	EUR	EUR
ASSETS		
Non-current assets		
Intangible assets		
Patents, licenses, trade mark and similar rights	472 631	52 330
Costs of establishment of intangible investments	-	156 951
Goodwill	3 930 822	-
Total intangible assets	4 403 453	209 282
Tangible fixed assets		
Land and buildings	14 066 742	11 137 374
Equipment and machinery	46 738 982	46 752 543
Other fixed assets	856 646	642 136
Constructions in progress	2 256 337	2 232 117
Advance payments for fixed assets	2 625 334	294 423
Total fixed assets	66 544 041	61 058 594
Deferred tax assets	1 088 889	-
Total non-current assets	72 036 383	61 267 876
Current assets		
Inventory		
Raw materials	8 571 402	6 224 724
Works in progress	3 471 908	2 384 443
Finished goods	11 969 043	4 334 268
Advance payments for inventories	385 713	184 352
Total inventory	24 398 066	13 127 787
Accounts receivable		
Trade receivables	17 972 313	14 668 620
Other receivables	535 851	652 449
Deferred expenses	441 286	559 382
Total accounts receivable	18 949 450	15 880 452
Cash and cash equivalents	682 634	1 189 283
Total current assets	44 030 150	30 197 522
TOTAL ASSETS	116 066 533	91 465 397

BALANCE SHEET (LIABILITIES)

As at September 30th 2014 and September 30th 2013

	30.09.2014	30.09.2013
	EUR	EUR
LIABILITIES & SHAREHOLDERS' EQUITY		
Shareholders' equity		
Share capital	33 464 487	34 011 197
Other reserves	2 053 389	-
Retained earnings:		
a) Retained earnings	11 453 637	10 831 034
b) Current year profit	5 924 268	4 046 009
Total shareholders' equity	52 895 781	48 888 239
Liabilities		
Non-current liabilities		
Due to credit institutions	30 288 611	21 588 952
Finance lease	78 879	27 247
Deferred tax	677 308	176 051
Retirement benefit obligation	4 486 190	-
Deferred income	1 807 047	1 070 870
Embedded derivatives	1 392 846	-
Total non-current liabilities	38 730 881	22 863 120
Current liabilities		
Due to credit institutions	9 124 532	9 319 479
Finance lease	83 423	159 951
Advance payments from customers	129 185	210 670
Trade payables	10 496 666	7 986 542
Taxes and social security contributions	704 872	461 814
Other accounts payable	562 056	455 582
Accrued liabilities	2 212 170	971 345
Retirement benefit obligations	958 254	-
Deferred income	168 713	148 655
Total current liabilities	24 439 871	19 714 038
Total liabilities	63 170 752	42 577 158
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	116 066 533	91 465 397

STATEMENT OF PROFIT AND LOSS

For the period ended September 30th 2014 and September 30th 2013

	30.09.2014	30.09.2013
	EUR	EUR
Sales	87 091 182	66 838 190
Change in inventories	260 975	(2 903 578)
Other operating income	868 501	522 282
Raw materials and consumables	(44 346 794)	(33 855 933)
Personnel expenses	(15 910 230)	(9 891 029)
Depreciation and amortization	(7 078 551)	(6 330 698)
Other operating expenses	(13 684 005)	(9 191 087)
Operating profit	7 201 078	5 188 146
Interest and similar income	344 118	1374
Interest and similar expenses	(1 206 241)	(1 129 284)
Profit from operations and before tax	6 338 955	4 060 237
Corporate income tax	(414 687)	(14 229)
NET PROFIT	5 924 268	4 046 009
<i>Profit per share</i>	<i>0.2478</i>	<i>0.1693</i>

STATEMENT OF CASH FLOWS

	9 months 2014 EUR	9 months 2013 EUR
OPERATING ACTIVITIES		
Profit before tax	6 338 955	4 060 237
Adjustments:		
Change in fair value of embedded derivatives	(232 990)	-
Provision changes	1 031 479	-
Depreciation and amortization	7 078 551	6 330 698
Profit or loss from disposal of fixed assets	-	(16162)
Interest expenses	1 206 241	1 073 052
Interest income	-	(1374)
Financial income EU Funding / LIAA State support	(158 214)	-
Changes in operating assets and liabilities:		
Inventories	(324 242)	2 411 341
Accounts receivable and other assets	(5 255 214)	(5 465 309)
Accounts payable and other liabilities	(2 034 929)	1 089 082
Interest revenue	-	1 374
Cash provided by operating activities	7 649 637	9 482 938
Investing activities		
Purchase of fixed and intangible assets	(8 303 375)	(7 218 402)
Share purchase related companies	-	16 162
Net cash used in investing activities	(8 303 375)	(7 202 240)
Financing Activities		
Dividends paid	(2 007 870)	(1 564 514)
Loans received	5 073 905	3 932 448
Loans paid	(4 016 598)	(2 396 156)
Credit line received	1 655 440	(400 041)
Finance lease paid	(21 845)	(30 866)
EU / LIAA funding received	684 460	201 123
Interest paid	(1 206 241)	(1 073 052)
Net cash provided by financing activities	161 251	(1 331 058)
Net decrease / increase in cash and cash equivalents	(492 487)	949 640
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	682 634	1 189 283

STATEMENT OF SHAREHOLDERS' EQUITY

As at September 30th 2014 and 31 December 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	-	5 924 268	-	5 924 268
Paid dividends	-	(2 007 870)	-	(2 007 870)
Other income	(546 710)	-	1 578 188	1 031 478
As of September 30th 2014	33 464 487	17 377 905	2 053 389	52 895 781

ANNEX

1. Share capital

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

	9 months 2014	9 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%
	100.0%	100.0%

2. INFORMATION CONCERNING THE PROFIT OR LOSS ACCOUNT

	9 months 2014 EUR	9 months 2013 EUR
2.1. Material expenses		
Raw materials	29 928 712	21 674 029
Natural gas	3 832 206	3 668 949
Electricity	5 409 347	4 738 523
Ore processing costs	515 145	469 728
Oxygen	619 313	604 241
Other	4 042 072	2 700 463
Total	44 346 794	33 855 933
2.2. Personnel expenses		
Salaries	10 956 733	6 893 305
Social security payments	2 275 246	1 778 974
Illness and vacation expenses	867 529	767 628
Provisions for remuneration of Board and Council	740 000	372 223
Insurance of employees	79 927	43 558
Other	990 795	35 341
Total	15 910 230	9 891 029

2.3. Depreciation and amortization

Fixed asset depreciation	6 758 425	5 978 493
Depletion of ore	265 634	345 729
Intangible asset amortization	54 492	6 475
Total	7 078 551	6 330 698

2.4. Other operating expenses

Transportation	5 274 366	4 278 668
Sales commission	1 308 851	1 026 696
Service costs	1 461 336	900 994
Spare parts	1 017 606	673 128
Repair expenses	776 267	548 459
Insurance	345 842	173 326
Business trips	693 382	375 728
Labour safety and specific clothing	125 083	51 159
Research and development expenses	288 333	111 563
Communications	113 243	70 136
Leasing	524 023	337 138
Office expenses	202 056	55 953
Selling expenses	91 165	42 632
Property tax	162 428	158 359
Increase in doubtful debts	90 000	1 423
Other	1 210 023	385 726
Total	13 684 005	9 191 087

3. TRADE RECEIVABLES

	30.09.2014	30.09.2013
	EUR	EUR
P-D Glasseiden GmbH Oschatz	1 520 272	1 854 871
P-D Tafneft Fiberglas Alabuga	473 551	230 921
P-D Industriegesellschaft mbH Bratendorf	172 938	167 088
P-D Interglas Technologies GmbH	211 595	-
Vitrolan Textile Glass GmbH	138 725	284 473
Vitrolan Technical Textiles GmbH	297 368	727 893
Other trade receivables	15 362 604	11 403 374
Increase in doubtful debts	(204 740)	-
Total	17 972 313	14 668 620

For information stated in this financial report please contact:

Edīte Aizsilniece

JSC "Valmieras stikla šķiedra" Head of Finance department

Phone. +371 642 02262

Mailto: Edite.Aizsilniece@valmiera-glass.com