

JOINT STOCK COMPANY „VALMIERAS STIKLA ŠĶIEDRA”

Registration Number 40003031676

Financial Report for the period ended March 31st 2016

UNAUDITED

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, 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> Andre Heinz Schwiontek, President <i>Board Members:</i> Dainis Šēnbergs, Vice President Doloresa Volkopa Hans-Jochen Häusler Stefan Jugel
The council:	<i>Chairman of the Council:</i> Jürgen Preiss-Daimler <i>Council members:</i> Peter Hans Cordts Frank Wilhelm Behrends Andris Oskars Brutāns Jöran Pfuhl
The period of the report:	January 1 st 2016 – March 31 st 2016
Companies included in consolidation:	Valmiera Glass UK Ltd (100% shares) Valmiera Glass USA Corp (100% shares) Valmiera Glass Trading USA Corp (100% shares)

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MANAGEMENT REPORT

General information

Valmieras stikla šķiedra JSC and its subsidiaries (hereinafter – Valmiera Glass Group or the Group) is one of the leading glass fiber manufacturers in Europe. Valmiera Glass Group companies operate in two continents and in three countries: Latvia, the UK and the US. AS Valmieras stikla šķiedra production facilities have more than eighty years of experience in textile processing, and their products are aimed at various industrial markets.

In the reporting period, the Valmiera Glass Group consisted of Valmieras stikla šķiedra JSC and its three subsidiaries: Valmiera Glass UK Ltd. in the United Kingdom and Valmiera Glass USA Corp. and Valmiera Glass USA Trading Corp. in the United States (hereinafter collectively referred to as 'the Group'). The various branches of the Group's core business are glass fiber research and development, and the manufacture and sale of glass fiber products. The Group is positioning itself in the market as a vertically integrated – from the manufacture of glass fiber to coated/impregnated textiles – supplier of various composite materials for the aviation industry, the building industry, and other manufacturing industries.

Valmieras stikla šķiedra JSC specializes in the manufacture of two different types of glass fiber (E-glass with a temperature resistance of 600°C and SiO₂-glass with a temperature resistance of 1000+°C) and their products. These products are used for further processing, for technical insulation (electrical, thermal and sound) materials and as finished materials in mechanical engineering, construction, and elsewhere.

Valmiera Glass UK Ltd. manufactures glass fiber products for the aviation industry, thermal insulation, and architecture. Valmiera Glass USA Corp., in turn, has been manufacturing glass fiber products with high added value – non-woven materials – since February 2015. Valmiera Glass Trading USA Corp. was established for the purpose of selling the Group's products in the United States.

Sales

In the first 3 months of 2016, Valmieras stikla šķiedra JSC exported its production to 37 countries worldwide, with its export volume reaching 97 %. In Q1 2016, the main export markets remained unchanged: European Union countries (72 %), North America (17 %) and the other countries. Considerable growth is observed in the export market of the North American region, with the sales volumes increasing by 37% in the first three months of 2016 against the same period last year.

From a product segment perspective, sales volumes have increased for high added-value products, such as high-concentration SiO₂ glass fibre products and felts. In Q1 2016, the total sales of these products has grown by 65% on average compared to the same period in 2015. Sales in other product segments continues to be stable.

Employees

In the first three months of 2016, Valmiera Glass Group employed 1 232 employees on average, of which 1047 have been employed in Valmieras stikla šķiedra JSC in particular. The subsidiaries Valmiera Glass UK Ltd. and Valmiera Glass USA Corp., in turn, employed an average of 141 and 44 persons respectively in the first three months of 2016.

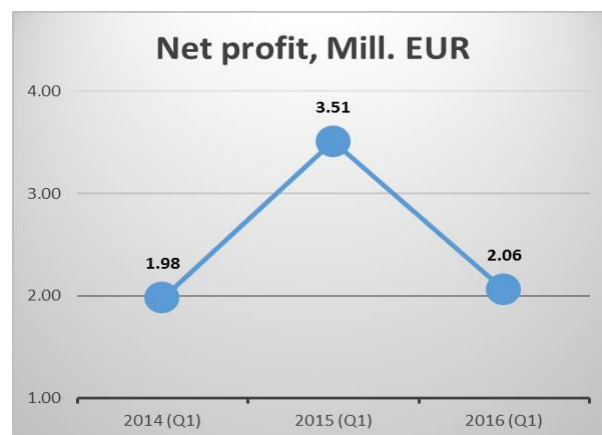
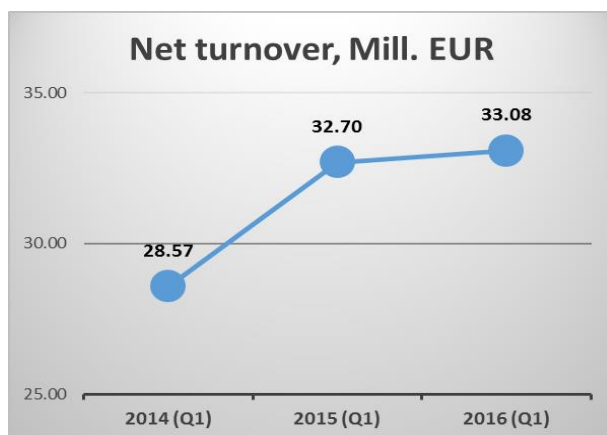
Investments

In the first three months of 2016, a total of EUR 1,32 million had been invested in the existing technical and technological solutions for modernization and in new product development. In the development of the Group it is planned to invest EUR 6.2 million, excluding investments in relation with the production expansion project in the United States of America.

Financial results

The consolidated net turnover of the Group in the first three months of 2016 has reached EUR 33.08 Million. Compared to the result of the Group in the first three months of 2015 it remains at the same net turnover level.

The consolidated net profit of the Group in the first three months of 2016 has reached EUR 2.06 Million and that is 41% less compared to the net profit of the Group in the same period of 2015.

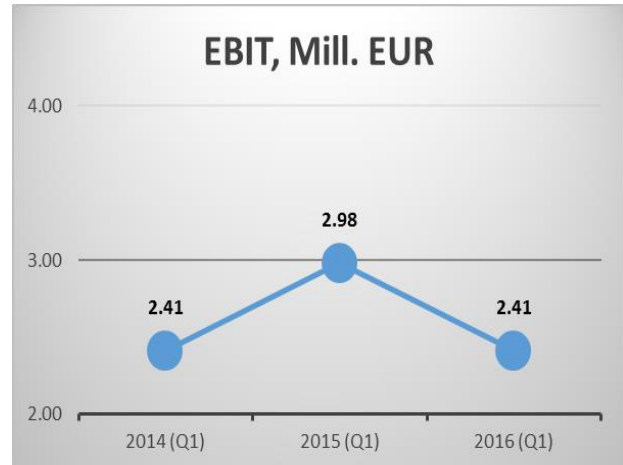
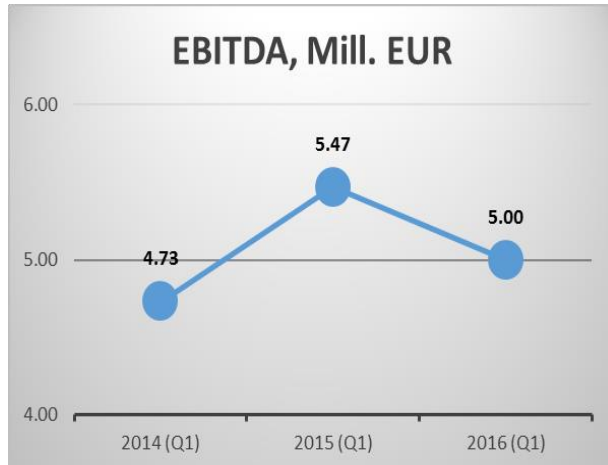


Contrary to corresponding period in 2015 there was significantly lesser impact on net profit in first quarter 2016 from interest income and income from exchange rate fluctuations: EUR 0.15 Million in 2016 vs. EUR 0.9 Million in 2015.

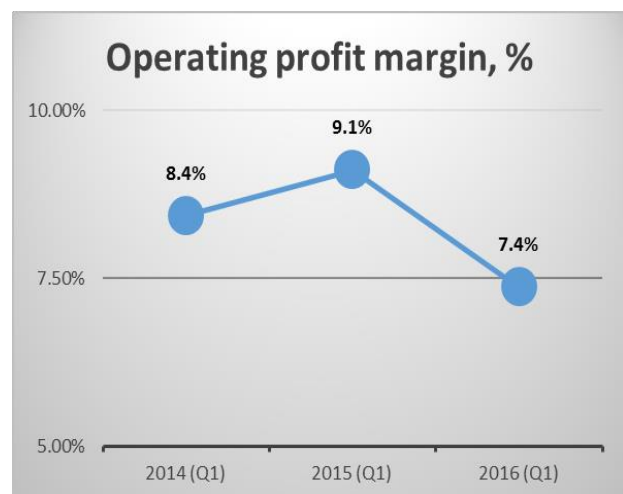
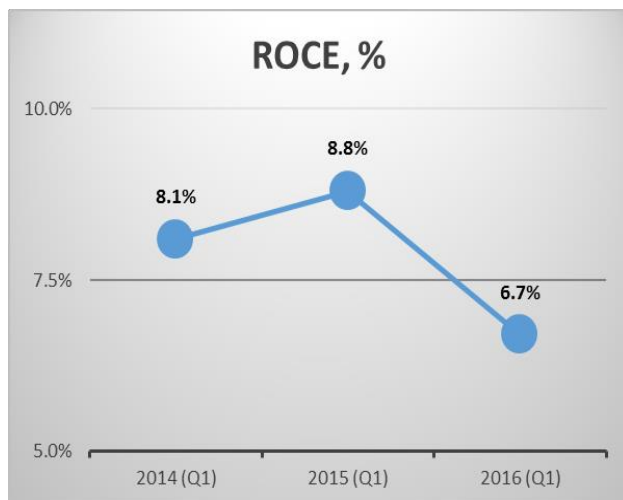
Another considerable difference between Groups income structure in first quarter 2016 to that in 2015 is substantially lower proportion of other operating income where compensation in total of EUR 1 Million received in relation to claim against German company Excelsius Global Services GmbH has been booked in 2015.

The consolidated operating profit (EBITDA) was EUR 5.00 Million in the first quarter in 2016 and compared to the same period in 2015 it's for EUR 0.47 Million or 9% less.

The earnings before interest and taxes (EBIT) reached EUR 2.41 Million and that is 19% less as in the same period of 2014.



The consolidated return on capital (ROCE) is 6.7% whereas the consolidated operating profit margin ratio of the first three months of 2016 was 7.4%.



Taking into account the performance of the Group in the first three months of 2016 and the overall development trends, the Group management maintains its earlier forecast of the net turnover for 2016 at EUR 141 Million and the net profit forecast for 2016 to be estimated EUR 8.6 Million.

Share 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 01.01.2016 to 31.03.2016
Information from: AS „NASDAQ OMX Riga”, home page www.nasdaqomxbaltic.com*



The Company's share price from January 1st 2016 till March 31st 2016 has increased by EUR 0.17 or 5%. The value of one share at January 1st 2016 was EUR 3.40 and on March 31st 2016 the price has decreased to EUR 3.57.

The number of shares sold in first three months 2016 is 56.39 Thousand and turnover of JSC Valmieras stikla šķiedra shares has reached EUR 191.35 Thousand.

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

April 29th 2016

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 March 31st 2016 and the results of its operations and cash flows for the period ended on March 31st 2016. 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

April 29th 2016

BALANCE SHEET (ASSETS)

As at 31st March 2016 and December 31st 2015

	31.03.2016 EUR	31.12.2015 EUR
AKTĪVS		
Non-current assets		
Intangible assets		
Patents, licenses, trade mark and similar rights	583 668	602 275
Costs of establishment of intangible investments	123 615	107 912
Goodwill	4 139 055	4 463 886
Total intangible assets	4 846 338	5 174 073
Tangible fixed assets		
Land and buildings	16 876 593	17 396 474
Equipment and machinery	52 775 804	55 304 751
Other fixed assets	1 036 938	1 176 890
Constructions in progress	6 337 521	4 998 127
Advance payments for fixed assets	1 987 045	1 694 476
Total fixed assets	79 013 902	80 570 718
Non-current financial investments		
Deferred expenses	374 331	376 985
Total non-current financial investments	374 331	376 985
Deferred tax assets	1 573 141	1 683 720
Total non-current assets	85 807 711	87 805 496
Current assets		
Inventory		
Raw materials	10 752 027	11 463 320
Work in progress	3 411 567	4 099 538
Finished goods	13 636 325	14 806 715
Advance payments for inventories	326 844	392 581
Total inventory	28 126 763	30 762 154
Accounts receivable		
Trade receivables	16 692 139	9 661 318
Receivables from related parties	1 590 571	2 185 808
Other receivables	1 080 199	850 590
Deferred expenses	699 702	703 106
Total accounts receivable	20 062 611	13 400 822
Cash and cash equivalents	423 555	1 200 204
Total current assets	48 612 929	45 363 180
TOTAL ASSETS	134 420 640	133 168 676

BALANCE SHEET (LIABILITIES)

As at March 31st 2016 and December 31st 2015

	31.03.2016	31.12.2015
	EUR	EUR
LIABILITIES & SHAREHOLDERS' EQUITY		
Shareholders' equity		
Share capital	33 464 487	33 464 487
Foreign currency translation reserve	971 142	1 942 629
Other reserves	(951 732)	(951 732)
Retained earnings:		
a) Retained earnings	20 737 699	15 262 524
b) Current year profit	2 062 703	5 475 175
Total shareholders' equity	56 284 299	55 193 083
Liabilities		
Non-current liabilities		
Due to credit institutions	27 714 331	29 598 475
Finance lease	111 954	134 711
Other borrowings	329 381	344 448
Deferred tax	1 805 446	1 668 561
Retirement benefit obligation	4 556 252	5 203 352
Deferred income	3 642 462	3 845 606
Embedded derivatives	750 811	764 506
Total non-current liabilities	38 910 637	41 559 659
Current liabilities		
Due to credit institutions	22 459 513	19 697 612
Finance lease	107 623	116 313
Advance payments from customers	192 004	163 971
Trade payables	11 039 040	10 669 872
Payables related parties	363 351	683 826
Taxes and social security contributions	1 025 596	761 457
Other accounts payable	894 411	778 034
Accrued liabilities	1 623 300	1 937 297
Retirement benefit obligations	1 073 842	1 158 117
Deferred income	447 025	449 435
Total current liabilities	39 225 705	36 415 934
Total liabilities	78 136 341	77 975 593
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	134 420 640	133 168 676

STATEMENT OF PROFIT AND LOSS

For the period ended March 31st 2016 and December 31st 2015

	31.03.2016 EUR	31.12.2015 EUR
Sales	33 087 443	32 666 582
Change in inventories	(1 221 004)	(4 262 853)
Costs capitalized to non-current assets	35 835	-
Other operating income	274 087	1 056 737
Raw materials and consumables	(16 640 489)	(13 476 542)
Personnel expenses	(6 290 576)	(6 192 327)
Depreciation and amortization	(2 591 539)	(2 495 178)
Other operating expenses	(4 248 183)	(4 318 118)
Operating profit	2 405 574	2 978 301
Interest and similar income	156 690	988 695
Interest and similar expenses	(338 654)	(453 262)
Profit from operations and before tax	2 223 610	3 513 736
Corporate income tax	(160 907)	(140)
NET PROFIT	2 062 703	3 513 596
Earnings per share	0.0863	0.1470

STATEMENT OF CASH FLOWS

	3 months 2016	3 months 2015
OPERATING ACTIVITIES		
Profit before tax	2 223 610	3 513 736
Adjustments:		
Change in fair value of embedded derivatives	(13 695)	(125 686)
Depreciation and amortization	2 591 539	2 495 178
Interest expenses	338 654	453 262
Financial income EU Funding / LIAA State support	(186 851)	(52 427)
Changes in operating assets and liabilities:		
Inventories	2 635 391	1 687 964
Accounts receivable and other assets	(6 659 135)	(8 596 596)
Accounts payable and other liabilities	(1 546 927)	1 897 012
Cash provided by operating activities	(617 414)	1 272 443
Investing activities		
Purchase of fixed and intangible assets	(349 589)	(6 194 076)
Net cash used in investing activities	(349 589)	(6 194 076)
Financing Activities		
Loans received	400 132	5 261 337
Loans paid	(2 208 310)	(1 822 763)
Credit line received	2 249 119	1 425 776
Finance lease paid	(31 447)	(36 577)
EU funding received	119 514	-
Interest paid	(338 654)	(357 514)
Net cash provided by financing activities	190 354	4 470 259
Net decrease / increase in cash and cash equivalents	1 200 204	(451 374)
Cash and cash equivalents at the beginning of the year	(776 649)	1 179 230
Cash and cash equivalents at the end of the year	423 555	727 856

STATEMENT OF SHAREHOLDERS' EQUITY

As at March 31th 2016 and December 31st 2015

	Share capital	Foreign currency reserve	Other reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
As of 31st December 2014	33 464 487	675 927	(758 258)	18 073 541	51 455 697
Profit of the financial period	-	-	-	3 513 596	3 513 596
Dividends paid	-	-	-	-	-
Denomination of share capital to euro	-	647 114	(92 586)	-	554 528
Other comprehensive income	33 464 487	1 323 041	(850 844)	21 587 137	55 523 821
As of 31st December 2015	33 464 487	1 942 629	(951 732)	20 737 699	55 193 083
Profit of the financial period	-	-	-	2 062 703	2 062 703
Dividends paid	-	-	-	-	-
Other comprehensive income	-	(971 487)	-	-	(971 487)
As of March 31st 2016	33 464 487	971 142	(951 732)	22 800 402	56 284 299

ANNEX

1. SHARE CAPITAL

The registered share capital of JSC "Valmieras stikla šķiedra" as at March 31st 2016 is EUR 33 464 487. The company's paid share capital registered with the Enterprise Register as at March 31st 2016 is EUR 33 464 487, consisting of 12,408,955 ordinary shares with voting rights and 11,494,250 ordinary shares without voting rights. The nominal value of each share is EUR 1.40.

As at March 31st 2016 and December 31st 2015 the shareholders of the JSC Valmieras stikla šķiedra, in accordance with the records maintained by the Latvian Central Depository, were as follows:

	3 months 2016	12 months 2015
Vitrulan International GmbH	30,80 %	30,80 %
P-D Glasseiden GmbH Oschatz	26,10 %	26,10 %
SEB Estonia on behalf of Clearstream banking SA	24,12 %	24,12 %
CBD RE Clients	5,39 %	5,39 %
Preiss – Daimler Beatrix	5,36 %	5,36 %
Citi	8,23 %	8,23 %
Total	100,00 %	100,00 %

The control over the company has Jürgen Preiss-Daimler and Beatrix Preiss-Daimler. Vitrulan International GmbH has a significant influence over the company. The ultimate beneficial owner of Vitrulan International GmbH is Hans Peter Cordts.

2. INFORMATION CONCERNING THE PROFIT OR LOSS ACCOUNT

	3 months 2016	3 months 2015
	EUR	EUR
2.1. Material expenses		
Raw materials	12 042 129	9 828 629
Natural gas	1 099 281	1 367 845
Electricity	1 850 386	1 849 576
Ore processing costs	180 535	180 934
Oxygen	202 399	209 692
Other	1 265 759	39 864
Total	16 640 489	13 476 542
2.2. Personnel expenses		
Salaries	4 547 895	4 389 396
Social security payments	913 538	804 944
Illness and vacation expenses	343 241	229 520
Provisions for remuneration of Board and Council	180 000	417 000
Insurance of employees	62 825	39 629
Other	243 078	311 839
Total	6 290 576	6 192 327

	3 months 2016	3 months 2015
	EUR	EUR
2.3. Depreciation and amortization		
Fixed asset depreciation	2 459 647	2 352 065
Depletion of ore	113 285	108 290
Intangible asset amortization	18 607	34 823
Total	2 591 539	2 495 178
2.4. Other operating expenses		
Transportation	1 819 912	1 796 005
Sales commission	537 540	376 344
Service costs	287 560	277 254
Spare parts	378 548	330 335
Repair expenses	114 080	134 226
Business trips	171 616	267 685
Training and qualification of employees	99 476	164 335
Insurance	157 871	110 773
Leasing	161 406	192 323
Research and development expenses	114 254	108 375
Property tax	55 483	44 180
Communications	33 500	36 217
Selling expenses	55 192	39 581
Office expenses	14 654	59 526
Labor safety and specific clothing	70 076	50 423
Audit fees	5 841	-
Increase in doubtful debts	(11 461)	9 356
Other	182 634	321 181
Total	4 248 183	4 318 118
3. TRADE RECEIVABLES		
	31.03.2016	31.12.2015
	EUR	EUR
Other trade receivables	17 161 862	10 131 041
Increase in doubtful debts	(469 723)	(469 723)
Total	16 692 139	9 661 318

4. RECEIVABLES FROM AND PAYABLES TO RELATED PARTIES

	Receivables 31.03.2016 EUR	Payables 31.03.2016 EUR	Receivables 31.12.2015 EUR	Payables 31.12.2015 EUR
P-D Glasseiden Oschatz GmbH	927 343	181 305	1 391 883	472 687
P-D Management Industries-Technologies	-	28 076	-	25 556
P-D Preiss Daimler Consulting	-	128 173	-	135 885
P-D Tafneft Fiberglas Alabuga	88 965	-	157 108	1 081
P-D Industriegesellschaft GmbH Bratendorf	285 790	-	385 930	-
P-D Interglas Technologies GmbH	24 355	-	5 425	10 476
P-D Refractories GmbH	-	11 185	-	22 185
P-D Refractories CZ a.s	-	11 323	-	13 063
Preis-Daimler FibreGlass AB	132 042	2 189	73 436	2 228
Vitrulan Textile Glass GmbH GmbH	90 006	83	15 696	-
Vitrulan Technical Textiles GmbH	42 070	1 017	156 330	605
Total	1 590 571	363 351	2 185 808	683 826

5. TRANSACTIONS WITH RELATED PARTIES

	3 months 2016	3 months 2015
Sale of goods	3 514 713	4 182 331
Services provided	100 111	-
Purchase of fixed and intangible assets	(504 595)	(17 052)
Purchase of goods	(887 061)	(401 315)
Sales commission	(299 219)	(373 064)
Services received	(108 338)	(11 444)

For information stated in this financial report please contact:

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