



*Consolidated financial statements for the year 2013
prepared in accordance with
International Financial Reporting Standards
as adopted by the European Union
and Independent Auditor's Report**

** This version of financial statements is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, the original language version of financial statements takes precedence over this translation.*

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AS VALMIERAS STIKLA ŠĶIEDRA

GENERAL INFORMATION

NAME OF THE PARENT COMPANY	Valmieras stikla šķiedra
LEGAL STATUS	Joint stock company
REGISTRATION NUMBER, PLACE AND DATE	No. 40003031676 Riga, 30 September 1991
TYPE OF BUSINESS	Production of glass fibre products
ADDRESS	13 Cempu Street, Valmiera, LV- 4201, Latvia
SUBSIDIARY	Valmiera Glass UK Ltd Sherborne, Dorset DT9 3RB United Kingdom
THE BOARD	Chairman of the Board : Andris Oskars Brutāns, president Members of the Board : Andre Heinz Schwiontek, Vice-president Joeran Pfuhl Friedhelm Schwender Dainis Šēnbergs Stefan Jugel H.J.Hausler (from 01.09.2013) Karl Heinz Will (till 01.09.2013.)
THE COUNCIL	Chairman of the Council : Jürgen Preiss-Daimler Members of the Council : Hans Peter Cordts Guntis Strazds Aivars Lošmanis Frank Wilhelm Behrends (from 31.05.2013) Reinhard Edwin Conradt (till 28.05.2013)
REPORTING YEAR	1 January 2013 - 31 December 2013
PRIOR REPORTING YEAR	1 January 2012 - 31 December 2012
AUDITORS AND THEIR ADDRESS	Deloitte Audits Latvia SIA License No. 43 4a Gredu Str. Riga, LV-1019 Latvia Elīna Sedliņa Swom Auditor Certificate No. 179

General information

The principal activities of AS Valmieras stikla šķiedra (hereinafter referred to as “the Company”) are research, development, manufacturing and sales of glass fibre. The Company specializes in manufacturing of two different types of glass fibre and related products: E-glass with temperature resistance of 600°C and SiO₂-glass with temperature resistance of 1000+°C. These products can be used for further processing for thermal and technical insulation, as ready-made materials for mechanical engineering, construction etc.

On 4 October 2013 the Company completed acquisition of subsidiary Valmiera Glass UK Ltd, which produces glass fibre products for aerospace industry, insulation and architecture. The profit of Valmiera Glass UK Ltd results from innovative production and technical application, using modern production equipment. The subsidiary has more than 80 years' experience in fibre glass textile production.

AS Valmieras stikla šķiedra and Valmiera Glass UK Ltd has been combined in Valmiera Glass Group, which will be positioned as vertically integrated supplier – from fibre glass manufacturing to coated and saturated fabrics – different composites for aerospace, construction and other industries. Combination of knowledge, experience and export potential, as well as development of new projects, ensures strengthening and expansion of AS Valmieras stikla šķiedra position in fibre glass production market. The Company continuously analyses and realizes export opportunities in new markets with new clients.

The products of the Company are sold in 37 countries, and export contributes 96% of total sales of the Company. In 2013 the Company continued to strengthen its position in existing markets and rapidly increased sales. Main export markets remained the same: countries of the European Union (71%), North America and Russia. In addition, Valmiera Glass UK exports goods to 41 countries worldwide.

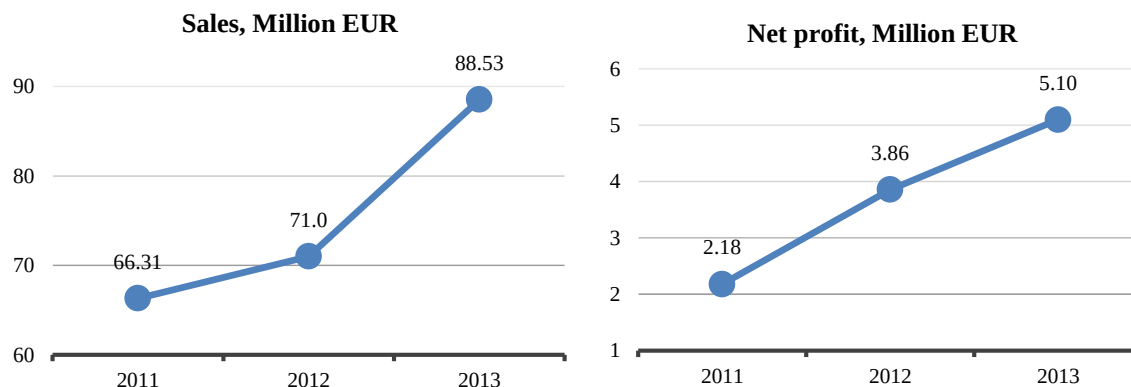
The average number of employees of the Group in 2013 was 1045, of which the number of employees of AS Valmieras stikla šķiedra was 915 and has increased in comparison to prior year. The average number of employees of Valmiera Glass UK was 130.

The quality management system of the Company is certified according to ISO 9001:2008 requirements. The German Quality management system certification company DQS GmbH performs re-certification every three years and annual audits of compliance with these requirements. Current quality management compliance certificate was issued on 16 March 2012 and is valid until 15 March 2015.

Financial results

The consolidated sales in 2013 amount to EUR 88.53 Million or LVL 62.22 Million. Consolidation includes the data of subsidiary Valmiera Glass UK Ltd for the fourth quarter 2013.

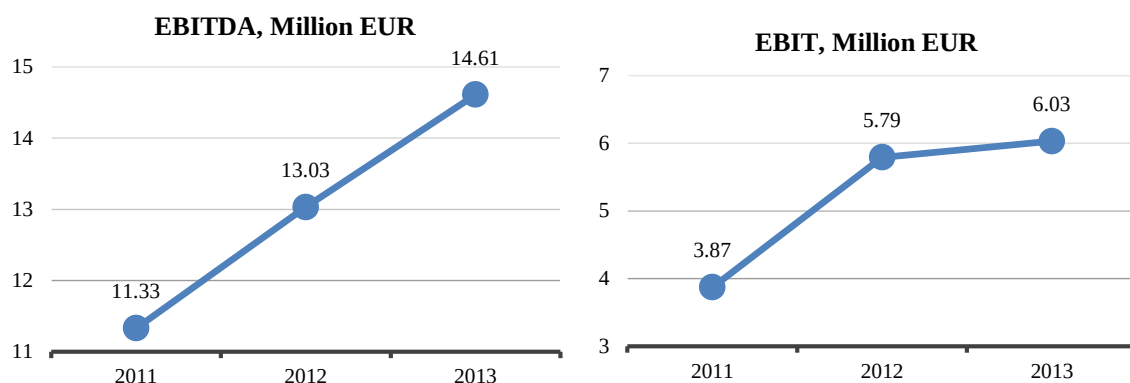
In 2013 AS Valmieras stikla šķiedra reached the highest sales during its existence. If compared with AS Valmieras stikla šķiedra sales for 2012, the increase amounts to EUR 17.52 Million (LVL 12.31 Million) or 25%. The contribution of the subsidiary for the last 3 month of 2013 is EUR 4.72 Million (LVL 3.32 Million). The consolidated net profit of the Group amount to EUR 5.10 Million or LVL 3.59 Million, which exceeds the profit of AS Valmieras stikla šķiedra in 2012 by 30%.



MANAGEMENT REPORT

The operating profit (EBITDA) for 2013 was EUR 14.61 Million (LVL 10.27 Million) that is by 12% more than in 2012.

Earnings before interest and taxes (EBIT) for 2013 reached EUR 5.92 Million (LVL 4.16 Million), which is by 3.8% more than in 2012.



Return on capital employed (ROCE) amounts to 7.5% and consolidated operating profit margin for 2013 was 6.8%.

Total investments in 2013 amounted to EUR 10.84 Million (LVL 7.62 Million), which includes acquisition of new equipment, modernisation of existing technical and technological solutions and development of new products with the purpose to increase the production capacity.

In 2014 the Group plans to invest EUR 8.62 million in the development of the Group, including investments in new equipment and modernization of existing technological solutions. Considering the market development trends and the results of the Group, the management of the Group plans that sales for 2014 could reach EUR 127.02 Million. Based on the management forecasts and budget, the net consolidated profit for 2014 could amount to EUR 9.31 Million.

Stock exchange market

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

From 1 January 2013 till 31 December 2013 the share price of the Company has increased by EUR 0.854 (LVL 0.60) or 70.59%. The value of one share on 1 January 2013 was EUR 1.209 (LVL 0.85), while until 31 December 2013 the price had grown to EUR 2.063 (LVL 1.45). Profit per share in 2013 amounts to EUR 0.2102 (LVL 0.1477), which is the maximum price in the history of the Company.

The total number of traded shares of the Company in 2013 was 276 thousand amounting to EUR 480 thousand (LVL 337.35 thousand).

MANAGEMENT REPORT

The share price development of AS „Valmieras stikla šķiedra” during the period from 1 January 2013 to 31 December 2013.

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



On 1 January 2014, Latvia joined the Eurozone and the Latvian Lat was replaced by the Euro. There have been no other significant events since the end of the reporting period to the date of signing of this report that could materially affect the results of the reporting period, require adjustments to the consolidated financial statements or should be disclosed in the notes.

Andris Oskars Brutāns
The Chairman of the Board
28 March 2014

STATEMENT OF MANAGEMENT RESPONSIBILITIES

The management of AS Valmieras stikla skiedra is responsible for the preparation of the consolidated financial statements of the Group.

The consolidated financial statements are prepared in accordance with the source documents and present fairly the financial position of the Group as of 31 December 2013 and the results of its operations and cash flows for the year then ended. The management confirms that appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the consolidated financial statements. The management also confirms that the requirements of International Financial Reporting Standards as adopted by the EU have been complied with and that the consolidated financial statements have been prepared on a going concern basis.

The management of the group is also responsible for maintaining proper accounting records, for taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

On behalf of the management

Andris Oskars Brutāns
Chairman of the Board

28 March 2014

INDEPENDENT AUDITORS' REPORT

To the shareholders of AS Valmieras Stikla Skiedra

Translation from Latvian

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of AS Valmieras Stikla Skiedra and its subsidiary Valmiera Glass UK Ltd (the Group) set out on pages 9 to 47 of the accompanying consolidated annual report, which comprise the consolidated statement of financial position as of 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of 31 December 2013, and of its consolidated financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

We have read the consolidated management report for 2013 set out on pages 4 to 6 of the accompanying consolidated annual report for 2013 and have not identified any material inconsistencies between the consolidated financial information contained in the management report and the consolidated financial statements for 2013.

Deloitte Audits Latvia SIA
Licence No. 43

Roberts Stūģis
Member of the Board

Rīga, Latvia
28 March 2014


Elīna Sedliņa
Certified auditor of Latvia
Certificate No. 179

AS VALMIERAS STIKLA ŠĶIEDRA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2013

	Notes	31.12.2013 LVL	31.12.2012 LVL	01.01.2012 LVL
ASSETS				
Non-current assets				
Intangible assets				
Software licenses, patents, trade marks and other rights	4	36,149	16,435	9,418
Software in acquisition process	4	110,296	110,296	22,277
Goodwill	5	2,762,597	-	-
Total intangible assets		2,909,042	126,731	31,695
Tangible assets				
Land and buildings	6	8,405,935	8,229,441	8,081,078
Equipment and machinery	6	34,021,409	31,694,271	30,050,498
Other fixed assets	6	569,945	260,475	244,431
Construction in progress	6	2,571,689	1,432,167	578,763
Advance payments for fixed assets		537,408	732,817	334,436
Total tangible assets		46,106,386	42,349,171	39,289,206
Deferred tax asset	30	765,275	-	-
Total non-current assets		49,780,703	42,475,902	39,320,901
Current assets				
Inventories				
Raw materials	7	6,394,904	4,298,928	4,275,621
Work in progress		1,918,769	1,457,109	1,269,216
Finished goods	8	8,549,655	5,137,301	4,536,750
Advance payments for inventories		55,852	27,623	14,861
Total inventories		16,919,180	10,920,961	10,096,448
Accounts receivable				
Trade receivables	9	8,811,181	6,476,834	5,996,120
Other receivables	10	662,536	597,501	582,766
Deferred expenses	11	150,646	245,469	311,846
Total accounts receivable		9,624,363	7,319,804	6,890,732
Cash and cash equivalents	12	825,880	168,422	218,637
Total current assets		27,369,423	18,409,187	17,205,817
TOTAL ASSETS		77,150,126	60,885,089	56,526,718

The accompanying notes on pages 14 to 47 are an integral part of these consolidated financial statements.

On behalf of the management the consolidated financial statements were signed on 28 March 2014 by:

Andris Oskars Brutāns
Chairman of the Board

Jürgen Preiss-Daimler
Chairman of the Council

AS VALMIERAS STIKLA ŠĶIEDRA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2013

	Notes	31.12.2013 LVL	31.12.2012 LVL	01.01.2012 LVL
EQUITY AND LIABILITIES				
Equity				
Share capital	13	23,903,205	23,903,205	23,903,205
Other reserves		333,973	-	-
Retained earnings		9,460,801	6,973,614	4,885,173
Total equity		33,697,979	30,876,819	28,788,378
Liabilities				
Non-current liabilities				
Borrowings from credit institutions	14	18,071,979	14,093,090	16,483,602
Finance lease	15	91,908	77,374	19,149
Deferred tax liabilities	30	289,180	113,729	-
Defined benefit obligation	20	3,127,530	-	-
Deferred income	21	891,063	688,809	-
Derivative	34	1,142,644	1,738,027	1,699,187
Total non-current liabilities		23,614,304	16,711,029	18,201,938
Current liabilities				
Borrowings from credit institutions	14	7,721,206	6,830,917	5,448,763
Finance lease	15	51,567	38,810	14,362
Advance payments from customers		95,754	131,070	104,674
Trade payables	16	9,146,600	5,164,137	3,093,787
Taxes and social security contributions	17	529,675	428,531	472,253
Other accounts payable	18	385,673	350,907	245,485
Accrued liabilities	19	1,092,266	248,394	157,078
Defined benefit obligation	20	698,847	-	-
Deferred income	21	116,255	104,475	-
Total current liabilities		19,837,843	13,297,241	9,536,402
Total liabilities		43,452,147	30,008,270	27,738,340
TOTAL EQUITY AND LIABILITIES		77,150,126	60,885,089	56,526,718

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Chairman of the Board

Jürgen Preiss-Daimler
Chairman of the Council

AS VALMIERAS STIKLA ŠĶIEDRA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2013

	Notes	31.12.2013 EUR	31.12.2012 EUR	01.01.2012 EUR
ASSETS				
Non-current assets				
Intangible assets				
Software licenses, patents, trade marks and other rights	4	51,435	23,385	13,401
Software in acquisition process	4	156,937	156,937	31,697
Goodwill	5	3,930,822	-	-
Total intangible assets		4,139,194	180,322	45,098
Tangible assets				
Land and buildings	6	11,960,567	11,709,439	11,498,338
Equipment and machinery	6	48,408,104	45,096,885	42,758,006
Other fixed assets	6	810,959	370,624	347,795
Construction in progress	6	3,659,184	2,037,790	823,506
Advance payments for fixed assets		764,663	1,042,704	475,859
Total tangible assets		65,603,477	60,257,442	55,903,504
Deferred tax asset	30	1,088,889	-	-
Total non-current assets		70,831,560	60,437,764	55,948,602
Current assets				
Inventories				
Raw materials	7	9,099,129	6,116,823	6,083,661
Work in progress		2,730,162	2,073,279	1,805,932
Finished goods	8	12,165,063	7,309,721	6,455,214
Advance payments for inventories		79,470	39,304	21,145
Total inventories		24,073,824	15,539,127	14,365,952
Accounts receivable				
Trade receivables	9	12,537,181	9,215,705	8,531,710
Other receivables	10	942,704	850,167	829,201
Deferred expenses	11	214,350	349,271	443,717
Total accounts receivable		13,694,235	10,415,143	9,804,628
Cash and cash equivalents	12	1,175,121	239,643	311,092
Total current assets		38,943,180	26,193,913	24,481,672
TOTAL ASSETS		109,774,740	86,631,677	80,430,274

The accompanying notes on pages 14 to 47 are an integral part of these consolidated financial statements.

On behalf of the management the consolidated financial statements were signed on 28 March 2014 by:

Andris Oskars Brutāns
Chairman of the Board

Jürgen Preiss-Daimler
Chairman of the Council

AS VALMIERAS STIKLA ŠKIEDRA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2013

	Notes	31.12.2013 LVL	31.12.2012 LVL	01.01.2012 LVL
EQUITY AND LIABILITIES				
Equity				
Share capital	13	34,011,197	34,011,197	34,011,197
Other reserves		475,201	-	-
Retained earnings		13,461,507	9,922,558	6,950,974
Total equity		47,947,905	43,933,755	40,962,171
Liabilities				
Non-current liabilities				
Borrowings from credit institutions	14	25,714,109	20,052,660	23,454,053
Finance lease	15	130,773	110,093	27,246
Deferred tax liabilities	30	411,466	161,822	-
Defined benefit obligation	20	4,450,074	-	-
Deferred income	21	1,267,868	980,087	-
Derivative	34	1,625,836	2,472,990	2,417,725
Total non-current liabilities		33,600,126	23,777,652	25,899,024
Current liabilities				
Borrowings from credit institutions	14	10,986,287	9,719,519	7,752,891
Finance lease	15	73,373	55,222	20,436
Advance payments from customers		136,246	186,497	148,939
Trade payables	16	13,014,438	7,347,905	4,402,062
Taxes and social security contributions	17	753,660	609,744	671,955
Other accounts payable	18	548,764	499,296	349,294
Accrued liabilities	19	1,554,155	353,433	223,502
Defined benefit obligation	20	994,370	-	-
Deferred income	21	165,416	148,654	-
Total current liabilities		28,226,709	18,920,270	13,569,079
Total liabilities		61,826,835	42,697,922	39,468,103
TOTAL EQUITY AND LIABILITIES		109,774,740	86,631,677	80,430,274

The accompanying notes on pages 14 to 47 are an integral part of these consolidated financial statements.

On behalf of the management the consolidated financial statements were signed on 28 March 2014 by:

Andris Oskars Brutāns
Chairman of the Board

Jürgen Preiss-Daimler
Chairman of the Council

AS VALMIERAS STIKLA ŠKIEDRA
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME
FOR THE YEAR 2013

	Notes	2013		2012	
		LVL	EUR	LVL	EUR
Sales	22	62,221,039	88,532,563	49,907,073	71,011,367
Change in inventories		1,098,481	1,562,995	799,027	1,136,913
Costs capitalized to non-current assets		96,141	136,796	102,547	145,910
Other operating income	23	1,079,100	1,535,421	292,249	415,833
Raw materials and consumables	24	(33,771,349)	(48,052,301)	(26,114,233)	(37,157,206)
Personnel expenses	25	(10,704,943)	(15,231,761)	(8,345,330)	(11,874,334)
Depreciation and amortization	26	(6,032,971)	(8,584,144)	(5,092,176)	(7,245,513)
Other operating expenses	27	(9,750,240)	(13,873,342)	(7,482,197)	(10,646,207)
Profit from operations		4,235,258	6,026,227	4,066,960	5,786,763
Interest and similar income	28	617,961	879,280	1,639	2,332
Interest and similar expenses	29	(1,175,621)	(1,672,757)	(1,244,945)	(1,771,397)
Profit before tax		3,677,598	5,232,750	2,823,654	4,017,698
Corporate income tax	30	(90,864)	(129,287)	(113,729)	(161,822)
PROFIT FOR THE YEAR		3,586,734	5,103,463	2,709,925	3,855,876
Earnings per share	31	0.1501	0.2135	0.1134	0.1614
Other comprehensive income					
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Remeasurement of defined benefit obligation	20	400,713	570,163	-	-
Income tax relating to items that will not be reclassified subsequently	30	(80,143)	(114,033)	-	-
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translating foreign operations		13,403	19,071	-	-
Other comprehensive income for the year, net of income tax		333,973	475,201	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,920,707	5,578,664	2,709,925	3,855,876

The accompanying notes on pages 14 to 47 are an integral part of these consolidated financial statements.

On behalf of the management the consolidated financial statements were signed on 28 March 2014 by:

Andris Oskars Brutāns
Chairman of the Board

Jürgen Preiss-Daimler
Chairman of the Council

AS VALMIERAS STIKLA ŠKIEDRA
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR 2013**

	LVL			
	Share capital	Retained earnings	Other reserves	Total
As of 1 January 2012	23,903,205	4,885,173	-	28,788,378
Payment of dividends	-	(621,484)	-	(621,484)
Current year profit	-	2,709,925	-	2,709,925
As of 31 December 2012	23,903,205	6,973,614	-	30,876,819
Payment of dividends	-	(1,099,547)	-	(1,099,547)
Current year profit	-	3,586,734	-	3,586,734
Other comprehensive income	-	-	333,973	333,973
<i>Remeasurement of defined benefit obligation</i>	-	-	400,713	400,713
<i>Income tax relating to defined benefit obligation</i>	-	-	(80,143)	(80,143)
<i>Exchange differences on translating foreign operations</i>	-	-	13,403	13,403
As of 31 December 2013	23,903,205	9,460,801	333,973	33,697,979

	EUR			
	Share capital	Retained earnings	Other reserves	Total
As of 1 January 2012	34,011,197	6,950,974	-	40,962,171
Payment of dividends	-	(884,292)	-	(884,292)
Current year profit	-	3,855,876	-	3,855,876
As of 31 December 2012	34,011,197	9,922,558	-	43,933,755
Payment of dividends	-	(1,564,514)	-	(1,564,514)
Current year profit	-	5,103,463	-	5,103,463
Other comprehensive income	-	-	475,201	475,201
<i>Remeasurement of defined benefit obligation</i>	-	-	570,163	570,163
<i>Income tax relating to defined benefit obligation</i>	-	-	(114,033)	(114,033)
<i>Exchange differences on translating foreign operations</i>	-	-	19,071	19,071
As of 31 December 2013	34,011,197	13,461,507	475,201	47,947,905

The accompanying notes on pages 14 to 47 are an integral part of these consolidated financial statements.

On behalf of the management the consolidated financial statements were signed on 28 March 2014 by:

Andris Oskars Brutāns
Chairman of the Board

Jürgen Preiss-Daimler
Chairman of the Council

AS VALMIERAS STIKLA ŠĶIEDRA
**STATEMENT OF CASH FLOWS
FOR THE YEAR 2013**

	Notes	2013		2012	
		LVL	EUR	LVL	EUR
OPERATING ACTIVITIES					
Profit before tax		3,677,597	5,232,750	2,823,654	4,017,698
Adjustments:					
Change in fair value of derivative	28	(595,383)	(847,154)	38,840	55,264
Depreciation and amortization	26	6,032,971	8,584,144	5,092,176	7,245,513
Loss from disposal of fixed assets		1,360	1,935	5,241	7,457
Interest expenses	29	1,175,621	1,672,757	1,063,951	1,513,866
Interest income	28	(21,348)	(30,376)	(1,639)	(2,332)
Income on EU grants		(155,033)	(220,592)	-	-
Changes in operating assets and liabilities:					
Inventories		(1,878,633)	(2,673,054)	(824,513)	(1,173,176)
Accounts receivable and other assets		(10,690)	(15,210)	(429,072)	(610,514)
Accounts payable and other liabilities		1,007,695	1,433,822	1,494,983	2,127,169
Interest received		21,348	30,376	1,639	2,332
Cash provided by operating activities		9,255,505	13,169,398	9,265,260	13,183,277
INVESTING ACTIVITIES					
Purchase of fixed and intangible assets		(8,695,362)	(12,372,386)	(7,375,300)	(10,494,106)
Acquisition of subsidiary	5	(3,089,141)	(4,395,452)	-	-
Net cash used in investing activities		(11,784,503)	(16,767,838)	(7,375,300)	(10,494,106)
FINANCING ACTIVITIES					
Loans received		8,085,463	11,504,577	676,516	962,596
Loans paid		(3,810,243)	(5,421,488)	(3,020,643)	(4,297,988)
Change in credit line		593,959	845,127	1,335,768	1,900,627
Dividends paid		(1,099,547)	(1,564,515)	(621,484)	(884,292)
Finance lease paid		(141,662)	(201,566)	(36,797)	(52,357)
Received EU funding		695,153	989,114	793,284	1,128,741
Interest paid		(1,136,667)	(1,617,331)	(1,066,819)	(1,517,947)
Net cash provided by / (used in) financing activities		3,186,456	4,533,918	(1,940,175)	(2,760,620)
Net increase / (decrease) in cash and cash equivalents		657,458	935,478	(50,215)	(71,449)
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	12	825,880	1,175,121	168,422	239,643

The accompanying notes on pages 14 to 47 are an integral part of these consolidated financial statements.

On behalf of the management the consolidated financial statements were signed on 28 March 2014 by:

Andris Oskars Brutāns
Chairman of the Board

Jürgen Preiss-Daimler
Chairman of the Council

**NOTES OF THE FINANCIAL STATEMENTS
FOR THE YEAR 2013**

1. GENERAL INFORMATION

The Group consists of parent company AS Valmieras stikla šķiedra, which is registered as a joint stock company in the Commercial Register of the Republic of Latvia, and Valmiera Glas UK (previously – P-D Integrlas Technologies Ltd.), which is registered as limited liability company in the Commercial Register of United Kingdom. The principal activity of the Group is production of fibreglass and fibreglass products.

AS Valmieras stikla šķiedra obtained control over the subsidiary on 4 October 2013. The consolidated statement of profit and loss, statement of cash flows for 2013 and related notes includes the data of subsidiary for the period from 1 October 2013 to 31 December 2013. Comparative statement of profit and loss and statement of cash flows include the data of AS Valmieras Stikla Skiedra only and is therefore not fully comparable with current year information.

2. BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (the EU) and their interpretations. The standards are issued by the International Accounting Standards Board (IASB) and their interpretations by the International Financial Reporting Interpretations Committee (IFRIC).

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

Transition to IFRS

These are the Group's first financial statements prepared in accordance with IFRSs since 2007. For periods from 1 January 2008 to and including the year ended 31 December 2012, AS Valmieras Stikla Skiedra prepared its financial statements in accordance with Latvian Law On Annual Reports as application of IFRSs was not mandatory. In 2013, the Company acquired subsidiary and, based on Latvian Law On Financial Instruments, was required to prepare consolidated financial statements in accordance with IFRS.

The accounting policies set out in the Note 3 have been applied in preparing the consolidated financial statements for the year ended 31 December 2013, the comparative information presented in these financial statements for the year ended 31 December 2012 and in the preparation of an opening IFRS statement of financial position at 1 January 2012.

In preparing its opening IFRS statement of the financial position the Group has adjusted amounts reported previously in financial statements prepared in accordance with Latvian Law On Annual Reports. The only material adjustment relates to valuation of derivative financial instrument. Under Latvian Law On Annual Reports, the derivative financial instrument was stated at cost. The derivative financial instruments shall be stated at fair value for IFRS reporting purposes. An explanation of how the transition from Latvian Law On Annual Reports to IFRSs has affected the Group's financial position, financial performance and cash flows is set out in the following table:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR 2013

	Under Latvian Law on Annual Reports	Adjustment for valuation of derivative financial instrument	Under IFRS
	LVL	LVL	LVL
Statement of financial position 31.12.2012			
Equity			
Share capital	23,903,205	-	23,903,205
Retained earnings	5,962,877	(1,699,187)	4,263,690
Current year profit	2,748,765	(38,840)	2,709,925
Total equity	32,614,847	(1,738,027)	30,876,820
Non-current liabilities			
Derivative financial instruments	-	1,301,924	1,301,924
Current liabilities			
Derivative financial instruments	-	436,103	436,103
Total liabilities	28,270,242	1,738,027	30,008,269
Income statement for 2012			
Interest and similar expenses	(1,206,105)	(38,840)	(1,244,945)
Statement of cash flows for 2012			
Profit before tax	2,862,494	(38,840)	2,823,654
Changes in fair value of financial instruments	-	38,840	38,840
Statement of financial position 01.01.2012			
Equity			
Share capital	23,903,205		23,903,205
Retained earnings	6,584,361	(1,699,187)	4,885,174
Total equity	30,487,566	(1,699,187)	28,788,379
Non-current liabilities			
Derivative financial instruments	-	1,405,053	1,405,053
Current liabilities			
Derivative financial instruments	-	294,134	294,134
Total liabilities	26,039,152	1,699,187	27,738,339

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR 2013

	Under Latvian Law on Annual Reports EUR	Adjustment for valuation of derivative financial instrument EUR	Under IFRS EUR
Statement of financial position 31.12.2012			
Equity			
Share capital	34,011,197	-	34,011,197
Retained earnings	8,484,408	(2,417,725)	6,066,682
Current year profit	3,911,140	(55,264)	3,855,876
Total equity	46,406,745	(2,472,990)	43,933,755
Non-current liabilities			
Derivative financial instruments	-	1,852,471	1,852,471
Current liabilities			
Derivative financial instruments	-	620,519	620,519
Total liabilities	40,224,930	2,472,990	42,697,920
Income statement for 2012			
Interest and similar expenses	(1,716,133)	(55,264)	(1,771,397)
Statement of cash flows for 2012			
Profit before tax	4,072,962	(55,264)	4,017,698
Changes in fair value of financial instruments	-	55,264	55,264
Statement of financial position 01.01.2012			
Equity			
Share capital	34,011,197	-	34,011,197
Retained earnings	9,368,702	(2,417,725)	6,950,976
Total equity	43,379,898	(2,417,725)	40,962,173
Non-current liabilities			
Derivative financial instruments	-	1,999,210	1,999,210
Current liabilities			
Derivative financial instruments	-	418,515	418,515
Total liabilities	37,050,378	2,417,725	39,468,103

Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue but not yet effective:

- **IFRS 10 “Consolidated Financial Statements”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 11 “Joint Arrangements”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 12 “Disclosures of Interests in Other Entities”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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- **IAS 27 (revised in 2011) “Separate Financial Statements”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IAS 28 (revised in 2011) “Investments in Associates and Joint Ventures”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosures of Interests in Other Entities”** – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosures of Interests in Other Entities” and IAS 27 (revised in 2011) “Separate Financial Statements”** – Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 32 “Financial instruments: presentation”** – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 20 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 36 “Impairment of assets”** - Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 39 “Financial Instruments: Recognition and Measurement”** – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use in EU as at date of publication of these financial statements (the effective dates stated below is for IFRS in full):

- **IFRS 9 “Financial Instruments” and subsequent amendments** (effective date 1 January 2018),
- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 19 “Employee Benefits”** - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014),
- **Amendments to various standards “Improvements to IFRSs (cycle 2010-2012)”** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),
- **Amendments to various standards “Improvements to IFRSs (cycle 2011-2013)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),
- **IFRIC 21 “Levies”** (effective for annual periods beginning on or after 1 January 2014).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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The Group has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Group anticipates that the adoption of all other standards revisions and interpretations will have no material impact on the financial statements of the Group in the period of initial application.

3. ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Group and its subsidiaries. Control is achieved when the Group has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combinations

Acquisitions of businesses, including acquisitions under common control in situations the common control transaction has commercial substance, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Foreign currencies

The functional currency of AS Valmieras Stikla Skiedra is Latvian Lat as Latvia is the primary economic environment in which the Company operate. Based on the requirements for listing in Riga Stock Exchange, the Group is also presenting these consolidated financial statements in Euro. Latvian Lat is pegged to the Euro at a fixed rate of 0.702804 Lats to 1 Euro. The functional currency of the subsidiary is GBP.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the subsidiary are translated into Latvian Lat using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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The applicable rates used for the translation to LVL as of 31 December were as follows:

	2013	2012
GBP	0.843	0.857
RUB	0.0156	0.0174
SEK	0.0805	0.0805
USD	0.515	0.531

Intangible assets
Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is recognized.

Other intangible assets

Software licences and patents are stated at historical cost less accumulated amortisation and accumulated impairment losses. Amortisation of the assets is calculated using the straight-line method to allocate their cost over their estimated useful lives. Generally the software licences and patents are amortised over a period of 3 to 10 years.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition.

Precious metal plates, which are used in manufacturing, are classified as fixed assets and depreciated using units of production method based on actual intensity of use. For other fixed assets depreciation is calculated using the straight-line method applying the following annual depreciation rates:

	Annual rate
Buildings	4-6.7%
Equipment and machinery	6.7-25%
Other fixed assets	10-40%

Land is not depreciated.

The estimated annual depreciation rates and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

An item of fixed assets is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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At each balance sheet date the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there are any indications that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate recoverable amount of an individual asset, the Group estimates the value of cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of sale and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that other Standard.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs comprise direct materials and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in selling and distribution.

If necessary, allowance is made for obsolete, slow moving and defective stock.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from services is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Interest income is recognized in the statement of profit and loss on an accrual basis of accounting using the effective interest rate method.

Segment information

Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item Personnel Expenses and Interest expense/ income. Remeasurement is recognized in equity when arises.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available for sale' financial assets and 'loans and receivables'. This classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash and other similar items) are measured at amortised cost using the effective interest method, less any impairment.

Impairment of loans and receivables

The Group assesses, at each balance sheet date, whether there is objective evidence that a loan or trade receivable is impaired.

The Group assesses each loans and trade receivable on an individual basis. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and estimated present value of future cash flows discounted with original effective interest rate.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

The Group enters into certain derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and interest rate swaps.

Interest rate swaps are contracts in which a series of interest rate flows in a single currency are exchanged over a prescribed period. Interest rate swaps involve the exchange of fixed and floating interest payments. The notional amount on which the interest payments are based is not exchanged.

Foreign exchange contracts (forwards) are contracts for the future receipt or delivery of foreign currency at previously agreed-upon terms.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. The Group does not hold derivative financial instruments which were designated and effective as hedging instruments.

Other financial liabilities

Other financial liabilities of the Group comprise of borrowings, trade and other payables. These financial liabilities are initially measured at fair value less transaction costs, and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Taxation

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit and loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rate that have been enacted for the reporting year.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. The deferred tax liability is calculated based on the tax rates that are expected to apply when temporary timing differences reverse. The principal temporary timing differences mainly arise from different accounting and tax depreciation rates of fixed assets and unused tax losses. Where a deferred tax asset arises, this is only recognized in the financial statements where its recoverability can be estimated with reasonable certainty.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of the ownership to the lessee. All other leases are classified as operating leases.

If the Group is a lessee in a finance lease arrangement, it recognises in the statement of financial position the assets as an item of property, plant and equipment and a lease liability measured as the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charge so as to achieve a constant interest rate on the balance of liability outstanding. The interest element of the lease payment is charged to the profit or loss over the lease period. The item of property, plant and equipment acquired under a finance lease is depreciated over the shorter of the useful life of the asset and the lease term, unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Total payments made under operating leases are charged to the profit and loss statement on a straight-line basis over the period of the lease.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits with credit institutions with initial term which does not exceed 90 days.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognized as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Emission rights

The Group is a participant of the EU CO₂ emission allowance trading scheme and receives an allocation of allowances for emission of greenhouse gas from the Latvian authorities. The Group records emission allowances received at cost, if any. If the actual emission exceeds the amount of allowance, the shortfall is recognized in current liabilities and profit and loss statement. Liabilities are measured based on additional allowances required and estimated purchase cost.

Use of estimates and critical accounting judgments

The preparation of financial statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities and off statements of financial position items, as well as reported revenues and expenses. Actual results could differ from those estimates.

The following are the critical judgments and key estimates concerning the future, and other key sources of estimation uncertainty which exist at the reporting date of the financial statements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities during the next reporting period:

Useful lives of property, plant and equipment

Useful lives of property, plant and equipment are assessed at each balance sheet date and changed, if necessary, to reflect the Group's management current view on their remaining useful lives in the light of changes in technology, the remaining prospective economic utilisation of the assets and their physical condition.

The carrying amounts of property, plant and equipment

The Group's management reviews the carrying amounts of property, plant and equipment and assesses whenever indications exist that the assets' recoverable amounts are lower than their carrying amounts. The Group's management calculates and records an impairment loss on property, plant and equipment based on the estimates related to the expected future use, planned liquidation or sale of the assets. Taking into consideration the Group's planned level of activities and the estimated market value of the assets, the Group's management considers that no significant adjustments to the carrying values of property, plant and equipment are necessary as of 31 December 2013.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Recoverability of deferred tax assets on tax loss carried forward

The Group assesses the availability of taxable profits during the period when tax losses carried forward can be used (see Note 30). The Group reviews the deferred tax asset at each balance sheet date and reduces it to the extent that it is no longer probable that sufficient taxable profit will be available during the period when tax loss can be carried forward to use the deferred tax asset.

Net realisable value of inventories

The Group's management evaluates the net realisable value of inventories based upon the expected sales prices and selling costs and assesses the physical condition of inventories during the annual stock count. If the net realisable value of inventories is lower than the cost of inventories then an allowance is recorded. The Group's management has evaluated the net realisable value of inventories and considers that it is not necessary to make an additional significant allowance as of 31 December 2013.

Allowance for doubtful and bad trade receivables

The Group's management evaluates the carrying amount of trade receivable on individual basis and assesses their recoverability, making an allowance for doubtful and bad trade receivables, if necessary. The Group's management has evaluated the trade receivables and considers that its allowances provided are sufficient to cover the impairment loss as of 31 December 2013.

Defined benefit pension plans

The Group's management determines net deficit in defined benefit pension plan based on an assessment carried out by independent actuary. The most significant assumptions used in this assessment are the expected return on pension plan assets, pension growth rate and the discount rate.

4. OTHER INTANGIBLE ASSETS

	Software licenses, patents, trade marks and other rights		Software in acquisition process		Total	
	LVL	EUR	LVL	EUR	LVL	EUR
HISTORICAL COST						
01.01.2012	152,405	216,854	22,277	31,697	174,682	248,551
Additions	11,320	16,107	88,019	125,240	99,339	141,347
31.12.2012	163,725	232,961	110,296	156,937	274,021	389,898
Additions	26,655	37,926	-	-	26,655	37,926
31.12.2013	190,380	270,887	110,296	156,937	300,676	427,824
ACCUMULATED AMORTISATION						
01.01.2012	142,987	203,453	-	-	142,987	203,453
Charge for the year	4,303	6,123	-	-	4,303	6,123
31.12.2012	147,290	209,576	-	-	147,290	209,576
Charge for the year	6,941	9,876	-	-	6,941	9,876
31.12.2013	154,231	219,452	-	-	154,231	219,452
NET CARRYING AMOUNT						
31.12.2012	16,435	23,385	110,296	156,937	126,731	180,322
31.12.2013	36,149	51,435	110,296	156,937	146,445	208,372

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. GOODWILL

The Company acquired 100% of shares of subsidiary Valmiera Glass UK Limited (formerly named P-D Interglas Technologies Limited) from related party on 4 October 2013. The principal activities of the subsidiary is manufacturing of glass fibre products for aerospace industry, insulation and architecture.

Total cost of acquisition amounts to EUR 13,001,000 (LVL 9,137,155), which consists of consideration transferrable to the seller in amount of EUR 10,001,000 (LVL 7,028,743) and loan issued by the subsidiary to its previous shareholder in amount of EUR 3,000,000 (LVL 2,108,412), which was assigned to AS Valmieras Stikla Skiedra as a part of the acquisition transaction. Consideration in amount of EUR 6,000,000 (LVL 4,216,824) was paid during 2013. Remaining part of purchase consideration is payable in 2014.

Assets acquired and liabilities recognised at the date of acquisition, and resulting goodwill are as follows:

	LVL	EUR
Current assets		
Cash and cash equivalents	1,127,683	1,604,548
Trade and other receivables	4,402,281	6,263,881
Inventories	4,119,586	5,861,643
Non-current assets		
Plant and equipment	1,642,851	2,337,567
Deferred tax asset	836,651	1,190,447
Current Payables		
Trade and other liabilities	(1,571,240)	(2,235,674)
Defined benefit obligations	(4,183,254)	(5,952,234)
Fair value of identifiable net assets acquired	6,374,558	9,070,178
Consideration	9,137,155	13,001,000
Goodwill arising on acquisition	2,762,597	3,930,822

Goodwill arose in the acquisition of Valmiera Glass UK Ltd because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These and other benefits resulting from the acquisition are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Net cash outflow on acquisition of subsidiary:

	LVL	EUR
Consideration paid in cash	4,216,824	6,000,000
Acquired Cash and cash equivalents of the subsidiary	(1,127,683)	(1,604,548)
Total	3,089,141	4,395,452

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6. TANGIBLE FIXED ASSETS

	Land	Buildings	Equipment and machinery	Other fixed assets	Construction in progress	Total
	LVL	LVL	LVL	LVL	LVL	LVL
HISTORICAL COST						
01.01.2012	242,936	14,943,632	58,917,298	2,204,518	578,763	76,887,147
Additions	-	-	-	-	7,754,698	7,754,698
Disposals	-	(116,867)	(2,250,091)	(34,563)	-	(2,401,521)
Transfers	95	1,032,431	5,741,217	127,551	(6,901,294)	-
31.12.2012	243,031	15,859,196	62,408,424	2,297,506	1,432,167	82,240,324
Additions	-	-	25,013	16,476	7,577,359	7,618,848
Acquisition through business combination	-	2,603,638	9,244,830	770,440	-	12,618,908
Disposals	-	(29,636)	(759,533)	(160,570)	-	(949,739)
Transfers	20,824	546,515	5,514,244	356,254	(6,437,837)	-
31.12.2013	263,855	18,979,713	76,432,978	3,280,106	2,571,689	101,528,341
ACCUMULATED DEPRECIATION						
01.01.2012	-	7,105,490	28,866,800	1,960,087	-	37,932,377
Charge for the year	-	884,163	4,092,319	111,391	-	5,087,873
Disposals	-	(116,867)	(2,244,966)	(34,447)	-	(2,396,280)
31.12.2012	-	7,872,786	30,714,153	2,037,031	-	40,623,970
Acquisition through business combination	-	2,014,400	7,510,048	674,435	-	10,198,883
Charge for the year	-	979,668	4,887,545	158,816	-	6,026,029
Disposals	-	(29,221)	(700,177)	(160,121)	-	(889,519)
31.12.2013	-	10,837,633	42,411,569	2,710,161	-	55,959,363
NET CARRYING AMOUNT						
31.12.2012	243,031	7,986,410	31,694,271	260,475	1,432,167	41,616,354
31.12.2013	263,855	8,142,080	34,021,409	569,945	2,571,689	45,568,978

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	Land	Buildings	Equipment and machinery	Other fixed assets	Construction in progress	Total
	EUR	EUR	EUR	EUR	EUR	EUR
HISTORICAL COST						
01.01.2012	345,667	21,262,872	83,831,762	3,136,747	823,506	109,400,554
Additions	-	-	-	-	11,033,941	11,033,941
Disposals	-	(166,287)	(3,201,591)	(49,179)	-	(3,417,057)
Transfers	135	1,469,017	8,169,016	181,489	(9,819,657)	-
31.12.2012	345,802	22,565,602	88,799,187	3,269,057	2,037,790	117,017,438
Additions	-	-	35,590	-	10,773,900	10,809,490
Acquisition through business combination	-	3,704,642	13,154,208	1,096,238	-	17,955,088
Disposals	-	(42,168)	(1,080,718)	(228,471)	-	(1,351,357)
Transfers	29,630	777,621	7,846,062	506,904	(9,160,217)	-
31.12.2013	375,432	27,005,697	108,754,329	4,667,171	3,659,184	144,416,813
ACCUMULATED DEPRECIATION						
01.01.2012	-	10,110,201	41,073,756	2,788,952	-	53,972,909
Charge for the year	-	1,258,051	5,822,845	158,495	-	7,239,391
Disposals	-	(166,287)	(3,194,299)	(49,014)	-	(3,409,600)
31.12.2012	-	11,201,965	43,702,302	2,898,433	-	57,802,700
Acquisition through business combination	-	2,866,233	10,685,835	959,635	-	14,511,703
Charge for the year	-	1,393,942	6,954,348	225,976	-	8,574,266
Disposals	-	(41,578)	(996,260)	(227,832)	-	(1,265,670)
31.12.2013	-	15,420,562	60,346,225	3,856,212	-	79,622,999
NET CARRYING AMOUNT						
31.12.2012	345,802	11,363,637	45,096,885	370,624	2,037,790	59,214,738
31.12.2013	375,432	11,585,135	48,408,104	810,959	3,659,184	64,838,814

The Group has pledged tangible fixed assets with a total carrying amount as of 31 December 2013 of LVL 43,421,550 (EUR 61,783,301) (2012: LVL 41,743,085 (EUR 55,472,743)) as a security for borrowings, see Note 14.

A number of fixed assets that have been fully depreciated are still used in operations. The total acquisition cost of these assets as at 31 December 2013 amounted to LVL 17,766,427 (EUR 25,279,348) (2012: LVL 9,043,568 (EUR 12,867,838)).

Equipment and machinery includes precious metal plates that are used in production, with net carrying amount as of 31 December 2013 of LVL 5,732,817 (EUR 8,157,064) (2012: LVL 5,979,128 (EUR 8,507,533)). According to the metal prices quoted in London Stock Exchange as at 31 December 2013 the market price of the precious metals was LVL 8,863,293 (EUR 12,611,330) (2012: LVL 10,866,065 (EUR 15,461,018)). The average technical depletion of the plates in 2013 was 3.56% (2012: 2.79%).

The additions to property, plant and equipment include capitalised direct expenses related with development of fixed assets incurred on qualifying capital expenditure projects and capitalised based on the labour hours spent on those projects. The total amount of expenses capitalised to property, plant and equipment was LVL 96,141 (EUR 136 796) during 2013 (in 2012: LVL 102,547 (EUR 145,910)).

The Group did not incur borrowing costs eligible for capitalisation during 2013 and 2012.

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7. RAW MATERIALS

	31.12.2013 LVL	31.12.2012 LVL	01.01.2012 LVL
Raw materials	6,444,904	4,348,928	4,275,621
Allowance for slow moving inventories	(50,000)	(50,000)	-
Total	6,394,904	4,298,928	4,275,621

	31.12.2013 EUR	31.12.2012 EUR	01.01.2012 EUR
Raw materials	9,170,273	6,187,967	6,083,661
Allowance for slow moving inventories	(71,144)	(71,144)	-
Total	9,099,129	6,116,823	6,083,661

8. FINISHED GOODS

	31.12.2013 LVL	31.12.2012 LVL	01.01.2012 LVL
Finished goods	8,659,552	5,192,860	4,608,352
Allowance for excess of net realizable value over cost	(109,897)	(55,559)	(71,602)
Total	8,549,655	5,137,301	4,536,750

	31.12.2013 EUR	31.12.2012 EUR	01.01.2012 EUR
Finished goods	12,321,433	7,388,774	6,557,094
Allowance for excess of net realizable value over cost	(156,370)	(79,053)	(101,880)
Total	12,165,063	7,309,721	6,455,214

9. TRADE RECEIVABLES

	31.12.2013 LVL	31.12.2012 LVL	01.01.2012 LVL
Trade receivables from related parties (see Note 33)	1,228,922	3,280,584	2,257,778
Trade receivables from third parties	7,662,448	3,260,098	3,800,457
Allowances for doubtful receivables	(80,189)	(63,848)	(62,115)
Total	8,811,181	6,476,834	5,996,120

	31.12.2013 EUR	31.12.2012 EUR	01.01.2012 EUR
Trade receivables from related parties (see Note 33)	1,748,600	4,667,851	3,212,529
Trade receivables from third parties	10,902,680	4,638,702	5,407,563
Allowances for doubtful receivables	(114,099)	(90,848)	(88,382)
Total	12,537,181	9,215,705	8,531,710

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Age of receivables that are past due but not impaired:

Days past due	31.12.2013		31.12.2012	
	LVL	EUR	LVL	EUR
61-90 days	253,733	361,029	39,818	56,656
Over 90 days	225,857	321,365	-	-
Total	479,590	682,394	39,818	56,656

10. OTHER RECEIVABLES

	31.12.2013 LVL	31.12.2012 LVL	01.01.2012 LVL
VAT overpayment	500,632	447,567	416,803
VAT on unpaid invoices	-	139,059	148,376
Other receivables	183,428	33,191	40,535
Allowance for doubtful receivables	(21,524)	(22,316)	(22,948)
Total	662,536	597,501	582,766

	31.12.2013 EUR	31.12.2012 EUR	01.01.2012 EUR
VAT overpayment	712,335	636,831	593,057
VAT on unpaid invoices	-	197,863	211,120
Other receivables	260,995	47,226	57,676
Allowance for doubtful receivables	(30,626)	(31,753)	(32,652)
Total	942,704	850,167	829,201

Change in allowance for doubtful trade and other receivables:

	LVL	EUR
Allowance as of 1 January 2012	85,064	121,035
Decrease due to collection (see Note 23)	(19,928)	(28,355)
Additional allowance provided (see Note 27)	21,029	29,922
Allowance as of 31 December 2012	86,165	122,602
Decrease due to collection (see Note 23)	(3,998)	(5,689)
Additional allowance provided (see Note 27)	19,546	27,812
Allowance as of 31 December 2013	101,713	144,725

11. DEFERRED EXPENSES

	31.12.2013 LVL	31.12.2012 LVL	01.01.2012 LVL
Precious metal plates reprocessing expenses	47,916	119,247	212,895
Insurance expenses	74,029	62,596	57,759
Other deferred expenses	28,701	63,626	41,192
Total	150,646	245,469	311,846

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	31.12.2013 EUR	31.12.2012 EUR	01.01.2012 EUR
Precious metal plates reprocessing expenses	68,178	169,673	302,922
Insurance expenses	105,334	89,066	82,184
Other deferred expenses	40,838	90,532	58,611
Total	214,350	349,271	443,717

12. CASH AND CASH EQUIVALENTS

	31.12.2013 LVL	31.12.2012 LVL	01.01.2012 LVL
Cash in bank	825,880	168,422	218,637
Total	825,880	168,422	218,637

	31.12.2013 EUR	31.12.2012 EUR	01.01.2012 EUR
Cash in bank	1,175,122	239,643	311,092
Total	1,175,122	239,643	311,092

13. SHARE CAPITAL

The registered share capital of Parent company as of 31 December 2013 and 2012 was LVL 23,903,205 (EUR 34,011,197).

The Parent company's paid-in share capital as of 31 December 2013 and 2012 consisted of 11,494,250 publicly listed bearer shares and 12,408,955 private placement ordinary shares, all with equal rights. The nominal value of each share is LVL 1 (EUR 1.423).

As of 31 December 2013 and 2012 the shareholders of the Parent company, in accordance with the records maintained by the Latvian Central Depository, were as follows:

The Company is ultimately controlled by 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.

	31.12.2013	31.12.2012	01.01.2012
P-D Glasseiden Oschatz GmbH	26.1%	26.1%	26.0%
Vitrulan International GmbH	36.2%	36.2%	36.2%
P-D Management Industries –Technologies GmbH	23.9%	23.9%	23.9%
Beatrix Preiss – Daimler	4.5%	4.5 %	2.6%
VAS VSAA	2.4%	2.4 %	2.4%
Other	6.9%	6.9 %	8.9%
Total	100.0%	100.0%	100.0%

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14. BORROWINGS FROM CREDIT INSTITUTIONS

	31.12.2013 LVL	31.12.2013 EUR	31.12.2012 LVL	31.12.2012 EUR
Non-current part:				
Loan due within 2 to 5 years	18,071,979	25,714,109	11,624,705	16,540,465
Loan due after more than 5 years	-	-	2,468,385	3,512,195
Total non-current part	18,071,978	25,714,109	14,093,090	20,052,660
Current part:				
Credit line	4,408,095	6,272,154	3,814,135	5,427,025
Loan	3,313,112	4,714,133	3,016,782	4,292,494
Total current part	7,721,207	10,986,287	6,830,917	9,719,519
Total	25,793,185	36,700,396	20,924,007	29,772,179

On 2 April 2001 the Group signed a credit line agreement with AS Swedbank to increase working capital. As of 31 December 2013 the credit line limit available was EUR 7,000,000 (LVL 4,919,628) (2012: EUR 6,000,000 (LVL 4,216,824)). The interest rate of the credit line is 3 month EURIBOR +1.85% for used amount and 0.5% for unused. The maturity date of the credit line is 16 July 2014. The credit line is secured by the inventories of the Group with the carrying amount as of 31 December 2013 of LVL 12,496,332 (EUR 17,780,679) (2012: LVL 10,893,338 (EUR 15,499,823)).

On 28 February 2012 the Group signed a credit line agreement with AS SEB banka in the amount of EUR 500,000 (LVL 351,402) as of 31 December 2012 and EUR 1,000,000 (LVL 702,804) as of 31 December 2013 to obtain financing for increase in working capital. The interest rate for the credit line is 3 month EURIBOR + 1.4%. Maturity date of the credit line is 12 February 2015.

As of 31 December 2013 the amount of available and not yet withdrawn credit lines was EUR 1,727,846 (LVL 1,214,337 (2012: EUR 1,072,975 (LVL 754,091))).

The Group has also signed several loan agreements with credit institutions:

Date of agreement	Principal amount EUR	Annual interest rate	Maturity date	Unpaid amount 31.12.2013 EUR	Unpaid amount 31.12.2013 LVL
05.06.2005	36,000,000	3 month EURIBOR +1.39%*	30.12.2018	17,560,914	12,341,881
16.04.2008	5,000,000	3 month EURIBOR + 1.34%	10.04.2016	1,666,656	1,171,333
06.11.2012	945,000	3 month EURIBOR + 1.894%	06.11.2016	826,800	581,078
06.11.2012	385,000	3 month EURIBOR + 1.894%	06.11.2017	302,700	212,738
20.12.2012	7,000,000	3 month EURIBOR + 2.164%	20.12.2017	5,571,173	3,915,443
30.09.2013	7,500,000	3 month EURIBOR + 2.5%	02.12.2019	4,500,000	3,162,618
30.12.2013	2,500,000	3 month EURIBOR +2.3 %	03.12.2018	-	-
Total				30,428,243	21,385,091

* The Group has signed an interest rate swap contract for the loan. As of 31 December 2013, the fair value of interest swap agreement amounts to a liability of EUR 1,625,836 (LVL 1,142,644) (2012: EUR 2,472,990 (LVL 1,738,027)), which is presented as Derivative financial instrument in these consolidated financial statements.

The loans are secured by the assets of the Group with the carrying amount as of 31 December 2013 of LVL 73,562,640 (EUR 104,670,207) (2012: LVL 60,885,089 (EUR 86,631,677)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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15. FINANCE LEASE

	31.12.2013 LVL	31.12.2012 LVL	01.01.2012 LVL
Non-current	91,908	77,374	19,149
Current	51,567	38,810	14,362
Total	143,475	116,184	33,511
	31.12.2013 EUR	31.12.2012 EUR	01.01.2012 EUR
Non-current	130,773	110,093	27,246
Current	73,373	55,222	20,436
Total	204,146	165,315	47,682

The interest rate for the lease is variable 3 month EURIBOR and fixed rate 1.894%-2.65%.

Net carrying amount of fixed assets purchased based on finance lease agreements amounts to LVL 234,181 (EUR 333,210)).

16. TRADE PAYABLES

	31.12.2013 LVL	31.12.2012 LVL	01.01.2012 LVL
Trade payables to related parties (see Note 33)	3,295,095	267,421	93,142
Trade payables to third parties	5,851,505	4,896,716	3,000,645
Total	9,146,600	5,164,137	3,093,787
	31.12.2013 EUR	31.12.2012 EUR	01.01.2012 EUR
Trade payables to related parties (see Note 33)	4,688,498	380,506	132,529
Trade payables to third parties	8,325,940	6,967,399	4,269,533
Total	13,014,438	7,347,905	4,402,062

17. TAXES AND SOCIAL SECURITY CONTRIBUTIONS

	31.12.2013 LVL	31.12.2012 LVL	01.01.2012 LVL
Republic of Latvia:			
Natural resource tax	6,399	4,284	4,093
Social security contributions	268,892	260,956	353,239
Personal income tax	146,847	163,064	114,717
Enterprise risk duty	241	227	204
United Kingdom:			
Corporate income tax	35,805	-	-
Other tax	71,491	-	-
Total	529,675	428,531	472,253

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	31.12.2013 EUR	31.12.2012 EUR	01.01.2012 EUR
Republic of Latvia:			
Natural resource tax	9,106	6,096	5,824
Social security contributions	382,598	371,306	502,613
Personal income tax	208,944	232,019	163,228
Enterprise risk duty	343	323	290
United Kingdom:			
Corporate income tax	50,946	-	-
Other tax	101,723	-	-
Total	753,660	609,744	671,955

18. OTHER ACCOUNTS PAYABLE

	31.12.2013 LVL	31.12.2012 LVL	01.01.2012 LVL
Salary	351,787	341,390	237,759
Other	33,886	9,517	7,726
Total	385,673	350,907	245,485

	31.12.2013 EUR	31.12.2012 EUR	01.01.2012 EUR
Salary	500,548	485,755	338,301
Other	48,216	13,541	10,993
Total	548,764	499,296	349,294

19. ACCRUED LIABILITIES

	31.12.2013 LVL	31.12.2012 LVL	01.01.2012 LVL
Accrual for vacations	56,104	63,468	60,913
Accruals for remuneration of management	241,476	152,526	96,165
Accruals for client bonuses	270,758	-	-
Other	523,928	32,400	-
Total	1,092,266	248,394	157,078

	31.12.2013 EUR	31.12.2012 EUR	01.01.2012 EUR
Accrual for vacations	79,829	90,307	86,671
Accruals for remuneration of management	343,589	217,025	136,831
Accruals for client bonuses	385,254	-	-
Other	745,483	46,101	-
Total	1,554,155	353,433	223,502

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20. RETIREMENT BENEFIT OBLIGATION

Valmiera Glass UK Ltd operates a defined benefit pension scheme for certain employees and for eligible employees, a scheme providing benefits based on final pensionable pay.

On 27 May 2003, normal contributions to the defined benefit pension scheme were discontinued and members' benefits ceased to accrue for additional periods of service after 27 May 2003. The scheme will continue to fund benefits accrued up to 27 May 2003.

The assets of the pension schemes are held separately from those of the company being invested by independent investment managers.

The valuation of retirement benefit obligation has been prepared by a qualified actuary. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on scheme assets, the rate of increase of pensions in payment (in turn related to the increase in price inflation) and the discount rate. The principal assumptions at 31 December 2013 date were:

	% p.a.
Discount rate	4.60
Long-term rate of return on assets	5.00
Price inflation - RPI	3.50
Price inflation - CPI	2.70
Rate of increase in pensions' payment	
Fixed	5.00
RPI (max 5%)	3.40
CPI (max 5%)	2.30

The fair value of the scheme assets, the present value of liabilities and expected rates of return assumed for each class at each balance sheet date are as follows:

	Rate %	31.12.2013 LVL	31.12.2013 EUR
Equities	6.95	3,007,824	4,279,748
Corporate Bonds	4.10	3,974,745	5,655,553
Index Linked Gilts	3.45	951,747	1,354,214
Cash	0.50	194,733	277,080
Total value of scheme assets		8,129,049	11,566,595
Present value of scheme liabilities		(11,955,426)	(17,011,039)
Deficit in the scheme		(3,826,377)	(5,444,444)

Changes in pension scheme net deficit during the period:

	2013 LVL	EUR
Remeasurement recognized in reserves	400,713	570,163
Interest expenses recognized in profit or loss	(43,836)	(62,373)
Total	356,877	507,790

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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21. DEFERRED INCOME

	31.12.2013 LVL	31.12.2012 LVL	01.01.2012 LVL
Non-current part of EU grants for acquisition of fixed assets	891,063	688,809	-
Current part of EU grants for acquisition of fixed assets	116,255	104,475	-
Total	1,007,318	793,284	-
	31.12.2013 EUR	31.12.2012 EUR	01.01.2012 EUR
Non-current part of EU grants for acquisition of fixed assets	1,267,868	980,087	-
Current part of EU grants for acquisition of fixed assets	165,416	148,654	-
Total	1,433,284	1,128,741	-

Deferred income represents financing received from the funds of the European Union in relation of acquisition of one-stage fibre glass manufacturing technology and other fixed assets. As of 31 December 2013 the Group has complied with the requirements of the agreement with Investment and Development Agency of Latvia related to the received financing.

22. SALES AND BUSINESS SEGMENTS

Based on the type of its products the Group may be divided into two main divisions – unweaved products and weaved products business structure. Those divisions serve as the basis to report the primary segments of the Company – business segments.

LVL	Weaved products		Unweaved products		Total	
	2013	2012	2013	2012	2013	2012
Sales	42,467,431	32,784,754	19,753,608	17,122,319	62,221,039	49,907,073
Segment operating expenses	(32,861,293)	(24,348,436)	(13,372,517)	(11,110,093)	(46,233,810)	(35,458,529)
Unallocated expenses					(11,751,971)	(10,381,584)
Operating profit					4,235,258	4,066,960
Interest income					617,961	1639
Interest expenses					(1,175,621)	(1,244,945)
Profit before taxation					3,677,598	2,823,654
Income tax expense					(90,864)	(113,729)
Profit for the year					3,586,734	2,709,925
EUR	Weaved products		Unweaved products		Total	
	2013	2012	2013	2012	2013	2012
Sales	60,425,710	46,648,502	28,106,853	24,362,865	88,532,563	71,011,367
Segment operating expenses	(46,757,408)	(34,644,703)	(19,027,377)	(15,808,238)	65,784,785)	(50,452,941)
Unallocated expenses					(16,721,550)	(14,771,663)
Operating profit					6,026,228	5,786,763
Interest income					879,279	2,332
Interest expenses					(1,672,757)	(1,771,397)
Profit before taxation					5,232,750	4,017,698
Income tax expense					(129,287)	(161,822)
Profit for the year					5,103,463	3,855,876

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Net sales by geographical area:

	2013		2012	
	LVL	EUR	LVL	EUR
Export sales:				
European Union	44,430,591	63,219,035	34,527,600	49,128,349
North America	8,640,632	12,294,512	6,330,409	9,007,361
CIS	5,110,914	7,272,175	4,298,464	6,116,163
Other countries	4,038,902	5,746,841	4,750,600	6,759,494
Total	62,221,039	88,532,563	49,907,073	71,011,367

23. OTHER OPERATING INCOME

	2013		2012	
	LVL	EUR	LVL	EUR
Sale of raw materials	106,008	150,836	146,067	207,835
Insurance indemnification	2,184	3,107	11,574	16,468
Income from rent of premises	13,681	19,466	12,979	18,467
Received bad debts (see Note 10)	3,998	5,687	19,928	28,355
Other	953,229	1,356,325	101,701	144,708
Total	1,079,100	1,535,421	292,249	415,833

24. RAW MATERIALS AND COSUMABLES

	2013		2012	
	LVL	EUR	LVL	EUR
Raw materials	22,288,621	31,713,850	15,794,856	22,474,055
Natural gas	3,583,750	5,099,217	3,243,297	4,614,796
Electricity	4,533,567	6,450,685	3,698,143	5,261,983
Oxygen	573,829	816,485	549,662	782,099
Precious metal plates processing costs	445,431	633,791	355,913	506,419
Other	2,346,151	3,338,273	2,472,362	3,517,854
Total	33,771,349	48,052,301	26,114,233	37,157,206

25. PERSONNEL EXPENSES

	2013		2012	
	LVL	EUR	LVL	EUR
Salaries	7,687,602	10,938,473	6,170,051	8,779,192
Social security contributions	1,781,651	2,535,061	1,485,757	2,114,042
Illness and vacation expenses	674,294	959,434	467,842	665,679
Accruals for remuneration of Board and Council	241,476	343,589	152,527	217,026
Insurance of employees	58,815	83,686	41,094	58,471
Other	261,105	371,518	28,059	39,924
Total	10,704,943	15,231,761	8,345,330	11,874,334

The average number of employees of the Group was 1045 (2012: 856).

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26. DEPRECIATION AND AMORTISATION

	2013		2012	
	LVL	EUR	LVL	EUR
Fixed asset depreciation based on straight line method	5,776,361	8,219,021	4,870,019	6,929,412
Depreciation of precious metal plates	249,668	355,245	217,854	309,978
Intangible asset amortization (see Note 4)	6,942	9,878	4,303	6,123
Total	6,032,971	8,584,144	5,092,176	7,245,513

27. OTHER OPERATING EXPENSES

	2013		2012	
	LVL	EUR	LVL	EUR
Transportation	4,232,732	6,022,635	3,402,003	4,840,614
Sales commission	919,580	1,308,444	1,007,541	1,433,602
Service costs	1,102,400	1,568,574	679,568	966,938
Spare parts	594,810	846,338	496,631	706,642
Repair expenses	538,677	766,468	434,725	618,558
Business trips	517,508	736,348	223,703	318,301
Insurance	223,228	317,625	203,285	289,248
Leasing	356,236	506,878	210,553	299,590
Research and development expenses	159,148	226,447	147,176	209,413
Property tax	49,700	70,717	49,810	70,873
Communication	75,915	108,017	70,569	100,411
Selling expenses	133,259	189,610	61,759	87,875
Office expenses	154,188	219,390	47,280	67,273
Labour safety and specific clothing	54,717	77,855	48,032	68,343
Audit and similar fees*	24,601	35,004	19,698	28,028
Allowance for doubtful receivables (Note 10)	19,546	27,812	21,029	29,922
Other	618,596	880,184	358,835	510,576
Total	9,774,841	13,873,342	7,482,197	10,646,207

* Deloitte has performed audit of separate financial statements, subsidiary and consolidated financial statements. Total Fee for audit for 2013 was EUR 72,181 (LVL 50,729).

28. INTEREST AND SIMILAR INCOME

	2013		2012	
	LVL	EUR	LVL	EUR
Interest income	22,578	32,126	1,639	2,332
Net gain on changes in fair value of derivative	595,383	847,154	-	-
Total	617,961	879,280	1,639	2,332

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29. INTEREST AND SIMILAR EXPENSES

	2013		2012	
	LVL	EUR	LVL	EUR
Net loss on foreign exchange rate fluctuations	59,568	84,758	140,516	199,936
Interest expense	1,111,249	1,581,165	1,063,951	1,513,866
Other	4,803	6,834	1,638	2,331
Net loss due to change in fair value of derivative	-	-	38,840	55,264
Total	1,175,621	1,672,757	1,244,945	1,771,397

30. CORPORATE INCOME AND DEFERRED TAX

30 (a) Corporate income tax components:

	2013		2012	
	LVL	EUR	LVL	EUR
Corporate income tax and deferred tax recognized in profit or loss:				
Corporate income tax	50,296	71,565	-	-
Deferred tax	40,568	57,722	113,729	161,822
Total recognized in profit or loss	90,864	129,287	113,729	161,822
Changes in deferred tax recognized in reserves	80,143	114,033	-	-
Total	171,007	243,320	113,729	161,822

30 (b) Reconciliation of accounting profit to tax charges:

	2013		2012	
	LVL	EUR	LVL	EUR
Profit before tax	3,677,597	5,232,750	2,823,654	4,017,698
Expected tax charge, applying parent company tax rate of 15%	(551,640)	(784,913)	(423,548)	(602,655)
Tax effect of tax rate in United Kingdom (23.25%)	(10,137)	(14,424)	-	-
Tax effect of non-deductible items	(45,093)	(64,160)	(44,316)	(63,056)
Tax credit received for new technological equipment*	349,490	497,279	330,126	469,727
Non-taxable income and tax credits	9,019	12,833	-	-
Change in unrecognized deferred tax asset	157,497	224,098	24,009	34,162
Corporate income tax and deferred tax	(90,864)	(129,287)	(113,729)	(161,822)

* The tax base of new technological equipment purchased in 2013 is calculated by multiplying the acquisition cost with a coefficient of 1.5. Total amount of related tax credit not used as of 31 December 2013 is LVL 524,234 (EUR 745,918) (2012: LVL 495,189 (EUR 704,590)). If the equipment is disposed within 5 years from acquisition, taxable income in the year of disposal should be increased by the amount of credit previously recognized

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30 (c) Deferred tax as of end of the year:

Deferred tax on amounts recognized in profit and loss:

	31.12.2013		31.12.2011	
	LVL	EUR	LVL	EUR
Deferred tax liabilities:				
Temporary difference on depreciation of fixed assets	3,649,914	5,193,360	3,266,110	4,647,257
Change in fair value of derivative	89,307	127,072	-	-
Total deferred tax liabilities	3,739,221	5,320,432	3,266,110	4,647,257
Deferred tax assets:				
Temporary difference on accrued liabilities	(115,988)	(165,036)	(37,259)	(53,015)
Allowance for inventories	(22,341)	(31,788)	(15,834)	(22,530)
Tax loss carry forward*	(3,154,215)	(4,488,044)	(3,099,288)	(4,409,890)
Tax discount (maturity – 2016)	(1,245,044)	(1,771,538)	(1,245,044)	(1,771,538)
Total deferred tax assets	(4,537,588)	(6,456,406)	(4,397,425)	(6,256,973)
Net deferred tax asset	(798,367)	(1,135,974)	(1,131,315)	(1,609,716)
Unrecognized deferred tax assets**	1,087,547	1,547,440	1,245,044	1,771,538
Recognized deferred tax liability	289,180	411,466	113,729	161,822

* Tax losses have been incurred in 2006 - 2013 and can be used as follows:

	Amount		Year of expiry
	LVL	EUR	
	9,560,039	13,602,710	2014
	5,960,789	8,481,439	2015
	5,507,269	7,836,138	Unlimited
Total	21,028,097	29,920,287	

** Deferred tax assets on tax loss and discounts are recognized only to the extent of the Group's ability to use related deferred tax assets, based on approved budgets and estimates of taxable income of the Group in the years where related tax benefits expire.

Deferred tax asset on retirement benefit obligations:

	31.12.2013		31.12.2012	
	LVL	EUR	LVL	EUR
Deferred tax asset on accumulated retirement benefit obligations, 20%	765,275	1,088,889	-	-
Total	765,275	1,088,889	-	-

31. EARNINGS PER SHARE

	2013		2012	
	LVL	EUR	LVL	EUR
Profit for the year	3,586,734	5,103,463	2,709,925	3,856,841
Average number of shares outstanding	23,903,205	23,903,205	23,903,205	23,903,205
Earnings per share	0.1501	0.2135	0.1134	0.1614

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32. MANAGEMENT REMUNERATION

	2013		2012	
	LVL	EUR	LVL	EUR
Members of the Council:				
Compensation	158,438	225,437	121,540	172,936
Social security payments	16,336	23,244	10,912	15,526
Members of the Board:				
Compensation	331,471	471,641	251,734	358,185
Social security payments	33,558	47,749	24,807	35,297
Other management:				
Salary	377,688	537,401	312,164	444,169
Social security payments	81,477	115,931	71,962	102,393
Total	998,968	1,421,403	793,119	1,128,506

In 2013 and 2012 the Group has not granted or received any loans from the members of Council, Board or other management.

33. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Receivables from and payables to related parties

	31.12.2013 Trade receivables LVL	31.12.2013 Trade payables LVL	31.12.2012 Trade receivables LVL	31.12.2012 Trade payables LVL
Controlling parties				
P-D Glasseiden Oschatz GmbH	716,801	238,465	3,068,248	228,997
P-D Management Industries – Technologies	-	2,868,379	-	3,893
Entities controlled by the parties controlling the Group				
P-D Preiss –Daimler Consulting	-	2,589	-	7,086
P-D Tatneft Fiberglas Alabuga	126,134	-	158,928	7,593
P-D Industriegesellschaft GmbH Bratendorf	49,190	58,769	-	-
P-D Interklas Technologies GmbH	14,890	-	-	-
P-D Interklas AG	181,612	8,385		
Entities controlled by the party with significant influence over the Group				
VITRULAN Textile Glass GmbH	21,963	115,932	-	19,148
Vitrolan International GmbH	-	2,081		
VITRULAN Technical Textiles GmbH	118,332	495	53,408	704
Total	1,228,922	3,295,095	3,280,584	267,421

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	31.12.2013 Trade receivables EUR	31.12.2013 Trade payables EUR	31.12.2012 Trade receivables EUR	31.12.2012 Trade payables EUR
Controlling parties				
P-D Glasseiden Oschatz GmbH	1,019,916	339,305	4,365,724	325,833
P-D Management Industries – Technologies	-	4,081,336	-	5,539
Entities controlled by the parties controlling the Group				
P-D Preiss –Daimler Consulting	-	3,684	-	10,082
P-D Tatneft Fiberglas Alabuga	179,473	-	226,134	10,804
P-D Industriegesellschaft GmbH Bratendorf	69,991	83,621	-	-
P-D Interklas Technologies GmbH	21,187	-	-	-
P-D Interklas AG	258,411	11,931	-	-
Entities controlled by the party with significant influence over the Group				
VITRULAN Textile Glass GmbH	31,251	164,956	-	27,245
Vitrolan International GmbH	-	2,961	-	-
VITRULAN Technical Textiles GmbH	168,371	704	75,993	1,003
Total	1,748,600	4,688,498	4,667,851	380,506

Transactions with related parties

	2013		2012	
	LVL	EUR	LVL	EUR
Sale of goods	17,895,079	25,462,403	25,086,995	35,695,578
Purchase of tangible fixed assets	214,858	305,715	84,368	120,045
Purchase of goods	1,104,620	1,571,732	827,433	1,177,331
Sales commissions	911,219	1,296,548	1,007,541	1,433,602
Purchase of services	636,905	906,234	1,025,198	1,458,725
Provision of services	29,175	41,512	30,122	42,860

34. FINANCIAL RISK MANAGEMENT

Main financial instruments of the Group are loans, finance lease, cash and its equivalents. The primary objective of these financial instruments is to ensure the necessary financing for the Group. The Group also has other financial instruments, which arises due to its operating activities, i.e., trade receivables and payables; and derivative, which is used to minimize interest rate risk.

Main financial risks which arise as a result of use of the financial instruments are interest, currency, credit and liquidity risks.

Market risks*Interest rate risk*

The Group has loans with variable EURIBOR interest rate from credit institutions. Therefore it is exposed to any changes in interest rates.

The Group has signed an interest rate swap contract for one of its loans to minimize the risks associated with variable interest rate fluctuations. Based on the contract, the Group has agreed to exchange the floating

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3 month EURIBOR interest payments and fixed payments calculated on agreed notional principal amount. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period. The contract expires on 31 December 2018. As of 31 December 2013, total notional amount of interest rate swap contract is EUR 17,560,971 (LVL 12,341,921) (2012: EUR 21,073,113 (LVL 14,810,268)). The fair value amounts to a liability of EUR 1,625,836 (LVL 1,142,644) (2012: EUR 2,472,989 (LVL 1,738,027)).

Foreign currency risk

The Group operates internationally and performs transactions in EUR, USD and GBP. As Latvian lat rate to EUR is fixed, the Group is mainly is exposed to foreign currency risk arising from USD and GBP fluctuations. Approximately 14% of total sales in 2013 resulted from contracts denominated in USD (2012: 12%).

The financial assets and liabilities of the Group, which are exposed to currency risk, are loans, cash and cash equivalents, trade receivables and payables..

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

LVL	31.12.2013			31.12.2012	
	EUR	USD	GBP	EUR	USD
Trade and other receivables	6,143,589	1,498,683	788,888	4,722,844	1,419,554
Loans and borrowings	(25,793,184)	-	-	(20,924,006)	-
Trade and other payables	(143,475)	-	-	(116,184)	-
Finance lease	(6,482,349)	(453,020)	(191,688)	(2,032,117)	(204,135)
Balance sheet exposure, LVL	(26,275,419)	1,045,663	597,200	(18,349,463)	1,215,419

EUR	31.12.2013			31.12.2012	
	EUR	USD	GBP	EUR	USD
Trade and other receivables	8,741,539	2,132,434	1,122,486	6,720,002	2,019,843
Loans and borrowings	(36,700,395)	-	-	(29,772,179)	-
Trade and other payables	(204,146)	-	-	(165,315)	-
Finance lease	(9,223,551)	(644,590)	(272,748)	(2,891,442)	(290,457)
Balance sheet exposure, EUR	(37,386,553)	1,487,844	849,738	(26,108,934)	1,729,386

The above net position in USD and GBP is directly exposed and has direct sensitivity to a reasonably possible change in the exchange rate thus resulting in direct effect to Company's profit before tax. To reduce potential adverse effects of foreign currency changes, the Group uses derivative financial instruments for significant transactions in USD. There were no material open derivative contracts as of 31 December 2013 and 2012.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables (including related parties) and cash at bank, which as at 31 December 2013 amounted to LVL 8,811,181 (EUR 12,537,181) and LVL 825,880 (EUR 1,175,122), respectively.

The Group has significant exposure of credit risk with its foreign customers. The Group's policy is to ensure that sales of products are carried out with customers having appropriate credit history. Some of the trade receivables are insured. The Group has also set credit limits for each customer. Customers from countries with increased risk are usually required to pay in advance.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to exposure of each customer.

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As at 31 December 2013 and 2012 the Group has significant credit risk exposure to a single customer – related party. Sales to this related party amounted to 26% of the total sales of the Group. The receivable from this customer as of 31 December 2013 amounted to LVL 716,801 (EUR 1,019,916) or 8% of total trade receivables (2012: LVL 3,068,428 (EUR 4,365,724)). In respect to credit risk arising from the other financial assets of the Group, the Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these assets.

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with adequate credit history.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Group's reputation.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through credit line. During the reporting period EUR 7 million credit line was available assigned by Swedbank AS and EUR 1 million credit line was available assigned by SEB banka AS to finance short-term working capital needs.

Liquidity tables

31.12.2013	Less than 6	6-12 months	From 1-2	From 2-5	Total
LVL	months		years	years	
Interest bearing loans	2,271,559	6,339,015	7,956,298	11,334,726	27,901,598
Finance lease liabilities	45,954	45,954	51,567	-	143,475
Trade accounts payable and other liabilities	6,334,680	2,811,919	-	-	9,146,599
Total LVL	8,652,193	9196,888	8,007,865	11,334,726	37,191,672
EUR					
Interest bearing loans	3,232,137	9,019,606	11,320,792	16,127,861	39,700,396
Finance lease liabilities	65,387	65,387	73,373	-	204,147
Trade accounts payable and other liabilities	9,013,438	4,001,000	-	-	13,014,438
Total EUR	12,310,962	13,085,993	11,394,165	16,127,861	52,918,981

31.12.2012	Less than 6	6-12	From 1-2	From 2-5	Over 5	Total
LVL	months	months	years	years	years	
Interest bearing loans	1,563,473	5,377,610	3,126,945	8,387,594	2,468,385	20,924,007
Finance lease liabilities	19,405	19,405	54,705	22,669	-	116,184
Trade accounts payable and other liabilities	5,164,137	-	-	-	-	5,164,137
Total LVL	6,747,015	5,397,015	3,181,650	8,410,263	2,468,385	26,204,328
EUR						
Interest bearing loans	2,224,622	7,651,649	4,449,242	11,934,471	3,512,195	29,772,179
Finance lease liabilities	27,611	27,611	77,838	32,255	-	165,315
Trade accounts payable and other liabilities	7,347,905	-	-	-	-	7,347,905
Total EUR	9,600,138	7,679,260	4,527,080	11,966,726	3,512,195	37,285,399

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Based on the assessment of the management, the carrying amount of the financial instruments of the Group approximates their fair values as of 31 December 2013 and 2012.

Capital management

The Group's objectives when managing capital are to safeguard its ability as a going concern and to maximize the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of borrowings, which are disclosed in Note 13, and items presented within equity in the statement of financial position. The Group's board manage the Group's capital structure and make adjustments to it, in light of changes in economic conditions. The capital structure is reviewed on an ongoing basis.

	31.12.2013		31.12.2012	
	LVL	EUR	LVL	EUR
Interest bearing loans and borrowings	27,901,598	39,700,396	20,924,007	29,772,179
Less cash and cash equivalents	(825,880)	(1,175,121)	(168,422)	(239,643)
NET DEBT	27,075,718	38,525,275	20,755,585	29,532,536
Equity	33,697,979	47,947,905	30,876,819	43,933,755
TOTAL CAPITAL	60,773,697	86,473,180	51,632,404	73,466,291
GEARING RATIO	80%	80%	67%	67%

35. COMMITMENTS
(a) Land lease

On 27 November 2001 the Group signed a land lease agreement on the lease of land where its production facilities are located. The term of the agreement is 25 years and is valid to 1 December 2026. The annual rent charge is 5% of the cadastral value, which amounts to LVL 916,014 (EUR 1,303,370) as of 31 December 2013 and 2012.

The total future rent payments (based on current cadastral value) are as follows:

	2013		2012	
	LVL	EUR	LVL	EUR
Within 1 year	45,801	65,169	45,801	65,169
2 to 5 years	183,203	260,674	183,203	260,674
More than 5 years	320,604	456,178	366,405	521,347
Total	549,608	782,021	595,409	847,190

b) Investment and inventory purchase

Inventory, equipment and software purchases contracted but not yet fulfilled and therefore not recognized in the financial statements are as follows:

	2013		2012	
	LVL	EUR	LVL	EUR
Within 1 year	1,132,779	1,611,800	4,005,081	5,698,717
2 to 5 years	2,106,585	2,997,400	2,281,836	3,246,760
Total	3,239,364	4,609,200	6,286,917	8,945,477

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c) Other operating lease

The Group as a lessee has entered in operating lease agreements for premises and equipment. Total lease expenses in 2013 were LVL 339,144 (EUR 482,559) (2012: LVL 193,219 (EUR 274,926)). Total future lease payments are as follows:

	2013		2012	
	LVL	EUR	LVL	EUR
Within 1 year	253,445	360,620	91,824	130,654
2 to 5 years	911,830	1,297,418	402,015	572,016
Total	1,165,275	1,658,038	493,839	702,670

36. EVENTS AFTER THE REPORTING DATE

On 1 January 2014, Latvia joined the Eurozone and the Latvian Lat was replaced by the Euro. Since that date, the Parent Company has converted its accounting to the Euro. The conversion to the Euro was done using the official exchange rate set by the Bank of Latvia – 1 Euro/0.702804 Latvian Lat. The Group's financial statements for subsequent financial periods will be presented in the Euro.

As of the last day of the reporting year until the date of signing these financial statements there have been no other events requiring adjustment of or disclosure in the financial statements or notes thereto.

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