



VALMIERA GLASS®

*Annual report 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.*

AS VALMIERAS STIKLA ŠĶIEDRA

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AS VALMIERAS STIKLA ŠĶIEDRA**GENERAL INFORMATION**

ENTITY NAME	Valmieras stikla šķiedra
LEGAL STATUS	Joint Stock Entity
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
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 Hans – Jochen Haeusler (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 Ltd. License No. 43 4a Gredu Str. Riga, LV-1019 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.

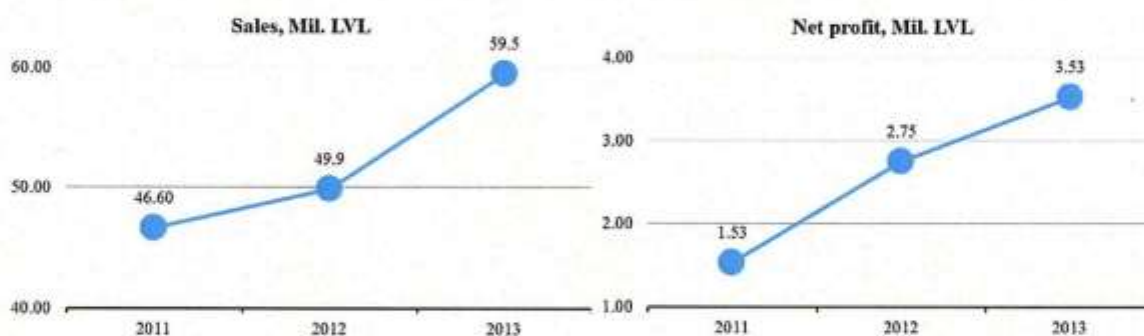
The products of the Company are sold in 37 countries, and export contributes 96% of total sales of the Company. In 2013 the Company continued to strengthen its position in existing markets and rapidly increased sales. Main export markets remained the same: countries of the European Union (71%), North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

As of 31 December 2013 the Company employed 915 people. The average number of employees during 2013 was 931.

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.

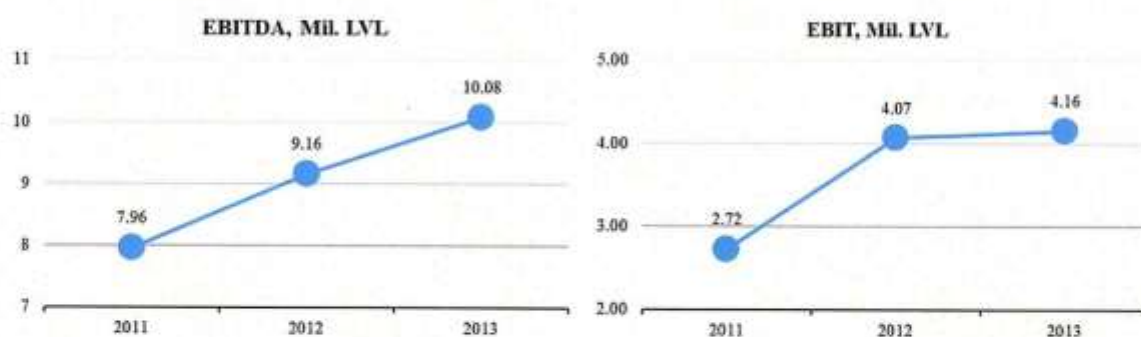
Financial results

In 2013 the Company reached the highest sales during its existence – LVL 59.5 Million (EUR 84.7 Million), which is by 19% more than in 2012. The net profit of the Company for 2013 amounts to LVL 3.53 Million (EUR 5.02 Million), which exceeds the profit for 2012 by 28.4%.



The operating profit (EBITDA) for 2013 was LVL 10.08 Million (EUR 14.35 Million) that is by 10% more than in 2012. The earnings before interest and taxes (EBIT) for 2013 reached LVL 4.16 Million (EUR 5.92 Million), which approximates 2012 level. Net operating profit has also remained at 2012 level and was 7%. Return on capital employed (ROCE) is 7.5%, which is by 1.2 percentage points less than in 2012.

MANAGEMENT REPORT



The average price of the products sold by the Company in 2013 has increased by 1% comparing to 2012, which has been driven by focusing on high added value products.

Total investments in 2013 amounted to LVL 7.60 Million (EUR 10.81 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 2013 the Company successfully continued to raise funds from Investment and Development Agency of Latvia (LIAA) and Climate Change Financial Instruments. In the beginning of 2013 the Company in cooperation with LIAA completed the implementation of new high SiO₂ one-stage production technology project commenced in 2012. Total investment in this project amounted to LVL 4.57 Million (EUR 6.5 Million), of which LVL 976 thousand (EUR 1.39 million) relates to LIAA financing.

In 2013, with the support from Ministry of Environmental Protection and Regional Development and SIA "Vides Investīciju Fonds" the Company carried out project "Integrated solutions for decrease of greenhouse gas emission in AS "Valmieras stikla šķiedra" manufacturing plant". Total cost of the project was LVL 725 thousand (EUR 1.034 Million), of which LVL 211 thousand (EUR 301 thousand) was financed from support. It is expected that carbon dioxide emission will decrease by at least 179 thousand kg CO₂ per annum as a result of the project.

In 2014 AS Valmieras stikla šķiedra plans to invest EUR 8.02 million in the development of the Company, including investments in new equipment, modernization of existing technological solutions and a new warehouse in order to increase the production capacity.

Considering the market development trends and the results of the Company, the management of AS Valmieras stikla šķiedra plans that sales for 2014 could reach EUR 104.02 Million. Based on the management forecasts and budget, the net profit for 2014 could amount to EUR 7.31 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.

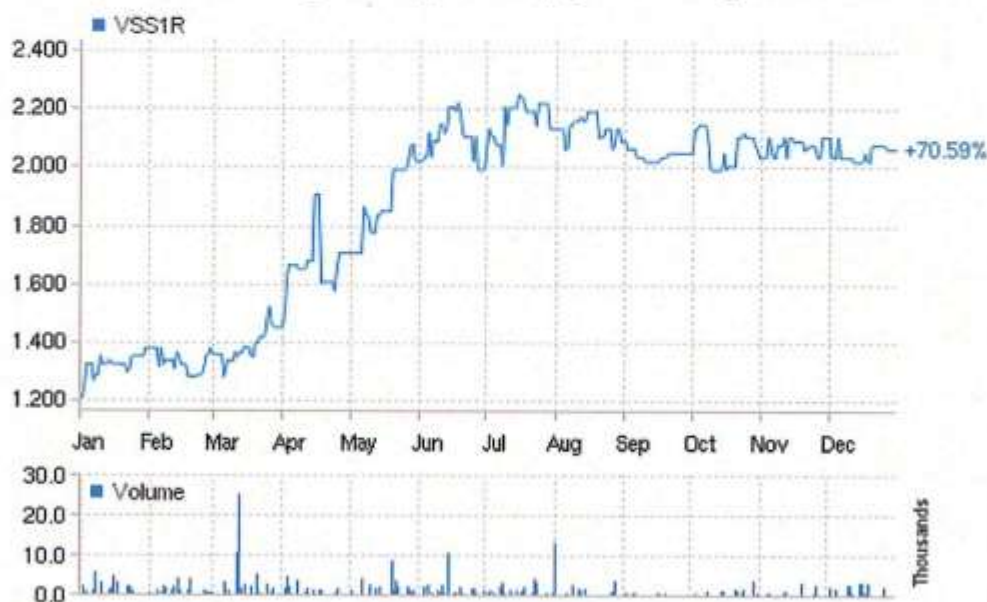
The total number of traded shares of the Company in 2013 was 276 thousand amounting to EUR 480 thousand (LVL 337.35 thousand).

AS VALMIERAS STIKLA ŠĶIEDRA

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 financial statements or should be disclosed in the notes.


Andris Oskars Brutāns
The Chairman of the Board
28 March 2014

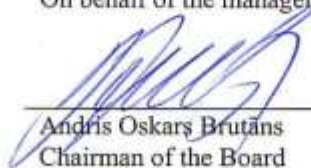
STATEMENT OF MANAGEMENT RESPONSIBILITIES

The management of AS "Valmieras stikla skiedra" (the Company) is responsible for preparation of the financial statements.

The financial statements are prepared in accordance with the source documents and present fairly the financial position of the Company 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 financial statements as presented on pages 9 to 33. The management also confirms that the requirements of the International Financial Reporting Standards as adopted by the European Union (EU) have been complied with and that the financial statements have been prepared on a going concern basis.

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

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 Financial Statements

We have audited the accompanying financial statements of AS Valmieras Stikla Skiedra set out on pages 9 to 48 of the accompanying annual report, which comprise the balance sheet as of 31 December 2013, and the income statement, statement of changes in equity and 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 Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of 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 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 financial statements give a true and fair view of the financial position of AS Valmieras Stikla Skiedra as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

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


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	4	146,445	126,731	31,695
Tangible assets				
Land and buildings	5	7,871,182	8,229,441	8,081,078
Equipment and machinery	5	32,366,489	31,694,271	30,050,498
Other fixed assets	5	465,745	260,475	244,431
Construction in progress	5	2,571,689	1,432,167	578,763
Advance payments for fixed assets		537,408	732,817	334,436
Total tangible assets		43,812,513	42,349,171	39,289,206
Investments in subsidiaries	31	9,137,155	-	-
Total non-current assets		53,096,113	42,475,902	39,320,901
Current assets				
Inventories				
Raw materials	6	5,097,609	4,298,928	4,275,621
Work in progress		1,447,194	1,457,109	1,269,216
Finished goods	7	5,951,529	5,137,301	4,536,750
Advance payments for inventories		55,852	27,623	14,861
Total inventories		12,552,184	10,920,961	10,096,448
Accounts receivable				
Trade receivables	8	7,060,350	6,476,834	5,996,120
Other receivables	9	391,767	597,501	582,766
Deferred expenses	10	150,646	245,469	311,846
Total accounts receivable		7,602,763	7,319,804	6,890,732
Cash and cash equivalents	11	436,712	168,422	218,637
Total current assets		20,591,659	18,409,187	17,205,817
TOTAL ASSETS		73,687,772	60,885,089	56,526,718

The accompanying notes on pages 14 to 48 are an integral part of these financial statements.

On behalf of the management the 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

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	12	23,903,205	23,903,205	23,903,205
Retained earnings		9,403,871	6,973,614	4,885,174
Total equity		33,307,076	30,876,819	28,788,379
Liabilities				
Non-current liabilities				
Borrowings from credit institutions	13	18,071,979	14,093,090	16,483,602
Borrowings from related parties	31	2,108,412	-	-
Finance lease	14	91,908	77,374	19,149
Deferred tax	28	200,000	113,729	-
Deferred income	19	891,063	688,809	-
Derivative	32	1,142,644	1,738,027	1,699,187
Total non-current liabilities		22,506,006	16,711,029	18,201,938
Current liabilities				
Borrowings from credit institutions	13	7,721,206	6,830,917	5,448,763
Finance lease	14	51,567	38,810	14,362
Advance payments from customers		95,754	131,070	104,673
Trade payables	15	8,509,063	5,164,137	3,093,787
Taxes and social security contributions	16	422,379	428,531	472,253
Other accounts payable	17	357,728	350,907	245,485
Accrued liabilities	18	600,738	248,394	157,078
Deferred income	19	116,255	104,475	-
Total current liabilities		17,874,690	13,297,241	9,536,401
Total liabilities		40,380,696	30,008,270	27,738,339
TOTAL EQUITY AND LIABILITIES		73,687,772	60,885,089	56,526,718

The accompanying notes on pages 16 to 35 are an integral part of these financial statements.

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



Andris Oskars Brutāns
Chairman of the Board



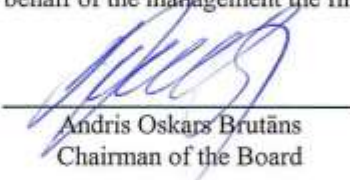
Jürgen Preiss-Daimler
Chairman of the Council


AS VALMIERAS STIKLA ŠKIEDRA
**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	4	208,372	180,322	45,098
Tangible assets				
Land and buildings	5	11,199,683	11,709,439	11,498,338
Equipment and machinery	5	46,053,364	45,096,885	42,758,006
Other fixed assets	5	662,697	370,624	347,795
Construction in progress	5	3,659,184	2,037,790	823,506
Advance payments for fixed assets		764,662	1,042,704	475,859
Total tangible assets		62,339,590	60,257,442	55,903,504
Investments in subsidiaries	31	13,001,000	-	-
Total non-current assets		75,548,962	60,437,764	55,948,602
Current assets				
Inventories				
Raw materials	6	7,253,244	6,116,823	6,083,661
Work in progress		2,059,172	2,073,279	1,805,932
Finished goods	7	8,468,263	7,309,721	6,455,214
Advance payments for inventories		79,470	39,304	21,145
Total inventories		17,860,149	15,539,127	14,365,952
Accounts receivable				
Trade receivables	8	10,045,973	9,215,705	8,531,710
Other receivables	9	557,434	850,167	829,201
Deferred expenses	10	214,350	349,271	443,717
Total accounts receivable		10,817,757	10,415,143	9,804,628
Cash and cash equivalents	11	621,385	239,643	311,092
Total current assets		29,299,291	26,193,913	24,481,672
TOTAL ASSETS		104,848,253	86,631,677	80,430,274

The accompanying notes on pages 16 to 48 are an integral part of these financial statements.

On behalf of the management the 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

STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2013

		31.12.2013 EUR	31.12.2012 EUR	01.01.2012 EUR
	Notes			
EQUITY AND LIABILITIES				
Equity				
Share capital	12	34,011,197	34,011,197	34,011,197
Retained earnings		13,380,503	9,922,558	6,950,974
Total equity		47,391,700	43,933,755	40,962,171
Liabilities				
Non-current liabilities				
Due to credit institutions	13	25,714,109	20,052,660	23,454,053
Loans from related parties	31	3,000,000	-	-
Finance lease	14	130,773	110,093	27,246
Deferred tax	28	284,574	161,822	-
Deferred income	19	1,267,868	980,087	-
Derivative	32	1,625,835	2,472,990	2,417,725
Total non-current liabilities		32,023,159	23,777,652	25,899,024
Current liabilities				
Due to credit institutions	13	10,986,287	9,719,519	7,752,891
Finance lease	14	73,373	55,222	20,436
Advance payments from customers		136,248	186,497	148,939
Trade payables	15	12,107,305	7,347,905	4,402,062
Taxes and social security contributions	16	600,991	609,744	671,955
Other accounts payable	17	509,001	499,296	349,294
Accrued liabilities	18	854,773	353,433	223,502
Deferred income	19	165,416	148,654	-
Total current liabilities		25,433,394	18,920,270	13,569,079
Total liabilities		57,456,553	42,697,922	39,468,103
TOTAL EQUITY AND LIABILITIES		104,848,253	86,631,677	80,430,274

The accompanying notes on pages 16 to 48 are an integral part of these financial statements.

On behalf of the management the 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR 2013

	Notes	2013		2012	
		LVL	EUR	LVL	EUR
Sales	20	59,506,220	84,669,723	49,907,073	71,011,367
Change in inventories		806,140	1,147,034	799,027	1,136,913
Costs capitalized to non-current assets	5	96,141	136,797	102,547	145,911
Other operating income	21	565,132	804,110	292,249	415,833
Raw materials and consumables	22	(32,129,452)	(45,716,092)	(26,114,233)	(37,157,206)
Personnel expenses	23	(9,706,145)	(13,810,600)	(8,345,330)	(11,874,335)
Depreciation and amortization	24	(5,924,614)	(8,429,966)	(5,092,176)	(7,245,513)
Other operating expenses	25	(9,053,414)	(12,881,848)	(7,482,197)	(10,646,207)
Profit from operations		4,160,008	5,919,158	4,066,960	5,786,763
Interest and similar income	26	596,613	848,904	1,639	2,332
Interest and similar expenses	27	(1,140,546)	(1,622,851)	(1,244,945)	(1,771,397)
Profit before tax		3,616,075	5,145,211	2,823,654	4,017,698
Corporate income tax	28	(86,271)	(122,752)	(113,729)	(161,822)
Net profit		3,529,804	5,022,459	2,709,925	3,855,876
Earnings per share	29	0.1477	0.2101	0.1134	0.1614

The accompanying notes on pages 16 to 48 are an integral part of these financial statements.

On behalf of the management the 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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR 2013

	Share capital		Retained earnings		Total equity	
	LVL	EUR	LVL	EUR	LVL	EUR
01.01.2012	23,903,205	34,011,197	4,885,173	6,950,974	28,788,378	40,962,171
Dividends paid	-	-	(621,484)	(884,292)	(621,484)	(884,292)
Current year profit	-	-	2,709,925	3,855,876	2,709,925	3,855,876
31.12.2012	23,903,205	34,011,197	6,973,614	9,922,558	30,876,819	43,933,755
Dividends paid	-	-	(1,099,547)	(1,564,514)	(1,099,547)	(1,564,514)
Current year profit	-	-	3,529,804	5,022,459	3,529,804	5,022,459
31.12.2013	23,903,205	34,011,197	9,403,871	13,380,503	33,307,076	47,391,700

The accompanying notes on pages 16 to 48 are an integral part of these financial statements.

On behalf of the management the 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


STATEMENT OF CASH FLOWS
FOR THE YEAR 2013

	Notes	2013		2012	
		LVL	EUR	LVL	EUR
OPERATING ACTIVITIES					
Profit before tax		3,616,075	5,145,211	2,823,654	4,017,698
Adjustments:					
Depreciation and amortization	24	5,930,126	8,437,809	5,092,176	7,245,513
Loss from disposal and sales of fixed assets		231	329	5,241	7,457
Change in fair value of derivative		(595,383)	(847,154)	38,840	55,264
Interest expenses	27	1,076,175	1,531,259	1,063,951	1,513,866
Interest income	26	(1,230)	(1,750)	(1,639)	(2,332)
Income from EU grants		(155,033)	(220,592)	-	-
Changes in operating assets and liabilities:					
Inventories		(1,631,223)	(2,321,021)	(824,513)	(1,173,176)
Accounts receivable and other assets		(157,827)	(224,568)	(429,072)	(610,514)
Accounts payable and other liabilities		708,701	1,008,389	1,494,983	2,127,169
Interest received		1,230	1,750	1,639	2,332
Cash provided by operating activities		8,791,842	12,509,662	9,265,260	13,183,277
INVESTING ACTIVITIES					
Acquisition of subsidiaries		(4,216,824)	(6,000,000)	-	-
Purchase of fixed and intangible assets		(7,586,499)	(10,794,615)	(7,375,300)	(10,494,106)
Proceeds from sale of fixed assets		300	427	-	-
Net cash used in investing activities		(11,803,023)	(16,794,188)	(7,375,300)	(10,494,106)
FINANCING ACTIVITIES					
Loans received		8,085,252	11,504,277	676,516	962,596
Loans paid		(3,810,033)	(5,421,188)	(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)	(1,564,514)	(621,484)	(884,292)
Finance lease paid		(113,022)	(160,815)	(36,797)	(52,357)
EU grants received		695,153	989,114	793,284	1,128,741
Interest paid		(1,072,290)	(1,525,731)	(1,066,819)	(1,517,947)
Net cash used in financing activities		3,279,472	4,666,270	(1,940,175)	(2,760,620)
Net increase / (decrease) in cash and cash equivalents		268,291	381,744	(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	11	436,713	621,387	168,422	239,643

The accompanying notes on pages 16 to 48 are an integral part of these financial statements.

On behalf of the management the financial statements were signed on 28 March 2013 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 Company is registered as a joint stock company in the Commercial Register of the Republic of Latvia. The principal activity of the Company is production of fibreglass and fibreglass products.

2. BASIS OF PREPARATION

Statement of compliance

The 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 Company 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.

These are separate financial statements of the Company. The Company also prepares consolidated financial statements in accordance with IFRS as adopted by the EU.

Transition to IFRS

These are the Company'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, the Company prepared its financial statements in accordance with Latvian Law On Annual Reports, as the application of IFRS was not mandatory. In 2013, the Company acquired subsidiary and, based on Latvian Law On Financial Instruments, was required to prepare the consolidated financial statements in accordance with IFRS. The management decided to apply IFRS also for the separate financial statements in order to use the same reporting framework for both consolidated and separate financial statements.

The accounting policies set out in the Note 3 have been applied in preparing the 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 Company 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 Company's financial position, financial performance and cash flows is set out in the following table:

NOTES TO THE 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	5,962,876	(1,699,187)	4,263,689
Current year profit	2,748,765	(38,840)	2,709,925
Total equity	32,614,846	(1,738,027)	30,876,819
Non-current liabilities			
Derivative	-	1,738,027	1,738,027
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)	2,824,332
Changes in fair value of derivative	-	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	-	1,699,187	1,699,187
Total liabilities	26,039,152	1,699,187	27,738,339

NOTES TO THE FINANCIAL STATEMENTS
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	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	-	2,472,990	2,472,990
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	9,368,699	(2,417,725)	6,950,974
Total equity	43,379,896	(2,417,725)	40,962,171
Non-current liabilities			
Derivative	-	2,417,725	2,417,725
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),
- **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),

**NOTES TO THE FINANCIAL STATEMENTS
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- **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 13 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).

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR 2013

3. ACCOUNTING POLICIES

Foreign currencies

The functional currency of the Company is Latvian Lat (LVL) as Latvia is the primary economic environment in which the Company operate. The Company has also voluntarily decided to present its financial statements in Euro. Latvian Lat is pegged to the Euro at a fixed rate of 0.702804 Lats to 1 Euro.

In preparing the financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized 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.

The applicable rates used for the principal currencies of the Company 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

Intangible assets primarily comprise software licences and patents. All intangible assets 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. Software licences and patents are amortised over a period of 3-10 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	5-6.7%
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 Company 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.

**NOTES TO THE FINANCIAL STATEMENTS
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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.

At each balance sheet date the Company 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 Company 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.

Investments in subsidiaries

Investments in subsidiaries in the Company's financial statements are recognized at cost less impairment losses. If the recoverable amount of an investment is lower than its carrying amount, due to circumstances not considered to be temporary, the investment value is written down to its recoverable amount.

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 Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company 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 Company; 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.

NOTES TO THE FINANCIAL STATEMENTS
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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.

Employee benefits

The Company contributes towards the state pension in accordance with Latvian legislation. The only obligation of the Company is to make the required contributions (defined contributions). Costs are expensed in the period in which they are incurred.

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

The Company assesses all loans and receivables 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 Company 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.

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

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

recognized in profit or loss immediately. The Company does not hold derivative financial instruments which were designated and effective as a hedging instruments.

Other financial liabilities

Other financial liabilities of the Company comprise of borrowings, trade and other payables. These financial liabilities are 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 Company'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 Company 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 Company 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 FINANCIAL STATEMENTS
FOR THE YEAR 2013

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 Company will comply with the conditions attached to them and that the grants will be received.

Government grants whose primary condition is that the Company 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 Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

Emission rights

The Company 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 Company 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 Company'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 Company'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 Company'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 Company's planned level of activities and the estimated market value of the assets, the Company'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 FINANCIAL STATEMENTS
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Recoverability of deferred tax assets on tax loss carried forward

The Company assesses the availability of taxable profits during the period when tax losses carried forward can be used. The Company has recognised a deferred tax asset from tax losses carried forward, see Note 28 for further information. The Company 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 Company'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 Company'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 Company's management evaluates the carrying amounts of trade receivables and assesses their recoverability, making an allowance for doubtful and bad trade receivables, if necessary. The Company's management has evaluated the trade receivables and considers that allowances for doubtful debts appropriately reflect the impairment loss incurred on trade receivables as of 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR 2013

4. 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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR 2013

5. TANGIBLE FIXED ASSETS

LVL	Land	Buildings	Equipment and machinery	Other fixed assets	Construction in progress	Total
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	-	7,577,359	7,602,372
Disposals	-	(29,636)	(758,832)	(160,570)	-	(949,038)
Transfers	20,824	546,515	5,514,244	356,254	(6,437,837)	-
31.12.2013	263,855	16,376,075	67,188,849	2,493,190	2,571,689	88,893,658
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
Charge for the year	-	925,183	4,841,953	150,536	-	5,917,672
Disposals	-	(29,221)	(733,746)	(160,122)	-	(923,089)
31.12.2013	-	8,768,748	34,822,360	2,027,445	-	45,618,553
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	7,607,327	32,366,489	465,745	2,571,689	43,275,105

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NOTES TO THE FINANCIAL STATEMENTS
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EUR	Land	Buildings	Equipment and machinery	Other fixed assets	Construction in progress	Total
HISTORICAL COST						
01.01.2012	345,667	21,262,873	83,831,762	3,136,747	823,506	109,400,555
Additions	-	-	-	-	11,033,941	11,033,941
Disposals	-	(166,287)	(3,201,591)	(49,179)	-	(3,417,057)
Transfers	135	1,469,016	8,169,016	181,490	(9,819,657)	-
31.12.2012	345,802	22,565,602	88,799,187	3,269,058	2,037,790	117,017,439
Additions	-	-	35,590	-	10,781,611	10,817,201
Disposals	-	(42,168)	(1,079,721)	(228,471)	-	(1,350,360)
Transfers	29,630	777,621	7,846,062	506,904	(9,160,217)	-
31.12.2013	375,432	23,301,055	95,601,118	3,547,491	3,659,184	126,484,280
ACCUMULATED DEPRECIATION						
01.01.2012	-	10,110,201	41,073,756	2,788,953	-	53,972,910
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	2,898,434	-	57,802,701
Charge for the year	-	1,316,417	6,889,478	214,193	-	8,420,088
Disposals	-	(41,578)	(1,044,026)	(227,833)	-	(1,313,437)
31.12.2013	-	12,476,804	49,547,754	2,884,794	-	64,909,352
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	10,824,251	46,053,364	662,697	3,659,184	61,574,928

The Company has pledged all fixed assets and intangible assets with a total carrying amount as of 31 December 2013 of LVL 43,421,550 (EUR 61,783,300) (2012: LVL 41,743,085 (EUR 59,395,060) as a security for liabilities, see Note 13.

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 10,096,770 (EUR 14,366,409) (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 8,507,333)). 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 was 3.56% in 2013 (in 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 Company did not incur borrowing costs eligible for capitalisation during 2013 and 2012.

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6. RAW MATERIALS

	31.12.2013 LVL	31.12.2012 LVL	01.01.2012 LVL
Raw materials	5,147,609	4,348,928	4,275,621
Allowance for slow moving inventories	(50,000)	(50,000)	-
Total	5,097,609	4,298,928	4,275,621

	31.12.2013 EUR	31.12.2012 EUR	01.01.2012 EUR
Raw materials	7,324,388	6,187,967	6,083,661
Allowance for slow moving inventories	(71,144)	(71,144)	-
Total	7,253,244	6,116,823	6,083,661

7. FINISHED GOODS

	31.12.2013 LVL	31.12.2012 LVL	01.01.2012 LVL
Finished goods	6,050,468	5,192,860	4,608,352
Allowance for excess of net realizable value over cost	(98,939)	(55,559)	(71,602)
Total	5,951,529	5,137,301	4,536,750

	31.12.2013 EUR	31.12.2012 EUR	01.01.2012 EUR
Finished goods	8,609,040	7,388,774	6,557,094
Allowance for excess of net realizable value over cost	(140,777)	(79,053)	(101,880)
Total	8,468,263	7,309,721	6,455,214

8. TRADE RECEIVABLES

	31.12.2013 LVL	31.12.2012 LVL	01.01.2012 LVL
Trade receivables from related parties (see Note 31)	1,531,925	3,280,584	2,257,778
Trade receivables from third parties	5,590,068	3,260,098	3,800,457
Allowances for doubtful receivables	(61,643)	(63,848)	(62,115)
Total	7,060,350	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 31)	2,179,733	4,667,851	3,212,529
Trade receivables from third parties	7,953,950	4,638,702	5,407,563
Allowances for doubtful receivables	(87,710)	(90,848)	(88,382)
Total	10,045,973	9,215,705	8,531,710

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Age of receivables that are past due but not impaired:

	31.12.2013		31.12.2012	
	LVL	EUR	LVL	EUR
61-90 days	126,295	179,702	39,818	56,656
Over 90 days	135,947	193,435	-	-
Total	262,242	373,137	39,818	56,656

9. OTHER RECEIVABLES

	31.12.2013	31.12.2012	01.01.2012
	LVL	LVL	LVL
VAT overpayment (see Note 16)	369,769	447,567	416,803
VAT on unpaid invoices	-	139,059	148,376
Other receivables	43,522	33,191	40,535
Allowance for doubtful receivables	(21,524)	(22,316)	(22,948)
Total	391,767	597,501	582,766

	31.12.2013	31.12.2012	01.01.2012
	EUR	EUR	EUR
VAT overpayment (see Note 16)	526,134	636,831	593,057
VAT on unpaid invoices	-	197,863	211,120
Other receivables	61,926	47,226	57,676
Allowance for doubtful receivables	(30,626)	(31,753)	(32,652)
Total	557,434	850,167	829,201

Change in allowance for doubtful receivables:

	LVL	EUR
Allowance as of 1 January 2012	85,064	121,035
Decrease due to collection (see Note 21)	(19,928)	(28,355)
The additional provisions (see Note 25)	21,029	29,922
Allowance as of 31 December 2012	86,165	122,602
Decrease due to collection (see Note 21)	(3,998)	(5,689)
The additional provisions (see Note 25)	1,000	1,423
Allowance as of 31 December 2013	83,167	118,336

10. DEFERRED EXPENSES

	31.12.2013	31.12.2012	01.01.2012
	LVL	LVL	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

11. CASH AND CASH EQUIVALENTS

	31.12.2013 LVL	31.12.2012 LVL	01.01.2012 LVL
Cash in bank	436,712	168,422	218,637
Total	436,712	168,422	218,637

	31.12.2013 EUR	31.12.2012 EUR	01.01.2012 EUR
Cash in bank	621,385	239,643	311,092
Total	621,385	239,643	311,092

12. SHARE CAPITAL

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

The 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 Company, in accordance with the records maintained by the Latvian Central Depository, were as follows:

	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%

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.

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13. DUE TO CREDIT INSTITUTIONS

	31.12.2013 LVL	31.12.2012 LVL	01.01.2012 LVL
Non-current part:			
Loan due within 2 to 5 years	17,193,473	11,230,437	11,881,571
Loan due after more than 5 years	878,506	2,862,653	4,602,031
Total non-current part	18,071,979	14,093,090	16,483,602
Current part:			
Credit lines	4,408,095	3,814,135	2,478,367
Loan	3,313,112	3,016,782	2,970,396
Total current part	7,721,207	6,830,917	5,448,763
Total	25,793,186	20,924,007	21,932,365
	31.12.2013 EUR	31.12.2012 EUR	01.01.2012 EUR
Non-current part:			
Loan due within 2 to 5 years	24,464,109	15,979,472	16,905,952
Loan due after more than 5 years	1,250,000	4,073,188	6,548,101
Total non-current part	25,714,109	20,052,660	23,454,053
Current part:			
Credit lines	6,272,154	5,427,025	3,526,398
Loan	4,714,133	4,292,494	4,226,493
Total current part	10,986,287	9,719,519	7,752,891
Total	36,700,396	29,772,179	31,206,944

On 2 April 2001 the Company signed a credit line agreement with AS Swedbank to increase working capital. As of 31 December 2013 the available credit line limit 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 part. The maturity date of the credit line is 16 July 2014. The credit line is secured by the inventories of the Company 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 Company signed a credit line agreement with AS SEB banka in the amount of EUR 500,000 (LVL 351,402) 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))).

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The Company 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 Company 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 financial statements.

The loans are secured by the assets of the Company with the carrying amount as of 31 December 2013 LVL 73,687,772 (EUR 104,848,253) (2012: LVL 60,885,089 (EUR 86,631,677)).

14. 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)).

15. TRADE PAYABLES

	31.12.2013 LVL	31.12.2012 LVL	01.01.2012 LVL
Trade payables to related parties (see Note 31)	3,162,052	267,421	93,142
Trade payables to third parties	5,347,011	4,896,716	3,000,645
Total	8,509,063	5,164,137	3,093,787

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	31.12.2013 EUR	31.12.2012 EUR	01.01.2012 EUR
Trade payables to related parties (see Note 31)	4,449,194	380,506	132,529
Trade payables to third parties	7,608,111	6,967,399	4,269,533
Total	12,107,305	7,347,905	4,402,062

16. TAXES AND SOCIAL SECURITY CONTRIBUTIONS

LVL	31.12.2012		Calculated	Transfers	Refunded	Paid	31.12.2013	
	Over - payment	Liability					Over- payment	Liability
Natural resource tax	-	4,284	21,918	2,291	-	17,512	-	6,399
Real estate tax	-	-	49,700	-	-	49,700	-	-
Social security contributions	-	260,956	2,594,699	2,585,445	-	1,318	-	268,892
Personal income tax	-	163,064	1,500,337	-	-	1,516,554	-	146,847
Enterprise risk duty	-	227	2,825	-	-	2,811	-	241
Value added tax	447,567	-	(3,287,788)	(2,587,736)	777,850	-	369,769	-
Total	447,567	428,531	881,691	-	777,850	1,587,895	369,769	422,379

EUR	31.12.2012		Calculated	Transfers	Refunded	Paid	31.12.2013	
	Over- payment	Liability					Over- payment	Liability
Natural resource tax	-	6,096	31,187	3,260	-	24,917	-	9,106
Real estate tax	-	-	70,716	-	-	70,716	-	-
Social security contributions	-	371,306	3,691,924	3,678,757	-	1,875	-	382,598
Personal income tax	-	232,019	2,134,787	-	-	2,157,862	-	208,944
Enterprise risk duty	-	323	4,020	-	-	4,000	-	343
Value added tax	636,831	-	(4,678,101)	(3,682,017)	1,106,781	-	526,134	-
Total	636,831	609,744	1,254,533	-	1,106,781	2,259,370	526,134	600,991

LVL	01.01.2012		Calculated	Transfers	Refunded	Paid	31.12.2012	
	Over- payment	Liability					Over- payment	Liability
Natural resource tax	-	4,093	17,539	-	-	17,348	-	4,284
Real estate tax	-	-	49,810	-	-	49,810	-	-
Social security contributions	-	353,239	2,229,691	2,321,974	-	-	-	260,956
Personal income tax	-	114,717	1,337,360	-	-	1,289,013	-	163,064
Enterprise risk duty	-	204	2,590	-	-	2,567	-	227
Value added tax	416,803	-	(3,088,280)	(2,321,974)	735,542	-	447,567	-
Total	416,803	472,253	548,710	-	735,542	1,358,738	447,567	428,531

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EUR	01.01.2012		Calculated	Transfers	Refunded	Paid	31.12.2012	
	Over-payment	Liability					Over-payment	Liability
Natural resource tax	-	5,824	24,956	-	-	24,684	-	6,096
Real estate tax	-	-	70,873	-	-	70,873	-	-
Social security contributions	-	502,613	3,172,564	3,303,871	-	-	-	371,306
Personal income tax	-	163,228	1,902,892	-	-	1,834,100	-	232,020
Enterprise risk duty	-	290	3,685	-	-	3,652	-	323
Value added tax	593,057	-	(4,394,227)	(3,303,871)	1,046,582	-	636,831	-
Total	593,057	671,955	780,743	-	1,046,582	1,933,309	636,831	609,745

17. OTHER ACCOUNTS PAYABLE

	31.12.2013 LVL	31.12.2012 LVL	01.01.2012 LVL
Salary	351,787	341,390	237,759
Other	5,941	9,517	7,726
Total	357,728	350,907	245,485

	31.12.2013 EUR	31.12.2012 EUR	01.01.2012 EUR
Salary	500,548	485,755	338,301
Other	8,453	13,541	10,993
Total	509,001	499,296	349,294

18. 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	32,400	32,400	-
Total	600,738	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	46,101	46,101	-
Total	854,773	353,433	223,502

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19. 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 Company has complied with the requirements of the agreement with Investment and Development Agency of Latvia related to the received financing.

20. SALES AND BUSINESS SEGMENTS

Based on the type of its products the Company 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.

	Weaved products		Unweaved products		Total	
	2013	2012	2013	2012	2013	2012
	LVL		LVL		LVL	
Revenue	39,358,630	32,784,754	20,147,590	17,122,319	59,506,220	49,907,073
Segment operating expenses	(29,888,104)	(24,348,436)	(13,706,136)	(11,110,093)	(43,594,240)	(35,458,529)
Unallocated expenses					(11,751,972)	(10,381,584)
Operating profit					4,160,008	4,066,960
Interest and similar income					596,613	1,639
Interest and similar expenses					(1,140,546)	(1,244,945)
Profit before taxation					3,616,075	2,823,654
Income tax expense					(86,271)	(113,729)
Profit for the year					3,529,804	2,709,925

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	Weaved products		Unweaved products			Total
	2013	2012	2013	2012	2013	2012
	EUR		EUR		EUR	
Revenue	56,002,285	46,648,502	28,667,438	24,362,865	84,669,723	71,011,367
Segment operating expenses	(42,526,941)	(34,644,703)	(19,502,074)	(15,808,238)	(62,029,015)	(50,452,941)
Unallocated expenses					(16,721,550)	14,771,663
Operating profit					5,919,158	5,786,763
Interest and similar income					848,904	2,332
Interest and similar expenses					(1,622,851)	(1,771,397)
Profit before taxation					5,145,211	4,072,962
Income tax expense					(122,752)	(161,822)
Profit for the year					5,022,459	3,985,876

Net sales by geographical area:

	2013		2012	
	LVL	EUR	LVL	EUR
Export sales:				
European Union	39,857,689	56,712,382	34,527,600	49,128,349
North America	8,553,468	12,170,488	6,330,409	9,007,361
CIS	5,076,048	7,222,566	4,298,464	6,116,163
Other countries	3,554,653	5,057,816	2,597,317	3,695,649
Local sales	2,464,362	3,506,471	2,153,283	3,063,845
Total	59,506,220	84,669,723	49,907,073	71,011,367

21. 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 fixed assets	13,681	19,466	12,979	18,467
Received bad debts (see Note 9)	3,997	5,687	19,928	28,355
Income from EU grants	155,033	220,592	-	-
Other	284,229	404,422	101,701	144,708
Total	565,132	804,110	292,249	415,833

22. RAW MATERIALS AND COSUMABLES

	2013		2012	
	LVL	EUR	LVL	EUR
Raw materials	20,864,614	29,687,671	15,794,856	22,474,055
Natural gas	3,487,602	4,962,411	3,243,297	4,614,796
Electricity	4,420,698	6,290,087	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	2,337,278	3,325,647	2,472,362	3,517,854
Total	32,129,452	45,716,092	26,114,233	37,157,206

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23. PERSONNEL EXPENSES

	2013		2012	
	LVL	EUR	LVL	EUR
Salaries	6,987,816	9,942,766	6,170,051	8,779,192
Social security contributions	1,720,618	2,448,219	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	44,602	63,463	41,094	58,471
Other	37,339	53,129	28,059	39,924
Total	9,706,145	13,810,600	8,345,330	11,874,334

The average number of employees was 931 (2012: 856).

24. DEPRECIATION AND AMORTISATION

	2013		2012	
	LVL	EUR	LVL	EUR
Fixed asset depreciation based on straight line method	5,668,004	8,064,843	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	5,924,614	8,429,966	5,092,176	7,245,513

25. OTHER OPERATING EXPENSES

	2013		2012	
	LVL	EUR	LVL	EUR
Transportation	4,119,863	5,862,037	3,402,003	4,840,614
Sales commission	911,219	1,296,548	1,007,541	1,433,602
Service costs	1,012,105	1,440,096	679,568	966,938
Spare parts	594,810	846,338	496,631	706,642
Repair expenses	518,611	737,917	434,725	618,558
Business trips	398,787	567,423	223,703	318,301
Insurance	217,376	309,298	203,285	289,248
Leasing	323,629	460,483	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	114,029	162,249	61,759	87,875
Office expenses	81,451	115,894	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 9)	1,000	1,423	21,029	29,922
Other	396,453	564,102	358,835	510,576
Total	9,053,414	12,881,848	7,482,197	10,646,207

* SIA Deloitte Audits Latvia has provided financial statement and consolidated audit services. Fee for audit for 2013 was EUR 29,000 (LVL 20,381).

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26. INTEREST AND SIMILAR INCOME

	2013		2012	
	LVL	EUR	LVL	EUR
Interest income	1,230	1,750	1,639	2,332
Net gain on change of fair value of derivative	595,383	847,154	-	-
Total	596,613	848,904	1,639	2,332

27. 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
Net loss on change of fair value of derivative	-	-	38,840	55,264
Interest expense	1,076,175	1,531,259	1,063,951	1,513,866
Other financial expenses	4,803	6,834	1,638	2,331
Total	1,140,546	1,622,851	1,244,945	1,771,397

28. CORPORATE INCOME TAX

28 (a) Income tax recognized in profit and loss

	2013		2012	
	LVL	EUR	LVL	EUR
Current tax	-	-	-	-
Deferred tax	(86,271)	(122,753)	(113,729)	(161,821)
Corporate income tax charge	(86,271)	(122,753)	(113,729)	(161,821)

28 (b) Reconciliation of accounting profit to tax charge:

	2013		2012	
	LVL	EUR	LVL	EUR
Profit before tax	3,616,075	5,145,211	2,823,654	4,017,698
Income tax expense calculated at 15%	(542,411)	(771,782)	(423,548)	(602,655)
Effect of expenses that are not deductible in determining taxable profit	(59,866)	(85,182)	(44,316)	(63,056)
Tax credit received for new technological equipment*	349,490	497,279	330,126	469,727
Other tax benefits and non-taxable income	9,019	12,833	-	-
Effect of change in unrecognized deferred tax asset	157,497	224,098	24,009	34,162
Corporate income tax charge	(86,271)	(122,752)	(113,729)	(161,822)

* The tax base of new technological equipment 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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28 (c) Net deferred tax liabilities as of end of the year:

	31.12.2013		31.12.2011	
	LVL	EUR	LVL	EUR
Deferred tax liabilities:				
Temporary difference on depreciation of fixed assets	3,534,857	5,029,648	3,266,110	4,647,257
Change in fair value of derivative	89,307	127,072	-	-
Total deferred tax liabilities	3,624,164	5,156,720	3,266,110	4,647,257
Deferred tax assets:				
Temporary difference on accrued liabilities	(90,111)	(128,216)	(37,259)	(53,015)
Allowance for excess of inventories net realizable value over cost	(22,341)	(31,788)	(15,834)	(22,530)
Tax loss carry forward*	(3,154,215)	(4,488,044)	(3,099,288)	(4,409,890)
Unused tax discounts expiring in 2016	(1,245,044)	(1,771,538)	(1,245,044)	(1,771,538)
Total deferred tax assets	(4,511,711)	(6,419,586)	(4,397,425)	(6,256,973)
Net deferred tax (asset)	(887,547)	(1,262,866)	(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	200,000	284,574	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 Company's ability to use related deferred tax assets, based on approved budgets and estimates of taxable income of the Company in the years where related tax benefits expire.

29. EARNINGS PER SHARE

	2013		2012	
	LVL	EUR	LVL	EUR
Current year profit	3,529,804	5,022,459	2,710,603	3,856,841
Average number of shares outstanding	23,903,205	23,903,205	23,903,205	23,903,205
Earnings per share	0.1477	0.2101	0.1134	0.1614

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30. 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	353,046	502,339	312,164	444,169
Social security payments	81,477	115,931	71,962	102,393
Total	974,326	1,386,341	793,119	1,128,506

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

31. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Investment in and loan from subsidiary

	31.12.2013.	
	LVL	EUR
Valmiera Glass UK Limited (since 04.10.2013.)	9,137,155	13,001,000
Total	9,137,155	13,001,000

The Company has acquired shares of subsidiary Valmiera Glass UK Limited (formerly named P-D Interglas Technologies Limited) from related party during the year.

As a part of acquisition of the subsidiary, the Company also took over the loan issued by the subsidiary to its previous shareholder in amount of EUR 3,000,000 (LVL 2,108,412), which is presented as non-current liabilities. The interest rate of the loan is 4% p.a. and it is not secured.

The principal operating activity of the subsidiary is production of fiberglass.

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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	712,835	141,036	3,068,248	228,997
P-D Management Industries – Technologies	-	2,841,150	-	3,893
Entities controlled by the parties controlling the Company				
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 Interglas Technologies GmbH	14,890	-	-	-
Entities controlled by the party with significant influence over the Company				
VITRULAN Textile Glass GmbH	21,963	115,932	-	19,148
VITRULAN Technical Textiles GmbH	118,332	495	53,408	704
Subsidiary				
Valmiera Glass UK Limited	488,581	2,081	-	-
Total	1,531,925	3,162,052	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	1,014,273	200,676	4,365,724	325,833
P-D Management Industries – Technologies	-	4,042,592	-	5,539
Entities controlled by the parties controlling the Company				
J. Preiss- Daimler Consulting	-	3,684	-	10,083
P-D Tatneft Fiberglass Alabuga	179,473	-	226,134	10,804
P-D Industriegesellschaft GmbH Bratendorf	69,991	83,621	-	-
P-D Interglas Technologies GmbH	21,187	-	-	-
Entities controlled by the party with significant influence over the Company				
VITRULAN Textile Glass GmbH	31,250	164,956	-	27,245
VITRULAN Technical Textiles GmbH	168,371	704	75,993	1,002
VITRULAN International GmbH	-	-	-	-
Subsidiary				
Valmiera Glass UK Limited	695,188	2,961	-	-
Total	2,179,733	4,499,194	4,667,851	380,506
Transactions with related parties				
	2013		2012	
	LVL	EUR	LVL	EUR
Subsidiary				
Sale of goods	1,487,586	2,116,645	-	-
Purchase of goods	(37,993)	(54,059)	-	-
Provision of services	203,619	289,724	-	-
Purchase of services	(21,553)	(30,667)	-	-
Other related parties				
Sale of goods	16,975,626	24,154,139	25,086,995	35,695,578
Provision of services	29,175	42,512	30,122	42,860
Acquisition and development of tangible assets	(214,858)	(305,715)	(84,368)	(120,045)
Purchase of goods	(1,142,612)	(1,625,790)	(827,433)	(1,177,331)
Sales commissions	(911,219)	(1,296,548)	(1,007,541)	(1,433,602)
Purchase of services	(722,001)	(1,027,315)	(1,025,198)	(1,458,725)

The Company has not recognized any allowances in respect of receivables from related parties.

NOTES TO THE FINANCIAL STATEMENTS
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32. FINANCIAL RISK MANAGEMENT

Main financial instruments of the Company are loans, finance lease, cash and its equivalents. The primary objective of these financial instruments is to ensure the necessary financing for the Company. The Company 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 Company has loans with variable EURIBOR interest rate from credit institutions. Therefore it is exposed to any changes in interest rates.

The Company 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 Company has agreed to exchange the floating 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 average interest rate is based on the outstanding balances 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 21,073,113 (LVL 14,810,268) (2012: EUR 24,585,314 (LVL 17,278,657)), 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 Company operates internationally and performs transactions in EUR and USD. As EUR rate to LVL is fixed, the Company is mainly is exposed to foreign currency risk arising from USD fluctuations. Approximately 14% of total sales in 2013 resulted from contracts denominated in USD (2012: 12%).

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

The carrying amounts of the Company'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	Other	EUR	USD
Trade and other receivables	5,209,102	1,442,937	-	4,722,844	1,419,554
Loans	27,901,596)	-	-	(20,924,006)	-
Finance lease	(143,475)	-	-	(116,184)	-
Trade and other payables	(6,303,078)	(333,996)	(80)	(2,032,117)	(204,135)
Balance sheet exposure, LVL	(29,139,047)	1,108,941	(80)	(41,461,129)	1,577,881

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EUR	31.12.2013			31.12.2012	
	EUR	USD	Other	EUR	USD
Trade and other receivables	7,411,884	2,053,114	-	6,720,002	2,019,843
Loans	(39,700,395)	-	-	(29,772,179)	-
Finance lease	(204,146)	-	-	(165,315)	-
Trade and other payables	(8,968,472)	(475,234)	(114)	(2,891,442)	(290,457)
Balance sheet exposure, EUR	(41,461,129)	1,577,881	(114)	(26,108,934)	1,729,386

The above net position in USD 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 Company 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 Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade receivables and cash at bank, which as at 31 December 2013 amounted to LVL 7,060,350 (EUR 10,045,973) and LVL 436,712 (EUR 621,385), respectively.

The Company has significant exposure of credit risk with its foreign customers. The Company'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 Company has also set credit limits for each customer. Customers from countries with increased risk are usually required to pay in advance.

The Company 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.

As at 31 December 2013 and 2012 the Company has significant credit risk exposure to a single customer – related party. Sales to this related party amounted to 26.0% of the total sales of the Company. The receivable from his customer as of 31 December 2013 amounted to LVL 712,835 (EUR 1,014,273) or 10% of total trade receivables (2012: LVL 3,068,248 (EUR 4,365,724)). In respect to credit risk arising from the other financial assets of the Company, the Company'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 Company 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 Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company'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 Company's reputation.

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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.

Categories of financial instruments

	Loans and receivables	Financial liabilities at amortized costs	Financial liabilities at fair value	Instruments out of IAS 39	31.12.2013 Total
LVL					
Financial assets					
Trade accounts receivable	7,060,350				6,950,775
Other accounts receivable	391,767				391,767
Cash and cash equivalents	436,712				436,712
Total financial assets	7,888,829				7,779,254
Financial liabilities					
Financial lease liability				143,475	143,475
Loans from credit institution		25,793,185			25,793,185
Other loans		2,108,412			2,108,412
Trade accounts payable		8,509,063			8,509,063
Taxes and social security contributions		422,379			422,379
Other liabilities		357,728			357,728
Derivative			1,142,644		1,142,644
Total financial liabilities		37,190,767	1,142,644	143,475	38,476,886
EUR					
Financial assets					
Trade accounts receivable	10,045,973				10,045,973
Other accounts receivable	557,434				557,434
Cash and cash equivalents	621,385				621,385
Total financial assets	11,224,792				11,224,792
Financial liabilities					
Financial lease liability				204,146	204,146
Loans from credit institution		36,700,396			36,700,396
Other loans		3,000,000			3,000,000
Trade accounts payable		12,107,305			12,107,305
Taxes and social security contributions		600,991			600,991
Other liabilities		509,001			509,001
Derivative			1,625,835		1,625,835
Total financial liabilities		52,917,693	1,625,835	204,146	54,747,674

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Liquidity tables

31.12.2013	Less than 6 months	6-12 months	From 1-2 years	From 2-5 years	Total
LVL					
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	5,587,569	2,811,919	-	-	8,399,488
Total LVL	7,905,082	9,196,888	8,007,865	11,334,726	36,444,561
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	7,950,394	4,001,000	-	-	11,951,394
Total EUR	11,247,918	13,085,993	11,394,165	16,127,861	51,855,937

31.12.2012	Less than 6 months	6-12 months	From 1-2 years	From 2-5 years	Over 5 years	Total
LVL						
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	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

Carrying amount of these financial assets and liabilities approximates the fair value of these items as of 31 December 2013.

Capital management

The Company'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 Company consists of borrowings, which are disclosed in Note 13, and items presented within equity in the statement of financial position. The Company's board manage the Company'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	(436,712)	(621,385)	(168,422)	(239,643)
NET DEBT	27,464,886	39,079,011	20,755,585	29,532,536
Equity	33,307,076	47,391,700	30,876,819	43,933,755
TOTAL CAPITAL	69,314,925	98,626,252	56,912,724	80,979,511
GEARING RATIO	82%	82%	67%	67%

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33. COMMITMENTS

(a) Land lease

On 27 November 2001 the Company 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 2012 and 2011.

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

c) Other operating lease

The Company as a lessee has entered in operating lease agreements for premises and equipment. Total lease expenses in 2013 were LVL 306,267 (EUR 435,779) (2012: LVL 193,219 (EUR 274,926)). Total future lease payments are as follows:

	2013		2012	
	LVL	EUR	LVL	EUR
Within 1 year	207,912	295,832	91,824	130,654
2 to 5 years	841,512	1,197,364	402,015	572,016
Total	1,049,424	1,493,196	493,839	702,670

34. SUBSEQUENT EVENTS

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.
