

AS VALMIERAS STIKLA ŠĶIEDRA CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the 12-month period ending 31 December, 2019
Unaudited



**VALMIERA[®]
GLASS**

PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS

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THE IMPOSSIBLE**

AS VALMIERAS STIKLA ŠĶIEDRA
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AS VALMIERAS STIKLA ŠĶIEDRA
GENERAL INFORMATION

NAME OF THE PARENT COMPANY	VALMIERAS STIKLA ŠĶIEDRA
LEGAL STATUS	Joint stock company
REGISTRATION NUMBER. PLACE AND DATE	No. 40003031676 Riga, 30 September 1991
TYPE OF BUSINESS	Production of glass fibre products
ADDRESS	13 Cempu Street. Valmiera. LV- 4201, Latvia
SUBSIDIARIES	VALMIERA GLASS UK Ltd Reg. No 2189095 (100%) Sherborne, Dorset DT9 3RB United Kingdom P-D VALMIERA GLASS USA Corp., Reg. No 14036662 (52.21%) 168 Willie Paul Parkway, Dublin, GA 31021, United States of America VALMIERA GLASS USA Trading Corp., Reg. No 14036664 (100%) 168 Willie Paulk Parkway, Dublin, GA 31021, United States of America
THE BOARD	Chairman of the Board: Stefan Jugel Members of the Board: Ģirts Vēveris Ingo Bleier (from 01.08.2019) Andre Heinz Schwiontek (till 01.08.2019) Doloresa Volkopa (until 01.06.2019)
THE COUNCIL	Chairman of the Council: Heinz-Jürgen Preiss-Daimler (till 04.02.2020) Members of the Council: Stefan Alexander Preiss-Daimler Andris Oskars Brutāns Jöran Pfuhl (till 23.03.2019) Ainārs Ozols (from 28.06.2019) Theis Klauberg (from 28.06.2019)
REPORTING PERIOD	1 January 2019 - 31 December 2019
REPORTING YEAR	1 January 2019 - 31 December 2019

PROFILE OF GROUP'S COMPANIES

AS VALMIERAS STIKLA ŠĶIEDRA and its subsidiaries (hereinafter –the GROUP) is one of the leading glass fibre manufacturers in Europe. with more than 55 years of experience in the production of glass fibre. GROUP'S core business areas are glass fibre research, glass fibre product development, production and trade.

During the reporting period GROUP consisted of the parent company AS VALMIERAS STIKLA ŠĶIEDRA (hereinafter –the Company) and its subsidiaries VALMIERA GLASS UK Ltd. (hereinafter – the UK Subsidiary) in the United Kingdom, P-D VALMIERA GLASS USA Corp. (hereinafter –the US Subsidiary) and VALMIERA GLASS USA Trading Corp. (hereinafter – the US trading subsidiary) in the United States of America.

GROUP is the only group in the world with a vertically integrated structure and a wide range of glass fibre products for the thermal insulation market, with a temperature resistance up to 1250°C.

The Company specializes in manufacturing glass fibre and glass fibre products using three different types of glass: E-glass with a temperature resistance of 600+°C, HR-glass with a temperature resistance of 800+°C and SiO₂-glass with a temperature resistance of 1000+°C. The glass fibre production of the Company is used for further processing, in technical (electrical, thermal and acoustic) insulation materials and as finished materials in mechanical engineering, construction and elsewhere.

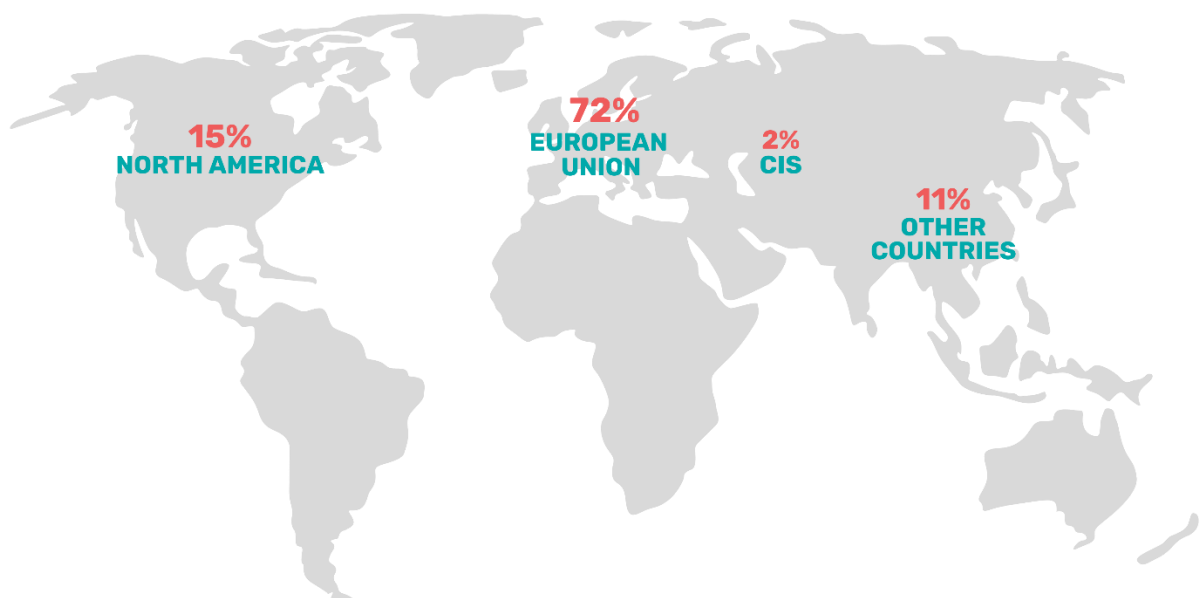
The UK Subsidiary produces glass fibre products for the aviation industry, thermal insulation applications and architecture, and the US Subsidiary manufactures glass fibre non-woven materials.

MARKETS AND PRODUCTS

In 2019, products manufactured by VALMIERAS STIKLA ŠĶIEDRA AS, the parent company of the GROUP, were exported to 51 country across the world, with the export share of 97%. The key sales markets of the VALMIERA GLASS GROUP have remained similar: 72% of the total output was sold in European Union countries, 15% in North America, 2% in CIS countries and 11% in other export countries (incl. Switzerland, Japan, South Korea, UAE, etc.).

Across product segments, sales volumes increased for high value-added products, such as E-glass fibre textured fabrics and construction mesh and non-woven materials with a thermal resistance of 600+°C, as well as for the high-content SiO₂ glass fibre fabrics with a thermal resistance of 1000+°C. In other product segments, the sales volumes are considered as stable or with a decrease. Within the GROUP, the largest increase in turnover was observed in the raw materials and thermal insulation product segments.

KEY SALES MARKETS OF VALMIERA GLASS GROUP:



EMPLOYEES

In 2019, the Group employed on average 1313 employees, of which 1120 were employed by the Company. The UK subsidiary employed on average 131 employees and the US subsidiary employed on average 62 employees.

QUALITY MANAGEMENT

All the companies of the Group operate in accordance with the Quality Management System Standard ISO 9001:2015. The Company additionally is certified in accordance with the requirements of Energy Management Standard ISO 50001:2011 and Environment Management Standard ISO 14001:2015.

FINANCIAL RESULTS

MAIN FINANCIAL INDICATORS OF VALMIERA GLASS GROUP:

TEUR	2015	2016	2017	2018	2019
Net sales	121 192	124 814	125 864	114 245	122 013
EBITDA	16 149	17 752	18 441	(99 300)	1 097
EBIT	6 851	7 204	7 317	(113 863)	(8 816)
Net profit/ (loss) attributable to the owners of the Parent	5 475	4 741	7 053	(57 603)	(4 998)
Sales growth	11,8%	3,0%	0,8%	-9,2%	6,8%
EBITDA margin	13,3%	14,22%	14,7%	-86,9%	0,9%
EBIT margin	5,7%	5,8%	5,8%	-99,7%	-7,2%
Net profit margin	4,5%	3,8%	5,6%	-50,4%	-4,1%
ROE	10,3%	8,7%	10,82%	-111,5%	-9,5%
ROA	4,11%	3,37%	4,06%	-57,76%	-4,83%
ROCE	7,1%	5,27%	9,18%	-437,6%	-39,8%
Current ratio	1,25	1,11	0,35	0,58	0,53
Earnings per share (EUR)	0,2291	0,2011	0,2951	(2,3807)	(0,2091)

The GROUP'S EBITDA amounted to EUR 1.1 million, demonstrating EUR 100.4 million increase compared to 2018. EBITDA margin increased from -86.9% in 2018 to 0.9% in 2019. The GROUP'S net loss for year 2019, attributable to the owners of the Company, amounted to EUR 5 million.

It must be noted that both EBITDA and net result for year 2018 are significantly affected by one-off items such as increase in the amount of impairment allowances for tangible and intangible assets of US subsidiary (EUR 99.34 million).

The Group's EBITDA and net result indicators of both years 2018 and 2019 are negatively affected by the weak financial performance of the US subsidiary. Please see the statement of profit and loss of US subsidiary on page 24 of these financial statements.

MAIN FINANCIAL INDICATORS OF AS VALMIERAS STIKLA ŠĶIEDRA

TEUR	2015	2016	2017	2018	2019
Sales	103 262	101 413	104 039	90 549	90 977
EBITDA	15 351	13 520	14 020	-67 338	13 157
EBIT	6 845	4 199	3 866	-77 268	3 650
Net profit/ (loss)	5 486	2 440	4 252	-92 824	-436
Sales growth	12,6%	-1,8%	2,6%	-13,0%	0,5%
EBITDA margin	14,9%	13,3%	13,5%	-74,4%	14,5%
EBIT margin	6,6%	4,1%	3,7%	-85,3%	4,0%
Net profit margin	5,3%	2,4%	4,1%	-102,5%	-0,5%
ROE	10,3%	4,4%	7,4%	-906,8%	1,1%
ROA	4,38%	1,87%	2,42%	-105,54%	-0,44%
ROCE	7,5%	4,6%	5,8%	-272,6%	10,4%
Current ratio	0,98	0,89	0,48	0,42	0,39
Earnings per share (EUR)	0,2295	0,1021	0,1779	(3.8833)	(0.0183)

EBITDA of the Company amounted to EUR 13.2 million, EUR 80.54 million more than in 2018. EBITDA margin increased from -74.4% in 2018 to 14.5% in 2019. The Company's net result for year 2019 amounted to EUR -0.4 million.

It must be noted that both EBITDA and net result for year 2018 are significantly affected by one-off items such as increase in the amount of impairment allowances for financial investments, loans and trade receivables related to US subsidiary (EUR 98.4 million).

In 2018, the Company's exceptionally weak EBITDA performance and negative net result reflect the operating and financial issues of US subsidiary. Please see the balance sheet and statement of profit and loss of P-D VALMIERA GLASS USA Corp. on pages 19, 20 and 24 of these financial statements.

Definition of Alternative Performance Measures

Formulas of APM

EBITDA: Earnings before interest, tax, depreciation and amortisation. EBITDA shows company's profitability with existing assets and activities in production and sales.

*Operating profit +
depreciation and
amortisation*

EBIT: Earnings before interest and taxes. Earnings before and taxes measures the profit a company generates from its operations, making it synonymous with operating profit.

Operating profit

Net profit/(loss): The actual profit after working expenses not included in the calculation of gross profit have been paid.

*Earnings after interest and
taxes (Profit for the year)*

ROA, %: Indicator of how profitable a company is relative to its total assets. The indicator reflects how effectively company is profiting from the use of its assets

*Net profit / Average Total
assets for the period*

ROE, %: Measure of financial performance calculated by dividing net income by shareholders' equity.) The indicator reflects the effective use of equity capital by the company.

*Net profit / Average Total
equity for the period*

ROCE, %: Measures a company's profitability and the efficiency with which its capital is used.

*EBIT/Total assets-current
liabilities*

EBITDA margin, %: Assessment of a firm's operating profitability as a percentage of its total revenue.

EBITDA / Net sales

EBIT margin/operating profit margin, %: operating earnings over operating sales.

EBIT / Net sales

Net profit margin, %: The net profit margin is equal to how much net income or profit is generated as a percentage of revenue.

Net profit / Net sales

Earnings per share (EUR): The portion of a company's profit allocated to each share of common stock.

*Net profit/ weighted average
common shares outstanding*

Current ratio: The ability of a party to use current assets to settle current liabilities.

*Current assets / Current
liabilities*

The above - described alternative performance measures ('APM') are used by GROUP'S management to evaluate GROUP'S performance for a particular financial period. These APM are also used to make decisions.

STOCK MARKET

AS VALMIERAS STIKLA ŠĶIEDRA shares are quoted on the secondary list of Nasdaq Riga stock exchange since 24 February 1997 (ISIN LV0000100485; ID: VSS1R). The number of shares in public circulation amounts to 23,903,205.

The share price decreased by 47.79% during the course of the 12 months of 2019 and fluctuated within the range from EUR 1.02 (lowest share price) to EUR 2.79 (highest share price). During this period, the weighted average share price amounted to EUR 1.66. The share price of the first transaction at the beginning of the period was EUR 2.20, whereas the share price of the last transaction at the end of the period was EUR 1.18.

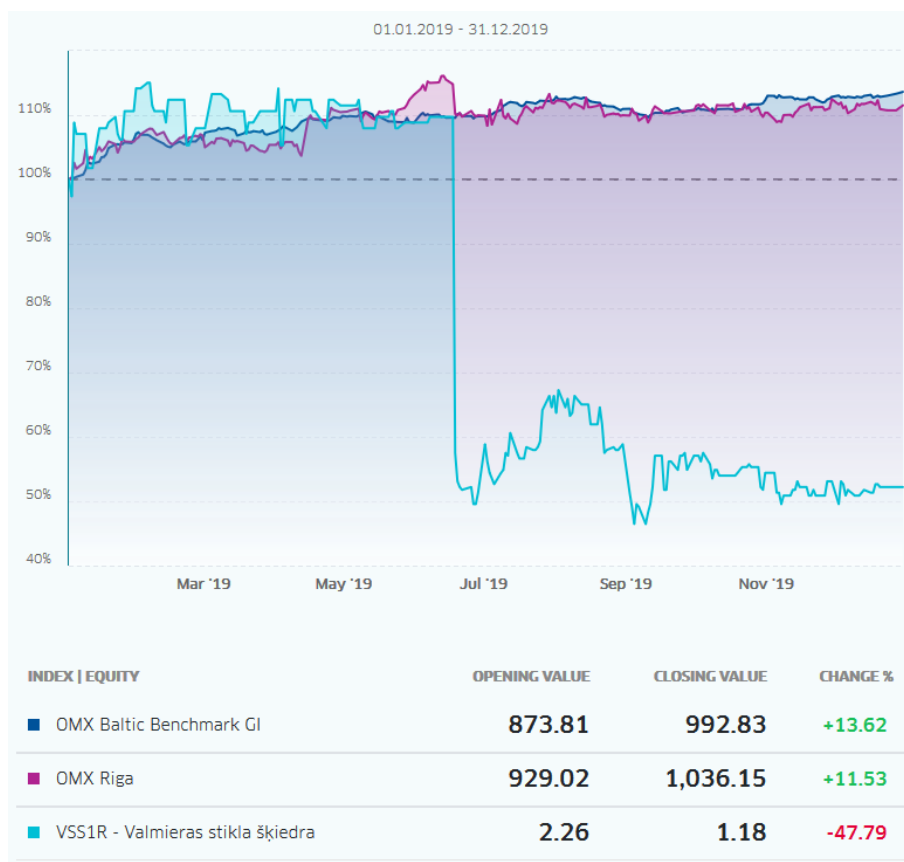
In the 12 months of 2019, the number of shares traded by the Company reached 550,134 and the turnover of shares amounted to EUR 0.75 M. During this period, 1,580 transactions were executed on the Exchange.

Price dynamics of AS VALMIERAS STIKLA ŠĶIEDRA shares during the last five years before the end of the reporting period (Nasdaq Riga data):

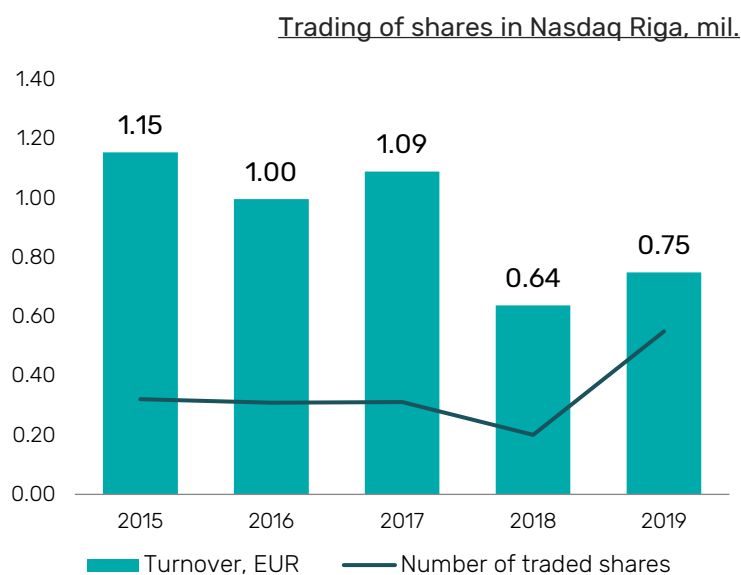


In the 12 months of 2019, the price of the Company shares decreased by 47.79%, while the OMX Riga index value corrected by 11.53% while that of the OMX Baltic Benchmark GI by 13.62%.

The price of AS VALMIERAS STIKLA ŠĶIEDRA shares in the 12 months of 2019 compared to OMX Baltic Benchmark GI and OMX Riga indexes (Nasdaq Riga data):



Trading of Company's shares in the 12 months 2019 (Nasdaq Riga data):



LEGAL PROTECTION PROCEEDINGS

On 18 June 2019 Vidzeme District Court adopted a decision to approve the Company's application for legal protection proceedings (hereinafter –the LPP) commencement and has initiated the Company's LPP case.

On 18 October 2019 Vidzeme District Court adopted a decision to approve the plan of the Company's legal protection proceedings (hereinafter – LPP Plan), and the respective process implementation period of two years starting on 18 October 2019.

The Company informs, that during 2019 it has successfully fulfilled its obligations under the LPP Plan.

EVENTS AFTER THE END OF THE REPORTING PERIOD

On January 14, 2020 the Company called up and announced the extraordinary General Meeting of Shareholders of the Company, where it was planned to take decision of issue of convertible bonds. The Company cancelled the announced meeting on January 31, 2020, because of the majority shareholders of the Company (P-D Group) have informed the Company that they have entered into negotiations with regard to the strategic future of the Company.

The Company will distribute the audited separate and consolidated financial statements for year 2019 (hereinafter, the 2019 financial statements) by 31 July 2020. The expected delay of the publication of the financial statements is related to the late publication of the audited separate and consolidated financial statements for year 2018 on 6 December 2019. Audit firms were able to submit their offers for the audit of year 2019 financial statements, only after the publication of the separate and consolidated financial statements for year 2018 – December 2019. At that point in time, their resources were fully reserved for work on other audit and advisory projects until May 2020. The audit firms offered to carry out year 2019 financial statement audit in the period from May through July 2020, and sign the auditors' reports by 31 July 2020.

On February 4, 2020 the Chairman of the Supervisory Board and the founder of P-D group Mr. Heinz-Jürgen Preiss-Daimler passed away at the age of 80.

AS VALMIERAS STIKLA ŠĶIEDRA
STATEMENT OF MANAGEMENT RESPONSIBILITIES

The management of the Company is responsible for the preparation of the financial statements of the Company and the GROUP.

The financial statements are prepared in accordance with the source documents and present fairly the financial position of the Company and the GROUP as of 31 December 2019 and the results of their operations and cash flows for the period then ended. The management confirms that appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements. The management also confirms that the requirements of International Financial Reporting Standards as adopted by the EU have been complied with and that the financial statements have been prepared on a going concern basis.

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

On behalf of the management

Stefan Jugel
Chairman of the Board

**STATEMENT OF FINANCIAL POSITION OF THE GROUP
FOR THE 12 MONTH PERIOD ENDED 31 DECEMBER 2019**

	VALMIERA GLASS GROUP	
	31.12.2019	31.12.2018 (restated)
	EUR	EUR
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Software, licenses, patents, trademarks, similar rights	1 028 650	871 120
Software in acquisition process	84 888	94 052
Goodwill	4 125 537	3 662 559
Total intangible assets	5 239 075	4 627 731
Property, plant and equipment		
Land and buildings	9 725 174	10 846 392
Equipment and machinery	40 711 811	43 744 062
Other fixed assets	668 212	765 468
Right-of-use assets	956 029	-
Construction in progress	2 726 393	433 023
Advance payments for fixed assets	502 914	501 664
Total property, plant and equipment	55 290 533	56 290 609
Non-current financial investments		
Deferred expenses	208 881	204 119
Total non-current financial investments	208 881	204 119
Deferred tax asset	1 995 187	904 799
Total non-current assets	62 733 676	62 027 258
CURRENT ASSETS		
Inventories		
Raw materials	10 070 866	10 244 440
Work in progress	3 969 815	5 688 616
Finished goods	12 813 494	11 441 243
Advance payments for inventories	763 806	361 324
Total inventories	27 617 981	27 735 623
Debtors		
Trade receivables	4 953 248	7 833 674
Amounts due from related parties	830 638	74 152
Other receivables	3 467 013	797 378
Deferred expenses	1 349 276	916 696
Total debtors	10 600 175	9 621 900
Cash and cash equivalents	2 564 109	349 477
Total current assets	40 782 265	37 707 000
TOTAL ASSETS	103 515 941	99 734 258

**STATEMENT OF FINANCIAL POSITION OF THE GROUP
FOR THE 12 MONTH PERIOD ENDED 31 DECEMBER 2019**

	VALMIERA GLASS GROUP	
	31.12.2019	31.12.2018 (restated)
	EUR	EUR
LIABILITIES AND EQUITY		
SHAREHOLDERS' EQUITY		
Share capital	33 464 487	33 464 487
Foreign currency translation reserve	(3 920 170)	(4 197 550)
Other reserves	(3 157 882)	(3 000 141)
Retained earnings		
Profit/ (loss) brought forward	(27 286 353)	30 317 526
(Loss) for the current reporting period	(5 999 008)	(57 603 879)
Total equity attributable to owners of the parent company	(6 898 926)	(1 019 557)
Non-controlling interest	(52 414 683)	(44 749 801)
Total equity	(59 313 609)	(45 769 358)
LIABILITIES		
Non-current liabilities		
Borrowings from credit institutions	50 000 000	55 426 558
Borrowings from other related parties	-	5 557 348
Finance leases	123 702	329 282
Finance leases from related parties	-	86 875
Other borrowings	4 723 937	1 118 528
Liabilities of right-to-use assets	912 591	-
Trade payables	1 943 297	-
Payables to related parties	14 802 386	-
Deferred tax liabilities	633 557	582 202
Defined benefit obligation	3 834 147	4 372 128
Deferred income	4 492 125	3 701 669
Derivative financial instruments	-	616 514
Total non-current liabilities	81 465 742	71 791 103
Current liabilities		
Borrowings from credit institutions	41 512 166	30 445 265
Borrowings from related companies	-	350 000
Finance leases	76 233	169 056
Liabilities of right-to-use assets	485 763	-
Other borrowings	3 735 346	186 525
Contract liabilities	566 631	3 084 814
Trade payables	21 648 926	25 608 632
Payables to related parties	4 439 239	4 850 913
Taxes and social security contributions	2 531 650	2 258 817
Other accounts payable	1 247 495	1 569 810
Accrued liabilities	4 122 800	3 746 910
Defined benefit obligation	997 559	950 220
Deferred income	-	491 413
Total current liabilities	81 363 808	73 712 512
Total liabilities	162 829 550	145 503 616
TOTAL EQUITY AND LIABILITIES	103 515 941	99 734 258

**STATEMENT OF FINANCIAL POSITION OF AS VALMIERAS STIKLA ŠĶIEDRA
FOR THE 12 MONTH PERIOD ENDED 31 DECEMBER 2019**

	AS VALMIERAS STIKLA ŠĶIEDRA	
	31.12.2019	31.12.2018 (restated)
	EUR	EUR
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Software, licenses, patents, trademarks, similar rights	1 028 650	871 119
Software in acquisition process	84 888	94 052
Total intangible assets	1 113 538	965 171
Property, plant and equipment		
Land and buildings	8 953 075	10 093 046
Equipment and machinery	39 279 838	42 469 174
Other fixed assets	544 962	654 878
Right-of- use assets	956 029	-
Construction in progress	2 716 249	433 023
Advance payments for fixed assets	502 914	444 920
Total property, plant and equipment	52 953 067	54 095 041
Non-current financial investments		
Investments in subsidiaries	13 000 000	13 000 000
Loans to subsidiaries	569 794	-
Total non-current financial investments	13 569 794	13 000 000
Total non-current assets	67 636 399	68 060 212
CURRENT ASSETS		
Inventories		
Raw materials	5 685 191	6 014 250
Work in progress	3 295 047	2 109 816
Finished goods	5 613 675	5 458 428
Advance payments for inventories	459 698	160 702
Total inventories	15 053 611	13 743 196
Debtors		
Trade receivables	1 916 137	4 225 028
Receivables from subsidiaries	776 732	686 771
Amounts due from related parties	10 905 239	1 718
Other receivables	21 661	656 994
Deferred expenses	1 047 836	513 598
Total debtors	14 667 605	6 084 109
Cash and cash equivalents	1 096 247	60 455
Total current assets	30 817 463	19 887 760
TOTAL ASSETS	98 453 862	87 947 972

**STATEMENT OF FINANCIAL POSITION OF AS VALMIERAS STIKLA ŠĶIEDRA
FOR THE 12 MONTH PERIOD ENDED 31 DECEMBER 2019**

	AS VALMIERAS STIKLA ŠĶIEDRA	
	31.12.2019	31.12.2018 (restated)
	EUR	EUR
LIABILITIES AND EQUITY		
SHAREHOLDERS' EQUITY		
Share capital	33 464 487	33 464 487
Foreign currency translation reserve	-	-
Other reserves	546 709	546 709
Total shareholders capital	34 011 196	34 011 196
Retained earnings		
Profit/ (loss) brought forward	(72 386 522)	20 437 370
(Loss) for the current reporting period	(436 331)	(92 823 893)
Total equity	(38 811 657)	(38 375 327)
LIABILITIES		
Non-current liabilities		
Borrowings from credit institutions	50 000 000	55 426 558
Borrowings from other related parties	-	4 372 589
Finance leases	-	3 895 000
Other borrowings	-	86 875
Liabilities of right-to-use assets	702 456	-
Trade payables	1 943 297	-
Payables to subsidiaries	5 458 681	-
Payables to other related parties	13 427 538	-
Deferred income	2 318 364	2 318 364
Derivative financial instruments	-	616 514
Total non-current liabilities	73 850 336	66 715 900
Current liabilities		
Borrowings from credit institutions	41 000 000	27 159 727
Borrowings from related companies	-	350 000
Finance leases	-	9 817
Liabilities of right-to-use assets	337 919	-
Contract liabilities	545 236	947 023
Trade payables	12 297 981	16 045 019
Payables to subsidiaries	891 628	3 355 126
Payables to other related parties	2 184 439	3 345 431
Taxes and social security contributions	1 427 601	1 322 667
Other accounts payable	1 186 470	886 468
Accrued liabilities	3 543 909	5 805 338
Deferred income	-	380 783
Total current liabilities	63 415 183	59 607 399
Total liabilities	137 265 519	126 323 299
TOTAL EQUITY AND LIABILITIES	98 453 862	87 947 972

**STATEMENT OF FINANCIAL POSITION OF VALMIERA GLASS UK Ltd.
FOR THE 12 MONTH PERIOD ENDED 31 DECEMBER 2019**

	VALMIERA GLASS UK Ltd.	
	31.12.2019	31.12.2018
	EUR	EUR
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment		
Land and buildings	772 099	753 345
Equipment and machinery	1 388 577	1 274 887
Other fixed assets	106 849	110 590
Total property, plant and equipment	2 267 525	2 138 823
Non-current financial investments		
Loans to related parties	7 699 308	6 243 991
Total non-current financial investments	7 699 308	6 243 991
Deferred tax asset	918 025	904 799
Total non-current assets	10 884 858	9 287 613
CURRENT ASSETS		
Inventories		
Raw materials	2 427 881	2 225 621
Work in progress	320 390	3 433 750
Finished goods	6 467 327	2 220 105
Advance payments for inventories	-	132 699
Total inventories	9 215 598	8 012 175
Debtors		
Trade receivables	1 820 863	2 745 697
Amounts due from related parties	199 340	597 269
Other receivables	569 576	-
Total debtors	2 589 779	3 342 966
Cash and cash equivalents	414 393	247 516
Total current assets	12 219 770	11 602 657
TOTAL ASSETS	23 104 628	20 890 270

**STATEMENT OF FINANCIAL POSITION OF VALMIERA GLASS UK Ltd.
FOR THE 12 MONTH PERIOD ENDED 31 DECEMBER 2019**

	VALMIERA GLASS UK Ltd.	
	31.12.2019	31.12.2018
	EUR	EUR
LIABILITIES AND EQUITY		
SHAREHOLDERS' EQUITY		
Share capital	5 477 066	5 477 066
Share premium	3 104 569	3 104 569
Foreign currency translation reserve	(110 829)	(709 778)
Other reserves	(1 755 995)	(1 517 879)
Total equity attributable to owners of the parent company	6 714 811	6 353 978
Retained earnings		
Profit brought forward	5 911 289	3 984 924
Profit for the current reporting period	2 058 613	1 783 687
Total equity	14 684 713	12 122 590
LIABILITIES		
Non-current liabilities		
Finance leases	123 702	-
Deferred tax liabilities	633 557	582 202
Defined benefit obligation	3 834 147	4 372 128
Total non-current liabilities	4 591 406	4 954 330
Current liabilities		
Borrowings from credit institutions	512 166	665 451
Finance leases	76 232	-
Trade payables	948 687	504 562
Payables to subsidiaries	531 822	706 979
Payables to other related parties	-	289 970
Taxes and social security contributions	216 459	132 996
Other accounts payable	15 520	-
Accrued liabilities	530 064	563 172
Defined benefit obligation	997 559	950 220
Total current liabilities	3 828 509	3 813 350
Total liabilities	8 419 915	8 767 680
TOTAL EQUITY AND LIABILITIES	23 104 628	20 890 270

**STATEMENT OF FINANCIAL POSITION OF P-D VALMIERA GLASS USA Corp.
FOR THE 12 MONTH PERIOD ENDED 31 DECEMBER 2019**

	P-D VALMIERA GLASS USA Corp.	
	31.12.2019	31.12.2018
	EUR	EUR
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment		
Equipment and machinery	43 396	-
Other fixed assets	16 401	-
Construction in progress	10 144	-
Advance payments for fixed assets	-	56 744
Total property, plant and equipment	69 941	56 744
Non-current financial investments		
Deferred expenses	208 881	204 119
Total non-current financial investments	208 881	204 119
Deferred tax asset	1 077 163	-
Total non-current assets	1 355 985	260 864
CURRENT ASSETS		
Inventories		
Raw materials	1 957 794	3 594 619
Work in progress	354 378	145 050
Finished goods	982 492	2 441 630
Advance payments for inventories	304 108	67 925
Total inventories	3 598 772	6 249 224
Debtors		
Trade receivables	1 216 248	862 950
Amounts due from related parties	442 360	3 137 188
Other receivables	2 875 776	140 383
Deferred expenses	301 440	596 833
Total debtors	4 835 824	4 737 354
Cash and cash equivalents	1 053 469	41 506
Total current assets	9 488 065	11 028 084
TOTAL ASSETS	10 844 050	11 288 947

**STATEMENT OF FINANCIAL POSITION OF P-D VALMIERA GLASS USA Corp.
FOR THE 12 MONTH PERIOD ENDED 31 DECEMBER 2019**

	P-D VALMIERA GLASS USA Corp.	
	31.12.2019	31.12.2018
	EUR	EUR
LIABILITIES AND EQUITY		
SHAREHOLDERS' EQUITY		
Share capital	13 659 471	13 659 471
Foreign currency translation reserve	(2 257 885)	(1 973 431)
Other reserves	3 194 690	3 194 690
Retained earnings		
Profit/ (loss) brought forward	(64 601 284)	369 315
(Loss) for the current reporting period	(9 157 525)	(64 970 599)
Total equity attributable to owners of the parent	(59 162 533)	(49 720 554)
Non-controlling interest	(52 394 467)	(43 917 688)
Total equity	(111 557 000)	(93 638 242)
LIABILITIES		
Non-current liabilities		
Borrowings from related companies	86 362 091	79 895 915
Borrowings from other related parties	-	1 118 528
Liabilities of right-to-use assets	210 135	-
Finance lease	-	329 282
Other borrowings	4 723 937	
Payables to related parties	1 374 848	-
Deferred income	2 173 762	1 383 304
Total non-current liabilities	94 844 773	82 727 029
Current liabilities		
Borrowings from credit institutions	-	2 620 087
Borrowings from related companies	-	3 202 443
Finance lease	-	159 239
Liabilities of right-to-use assets	147 844	-
Other borrowings	3 735 346	186 525
Contract liabilities	21 395	2 137 792
Trade payables	8 427 920	9 243 837
Payables to related parties	11 987 049	3 150 721
Payables to other related parties	2 254 800	646 179
Taxes and social security contributions	877 590	550 483
Other accounts payable	45 506	-
Accrued liabilities	48 826	192 223
Deferred income	-	110 631
Total current liabilities	27 546 276	22 200 160
Total liabilities	122 391 050	104 927 189
TOTAL EQUITY AND LIABILITIES	10 834 050	11 288 947

**STATEMENT OF PROFIT AND LOSS OF THE GROUP
FOR THE 12 MONTH PERIOD ENDED 31 DECEMBER 2019**

	VALMIERA GLASS GROUP	
	31.12.2019	31.12.2018 (restated)
	EUR	EUR
Sales	122 012 998	114 245 302
Change in inventories	699 575	2 642 638
Costs capitalized to non-current assets	-	1 524 807
Other operating income	3 072 050	2 749 307
Raw materials and consumables	(64 046 860)	(56 343 440)
Personnel expenses	(36 967 965)	(40 116 935)
Depreciation and amortization	(9 912 972)	(14 562 787)
Impairment loss on trade receivables and contract assets	-	(64 964)
Other operating expenses	(23 672 488)	(123 936 804)
(Loss) from operations	(8 815 662)	(113 862 876)
Interest and similar income	2 239 044	2 884 408
Interest and similar expenses	(8 596 219)	(3 886 432)
(Loss) before tax	(15 172 837)	(114 864 900)
Corporate income tax	789 956	(543 747)
(Loss) for the period	(14 382 881)	(115 408 647)
<i>Attributable to:</i>		
Non-controlling interest	(9 384 592)	(57 804 768)
Owners of the Parent Company	(4 998 288)	(57 603 879)
Earnings per share	(0.2091)	(2.4099)

**STATEMENT OF PROFIT AND LOSS OF AS VALMIERAS STIKLA ŠĶIEDRA
FOR THE 12 MONTH PERIOD ENDED 31 DECEMBER 2019**

	AS VALMIERAS STIKLA ŠĶIEDRA	
	31.12.2019	31.12.2018 (restated)
	EUR	EUR
Sales	90 976 707	90 549 430
Change in inventories	(1 911 660)	1 271 809
Other operating income	2 790 400	2 181 097
Raw materials and consumables	(42 075 477)	(42 249 879)
Personnel expenses	(22 399 492)	(20 982 303)
Depreciation and amortization	(9 506 862)	(9 929 512)
Impairment loss on trade receivables and contract assets	-	(81 197 964)
Other operating expenses	(15 765 575)	(14 290 294)
Profit/ (loss) from operations	3 650 016	(74 647 616)
Interest and similar income	2 651 696	3 144 418
Interest and similar expenses	(6 726 923)	(21 162 887)
(Loss) before tax	(425 212)	(92 666 085)
Corporate income tax	(11 119)	(157 808)
(Loss) for the period	(436 331)	(92 823 893)

**STATEMENT OF PROFIT AND LOSS OF VALMIERA GLASS UK Ltd.
FOR THE 12 MONTH PERIOD ENDED 31 DECEMBER 2019**

	VALMIERA GLASS UK Ltd.	
	31.12.2019	31.12.2018
	EUR	EUR
Sales	23 343 091	23 225 987
Change in inventories	289 110	58 387
Other operating income	43 690	76 062
Raw materials and consumables	(12 758 272)	(13 118 351)
Personnel expenses	(4 614 825)	(5 058 040)
Depreciation and amortization	(312 009)	(239 984)
Other operating expenses	(3 697 173)	(2 972 558)
Profit from operations	2 293 612	1 971 503
Interest and similar income	200 582	255 846
Interest and similar expenses	(160 045)	(67 482)
Profit before tax	2 334 149	2 159 867
Corporate income tax	(275 536)	(376 180)
Profit for the period	2 058 613	1 783 687

**STATEMENT OF PROFIT AND LOSS OF P-D VALMIERA GLASS USA Corp.
FOR THE 12 MONTH PERIOD ENDED 31 DECEMBER 2019**

	P-D VALMIERA GLASS USA Corp.	
	31.12.2019	31.12.2018
	EUR	EUR
Sales	22 486 709	23 416 221
Change in inventories	(1 520 165)	1 787 130
Costs capitalized to non-current assets	-	1 524 807
Other operating income	747 014	1 692 148
Raw materials and consumables	(16 485 646)	(21 571 703)
Personnel expenses	(9 953 647)	(14 076 591)
Depreciation and amortization	(94 102)	(103 813 038)
Other operating expenses	(11 491 886)	(11 357 519)
(Loss) from operations	(16 311 723)	(122 398 545)
Interest and similar income	1 119 628	2 094 303
Interest and similar expenses	(3 425 913)	(2 461 282)
(Loss) before tax	(18 618 008)	(122 765 524)
Corporate income tax	1 076 611	(9 760)
(Loss) for the period	(17 541 397)	(122 775 284)
<i>Attributable to:</i>		
Non-controlling interest	(8 383 872)	(58 022 194)
Owners of the Parent	(9 157 525)	(64 753 090)

**STATEMENT OF CHANGES IN EQUITY OF THE GROUP
FOR THE 12 MONTH PERIOD ENDED 31 DECEMBER 2019**

GROUP

	Share capital	Revaluation reserve	Other reserve	Retained earnings	Total	Non-controlling interest	Total equity
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
31.12.2017	33 464 487	(3 084 475)	(3 145 849)	30 347 312	57 581 475	7 642 772	65 224 247
Restatements *				(4 399 102)	(4 399 102)		(4 399 102)
31.12.2017, restated	33 464 487	(3 084 475)	(3 145 849)	25 948 210	53 182 373	7 642 772	65 224 247
Loss for the reporting period				(56 905 879)	(56 905 879)	(57 804 768)	(114 710 647)
Restatement of the loss for the reporting period *				(698 000)	(698 000)		(698 000)
Sale of non-controlling interest				312 725	312 725	2 087 275	2 400 000
Contribution from non-controlling interest				4 056 591	4 056 591	4 677 033	8 733 624
<i>Other comprehensive income:</i>							
<i>Remeasurement of defined benefit obligation</i>			416 979		416 979		416 979
<i>Deferred tax relating to defined benefit obligation</i>			(271 271)		(271 271)		(271 271)
Exchange differences on translating foreign operations		(1 113 075)			(1 113 075)	(1 352 113)	(2 465 188)
31.12.2018, restated	33 464 487	(4 197 550)	(3 000 141)	(27 286 353)	(1 019 557)	(44 749 801)	(45 769 358)
Loss for the reporting period				(5 999 008)	(5 999 008)	(8 383 872)	(14 382 881)
<i>Other comprehensive income:</i>							
<i>Remeasurement of defined benefit obligation</i>			(99 115)		(99 115)		(99 115)
<i>Deferred tax relating to defined benefit obligation</i>			(58 626)		(58 626)		(58 626)
Exchange differences on translating foreign operations		277 399			277 399	718 990	996 370
31.12.2019	33 464 487	(3 920 151)	(3 157 882)	(33 285 362)	(6 898 926)	(52 414 683)	(59 313 609)

* Please see Section 4 of the Notes to the financial statements

**STATEMENT OF CASH FLOWS OF THE GROUP
FOR THE 12 MONTH PERIOD ENDED 31 DECEMBER 2019**

	VALMIERA GLASS GROUP	
	2019	2018
	EUR	(restated) EUR
Cash flows from operating activities		
(Loss) before tax	(15 172 982)	(114 864 900)
<i>Adjustments:</i>		
Change in fair value of derivative	-	478 971
Depreciation and amortization	9 912 972	14 562 785
Change in impairment allowances	2 475 635	103 268 869
(Profit)/ loss from disposal of property, plant and equipment, net	(84 154)	(94 400)
Past service cost defined benefit plan	-	449 859
Interest expenses	4 134 441	2 959 412
Income on government grants	(381 539)	(792 216)
Changes in working capital:		
(Increase) / decrease in inventories	(2 349 490)	(6 437 143)
(Increase) / decrease in accounts receivable	(2 231 362)	5 614 389
Increase / (decrease) in accounts payable	13 573 551	(506 034)
Interest paid	(4 134 441)	(3 575 203)
Income tax paid	(436 322)	(444 703)
Cash provided by operating activities	5 306 308	619 686
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(9 061 262)	(16 465 555)
Income from sales of investment in subsidiary shares to non-controlling shareholders	-	8 668 436
Income from sales of property, plant and equipment	84 154	130 159
Net cash used in investing activities	(8 977 108)	(7 666 960)
Cash flows from financing activities		
Loans received / repaid, net	6 270 710	4 915 073
Finance lease paid / received, net	(385 278)	(151 913)
Net cash provided by financing activities	5 885 432	4 763 160
Net change in cash and cash equivalents	2 214 632	(2 284 114)
Cash and cash equivalents at the beginning of reporting period	349 477	2 633 591
Cash and cash equivalents at the end of reporting period	2 564 109	349 477

**NOTES TO THE FINANCIAL STATEMENTS OF THE GROUP AND THE COMPANY
FOR THE 12 MONTH PERIOD ENDED 31 DECEMBER 2019**

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 Group is production and trade of fibreglass and fibreglass products.

The Group consists of parent company AS VALMIERAS STIKLA ŠĶIEDRA and its subsidiaries VALMIERA GLASS UK, P-D VALMIERA GLASS USA Corporation and VALMIERA GLASS USA Trading Corporation. The principal activity of the Group is production and trade of fibreglass and fibreglass products.

2. BASIS OF PREPARATION OF FINANSIAL STATEMENT

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).

3. RIGHT-OF-USE ASSETS AND LIABILITIES

Starting from 1 January 2019 the Group recognises leases according to the standard IFRS 16 Leases. IFRS 16 introduces a new single lessee accounting model and therefore, leases are no longer classified either operating or finance leases as it was required according to IAS 17.

IFRS16 eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases. Under the Standard, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

As a result of the change in the accounting policies, lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Furthermore, a lessee is required to recognise depreciation of lease assets separately from interest on lease liabilities in the income statement.

On 1 January 2019 the Group applied a simplified transition approach and did not restate comparative amounts for the year prior to the first adoption. Lease commitments existing at the date of implementation, which had so far been recognised as operating leases, were measured on transition at the discounted value of their remaining lease payments, using the effective interest rate as of 1 January 2019. Right-of-use assets were measured at the amount of the lease liability on adoption.

4. CHANGE OF ACCOUNTING POLICY

During the year, the Group changed method of accounting for its obsolete and waste fibre inventory valuation in order to increase prudence of its inventory valuation principles. Starting from 2019, 100% allowances are established for all inventory items with no movement in the last 360-day period (until 2019: 3-year period), and inventory of waste fibre is treated as waste (until 2019: by-product). The change of accounting policy is applied retrospectively, and impact the comparative financial information for year 2018 as disclosed below:

Statement of financial position

	Group		
	Previously reported	Adjustments	Restated
31 December 2018	EUR	EUR	EUR
ASSETS			
Raw materials	11 449 745	(1 205 305)	10 244 440
Work in progress	8 375 109	(2 686 493)	5 688 616
Finished goods	12 646 548	(1 205 305)	11 441 243
TOTAL ASSETS	104 831 361	(5 097 103)	99 734 258

**NOTES TO THE FINANCIAL STATEMENTS OF THE GROUP AND THE COMPANY
FOR THE 12 MONTH PERIOD ENDED 31 DECEMBER 2019**

EQUITY

Profit brought forward	34 716 628	(4 399 102)	30 317 526
Result for the current reporting year	(56 905 879)	(698 000)	(57 603 879)

TOTAL EQUITY	(40 672 256)	(5 097 103)	(45 769 358)
TOTAL EQUITY AND LIABILITIES	104 831 361	(5 097 103)	99 734 258

Statement of profit and loss

Group

	Previously reported	Adjustments	Restated
For year ended 31 December 2018	EUR	EUR	EUR
Other operating expense	(123 238 804)	(698 000)	(123 936 804)
PROFIT / (LOSS) FOR THE YEAR	(114 710 647)	(698 000)	(115 408 647)

Statement of financial position

Company

	Previously reported	Adjustments	Restated
31 December 2018	EUR	EUR	EUR
ASSETS			
Raw materials	7 219 555	(1 205 305)	6 014 250
Work in progress	4 796 309	(2 686 493)	2 109 816
Finished goods	6 663 733	(1 205 305)	5 458 428
TOTAL ASSETS	93 045 075	(5 097 103)	87 947 972
EQUITY			
Profit brought forward	24 836 473	(4 399 102)	20 437 371
Result for the current reporting year	(92 125 893)	(698 000)	92 823 893
TOTAL EQUITY	(33 278 224)	(5 097 103)	(38 375 327)
TOTAL EQUITY AND LIABILITIES	93 045 075	(5 097 103)	87 947 972

Statement of profit and loss

Company

	Previously reported	Adjustments	Restated
For year ended 31 December 2018	EUR	EUR	EUR
Other operating expense	(13 592 294)	(698 000)	(14 290 294)
PROFIT / (LOSS) FOR THE YEAR	(92 125 893)	(698 000)	(92 823 893)

**NOTES TO THE FINANCIAL STATEMENTS OF THE GROUP AND THE COMPANY
FOR THE 12 MONTH PERIOD ENDED 31 DECEMBER 2019**

5. SHARE CAPITAL

The share capital as of December 31, 2019 consists of 23,903,205 publicly listed bearer shares. all with equal rights.

The shareholders as of December 31, 2019 and December 31, 2018 were as follows (according to Nasdaq CSD data):

	Percentage of investment (%) 31.12.2019	Percentage of investment (%) 31.12.2018
Corvalis GmbH (previously Vitruan International GmbH)	7.98	11.97
P-D Glaseeiden GmbH Oschatz	26.07	26.07
Preiss – Daimler Beatrix	9.49	9.42
P-D Aircraft Composites GmbH (previously P-D Composites Handels-und Service GmbH)	22.82	18.83
P-D Management-Industries-Technologies GmbH	23.93	23.93
Other	9.72	9.78
Total	100.00	100.00

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