

CONSOLIDATED AND SEPARATE
FINANCIAL STATEMENTS
FOR THE YEAR

2019



**VALMIERA[®]
GLASS**

PREPARED IN ACCORDANCE WITH THE
INTERNATIONAL FINANCIAL REPORTING
STANDARDS AS ADOPTED BY THE EUROPEAN
UNION AND INDEPENDENT AUDITORS' REPORT

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AS VALMIERAS STIKLA ŠĶIEDRA
GENERAL INFORMATION ABOUT THE GROUP AND THE GROUP'S PARENT COMPANY

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 Corporation, Reg. No 14036662 (52.21%) 168 Willie Paul Parkway, Dublin, GA 31021, United States of America VALMIERA GLASS USA Trading Corporation, 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 (from 29.05.2018. and until 01.08.2019.) Doloresa Volkopa (until 01.06.2019.)
THE COUNCIL	Chairman of the Council: Heinz-Jürgen Preiss-Daimler Members of the Council: Stefan Alexander Preiss-Daimler Jöran Pfuhl Andris Oskars Brutāns Ainārs Ozols (from 28.06.2019.) Theis Klauberg (from 28.06.2019.)
REPORTING YEAR	1 January 2019 - 31 December 2019
PRIOR REPORTING YEAR	1 January 2018 - 31 December 2018
AUDITORS AND THEIR ADDRESS	KPMG Baltics AS Licence Nr.55 Vesetas street 7, Riga, LV-1013, Latvia

STATEMENT

Dear shareholders,

the year 2019 has been relentless and challenging, the first half of the year drew our full attention towards US Subsidiary – the entity faced significant unexpected losses due to the extended preparation phase. After long line of measures taken and effort put in search for an investor a decision was made that from June 2019, the US subsidiary could no longer be financed by the GROUP's Parent Company to avoid risk of significant damage to the European companies.

Following the warranty claim from the US branch of LBBW Bank towards the GROUP's Parent Company to settle the liabilities of the US Subsidiary, we decided on 17 June to apply for Legal Protection Proceedings ("LPP") procedure in Latvia, and to initiate Chapter 11 proceedings under the U.S Bankruptcy Code of the US Subsidiary on the same day.

Agreement was reached with the GROUP's Parent Company's creditors, so that an LPP plan was filed with the majority approval of the creditors in court, and further approved on October 18 by the District Court of the Vidzeme region. This 24-month LPP plan is still the guiding roadmap for us, governing creditors' satisfaction, investment in our machinery and equipment, and our overall economic performance. Our goal is to achieve investment grade status to refinance our remaining bank credit in October 2021.

Since no funds were transferred to the US since June 2019, cash flow and raw material supply situation of the European plants has steadily improved. From August 2019 European production capacity was fully utilized again. Our customers were able to feel this through delivery reliability and product quality. The GROUP companies in Latvia and UK achieved their planned profit levels. Since the conclusion of the LPP plan, the GROUP's Parent Company succeeded in steadily improving its cash flow and in implementing initial projects to improve infrastructure and plant safety.

End of the year turned positive as the reconstruction of the high silica glass melting furnace at AS VALMIERAS STIKLA ŠĶIEDRA was successful and reached its daily capacity shortly after relaunching.

In 2020 we have faced a new examination – coronavirus COVID19. We managed to continue and ensure manufacturing processes and deliveries, meanwhile taking measures to ensure safe working environment to all employees. Due to coronavirus related shifts in the market we revised sales budget and estimated sales decrease by overall 20% for 2020. Thanks to the support of all of the Company's stakeholders, it has been possible to cushion this decline in sales in such a way that redundancies can be avoided and acceptable results can still be achieved.

In June 2019, the US subsidiary initiated Chapter 11 proceedings. On June 2, 2020 US Subsidiary closed Asset Purchase Agreement and transferred its assets of Phase I and II operations in Dublin, Georgia, USA (for details see Note 6). Subsequent to the asset sale in June 2020, the Chapter 11 proceedings were converted to Chapter 7 bankruptcy procedures and the US subsidiary will be liquidated. This sale, which was inevitable due to the chosen financing model, represents a major step backwards in the development of the GROUP, which throws the GROUP back by years, both in terms of capacity and finances. Nonetheless, the GROUP works with a business model adapted to this situation, which uses the growth opportunities from the two European locations and continues to reliably serve the customer relationships it has gained worldwide.

We currently continue following LPP plan and actively monitor market shifts to ensure stable processes at the GROUP and ensure fast recovering process and prosperous future in the upcoming years to fulfil promises to all stakeholders (for details see Note 32).

23 October 2020

THIS DOCUMENT IS SIGNED WITH SAFE ELECTRONIC SIGNATURE AND CONTAINS TIMESTAMP

Stefan Jugel
Chairman of the Management Board

GENERAL INFORMATION

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 the GROUP consisted of the parent company AS VALMIERAS STIKLA ŠĶIEDRA (hereinafter –the GROUP's Parent 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 GROUP's Parent 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 GROUP's Parent 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.

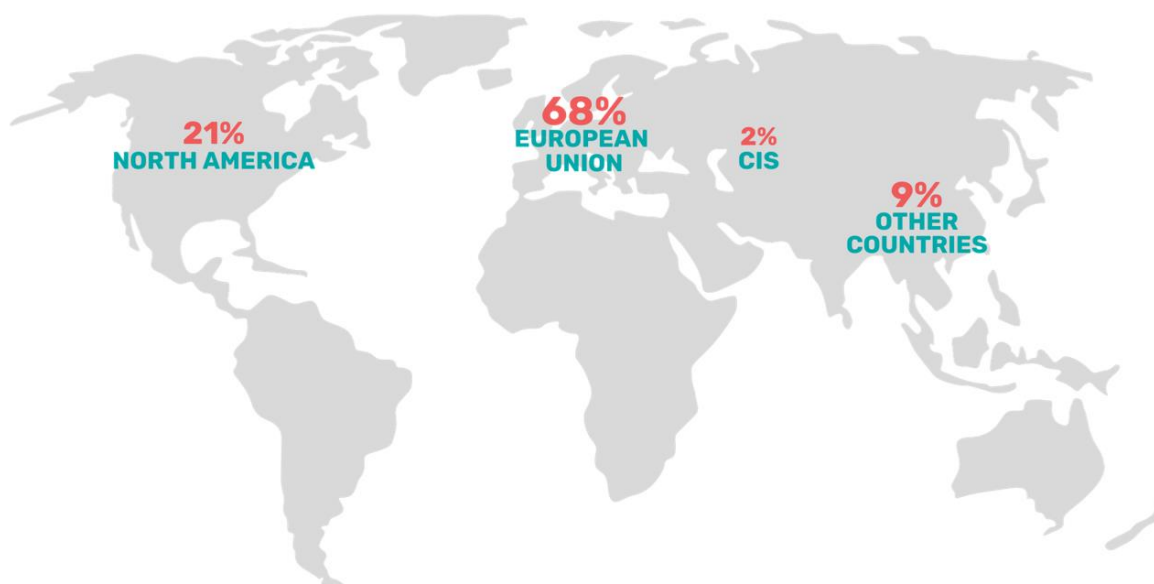
On June 2, 2020 the US Subsidiary has closed Asset Purchase Agreement by transferring its assets of Phase I and II operations in Dublin, Georgia, USA, to Saint-Gobain Adfors America, Inc.

MARKETS

In 2019, products manufactured by the GROUP's Parent Company, were exported to 51 country across the world, with the export share of 98%. The key sales markets of the GROUP have remained similar: 68% of the total output was sold in European Union countries, 21% in North America, 2% in CIS countries and 9% 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 THE GROUP



EMPLOYEES

In 2019, the GROUP employed on average 1 515 employees, of which 1 120 were employed by the GROUP's Parent Company. The UK Subsidiary employed on average 134 employees and the US Subsidiary employed on average 261 employees.

On December 17, 2019 The GROUP's Parent Company and Latvian Industrial Workers Trade Union sign glass fibre industry general agreement and committed to working together to deliver improvements for companies and workers in the industry.

QUALITY MANAGEMENT

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

INVESTMENTS

In the 1st quarter of 2019, the investment focus was on the stabilization of the Phase II of production of the US Subsidiary. In June 2019, a decision was made not to continue financial support for the US Subsidiary from other companies of the GROUP.

Despite only limited minimal maintenance investments in the GROUP's Parent Company and the UK Subsidiary, both companies performed well in 2019. In 2019, the consolidated investments of the GROUP amounted to 8,9 million euros.

Investments in the amount of 8.82million euros were acquired at the GROUP's Parent Company. The main investment object in the amount of 1.54 million euros was the planned cold repair of the glass melting furnace No.3. Despite the tense situation, the GROUP's Parent Company managed to find financing, make preparations and in November to rebuild the high silica glass melting furnace No.3. This step increased the production capacity of high silica products by more than 30%, which was essential for the GROUP's Parent Company to increase its turnover and continue to successfully recover its financial flow. Already in December of 2019 - the first month after the reconstruction - more than 90% of the maximum capacity of the furnace was reached, which significantly exceeded the plans for the first month.

Investments of 1.33 million euros in 2019 were directed to increase the energy efficiency of the GROUP's Parent Company, to introduce the equipment into operation, to strengthen environmental protection, to maintain the GROUP's Parent Company's operations in accordance with the requirements of the laws and regulations of the Republic of Latvia in the fire safety and civil protection, as well as IT systems and production process maintenance.

FINANCIAL RESULTS

In 2019, the GROUP's Parent Company and UK Subsidiary worked with good operating results. Nevertheless, they could not offset the losses related to results of operations of the US Subsidiary. In 2019, the consolidated net sales of the GROUP reached EUR 119.5 Million. Compared to year 2018, the net sales of the GROUP have increased by EUR 5.2 Million (or 4.6% y-o-y). The GROUP continued to reduce the sales of traded goods manufactured by third party glass fiber producers and wholesalers, and focus on internally produced high margin products, manufacturing efficiency and overall profitability.

The good operating results of the GROUP's Parent Company and its UK Subsidiary could not offset the operating losses and negative operating cash flows of the US Subsidiary. Despite additional shareholder loan financing provided to support the production ramp up in the US Subsidiary in the beginning of 2019, the company was unable to achieve the desired quality and production volume targets, and positive net operating cash flows. Ultimately, in June 2019, the GROUP's management decided to temporarily close the loss-making glass fiber manufacturing facility of the US Subsidiary, and initiated Chapter 11 proceedings in the US. Simultaneously, in order to assure business continuity and restructure the financial liabilities of the GROUP, the GROUP's Parent Company initiated the legal protection proceedings (LPP) in Latvia, and the GROUP's Parent Company's legal protection plan was approved on 18 October 2019.

Initiation of Chapter 11 and LPP proceedings substantially increased the GROUP's Parent Company's working capital requirements, and triggered various legal and financial costs associated with the financial restructuring activities, which negatively affected the financial results of the GROUP's Parent Company and the GROUP for year 2019. Please see the main financial indicators of the GROUP and the GROUP's Parent Company below.

MAIN FINANCIAL INDICATORS OF THE GROUP

TEUR	2015	2016	2017	2018	2019
Net sales	121 192	124 814	125 864	114 245	119 483
EBITDA	16 149	17 752	18 441	(99 045)	9 142
EBIT	6 851	7 204	7 317	(113 607)	(2 053)
Net profit/ -loss attributable to the owners of the Parent	5 475	4 741	7 053	(58 233)	(3 802)
Sales growth,%	11.8%	3.0%	0.8%	-9.2%	4.6%
EBITDA margin, %	13.3%	14.22%	14.7%	-86.7%	7.7%
EBIT margin, %	5.7%	5.8%	5.8%	-99.4%	-1.7%
Net profit margin, %	4.5%	3.8%	5.6%	-51.0%	-3.2%
ROE,%	10.3%	8.7%	10.8%	-184.60%	7.9%
ROA,%	4.11%	3.37%	4.06%	-54.3%	-3.55%
ROCE,%	7.1%	5.3%	9.2%	-363.7%	-13.1%
Current ratio	1.25	1.11	0.35	0.58	0.63
Earnings per share (EUR)	0.2291	0.2011	0.2951	(2.3807)	(0.1590)

AS VALMIERAS STIKLA ŠĶIEDRA MANAGEMENT REPORT

In 2018, The GROUP's EBITDA amounted to EUR -99.0 million, and the GROUP's net result, attributable to the owners of the Parent, amounted to EUR -58.2 million. The financial indicators for year 2018 were 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 exceptionally weak EBITDA performance and negative net result of 2018 reflected the operating and financial issues of US Subsidiary as described in Notes to these financial statements.

As described in Note 30 to these financial statements, in January 2020, the US Subsidiary signed a letter of intent on sale of all tangible fixed assets to Saint-Gobain Adfors America, Inc. for 17.5 million USD (15.6 million EUR). The management of the GROUP considers it as an adjusting post-balance sheet event affecting the financial results of year 2019, and reversed the previously recognized impairment allowances for tangible assets of the US Subsidiary in the amount of 17.5 million USD (15.6 million EUR) in year 2019.

MAIN FINANCIAL INDICATORS OF THE GROUP'S PARENT COMPANY

	TEUR	2015	2016	2017	2018	2019
Net sales		103 262	101 413	104 039	90 549	88 693
EBITDA		15 351	13 453	14 020	(81 780)	11 501
EBIT		6 845	4 132	3 866	(91 709)	5 523
Net profit/ -loss		5 486	2 373	4 252	(92 568)	(398)
Sales growth,%		12.6%	-1.8%	2.6%	-13.0%	-2.0%
EBITDA margin, %		14.9%	13.3%	13.5%	-90.3%	13.0%
EBIT margin, %		6.6%	4.1%	3.7%	-101.3%	6.2%
Net profit margin, %		5.3%	2.3%	4.1%	-102.2%	-0.4%
ROE,%		10.3%	4.4%	7.5%	-720.5%	1.9%
ROA,%		4.38%	1.87%	2.42%	-97.9%	-0.41%
ROCE,%		7.5%	4.6%	5.8%	-229.0%	-1.1%
Current ratio		0.98	0.89	0.48	0.42	0.55
Earnings per share (EUR)		0.2295	0.1021	0.1779	(3.85)	(0.0166)

In 2018, the EBITDA of the GROUP's Parent Company amounted to EUR -81.8 million, and the net result amounted to EUR -92.6 million. The financial indicators of 2018 were 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 GROUP's Parent Company's exceptionally weak EBITDA performance and negative net result reflected the operating and financial issues of US Subsidiary, as described in Notes to 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 interest and taxes measures the profit a company generates from its operations, making it synonymous with operating profit.

Operating profit

Net profit (loss): The difference between the company's total revenue and expenses in a given period of time.

*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 attributable
to the shareholders of
the Company /
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 attributable
to the shareholders of
the Company /
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 attributable
to the shareholders of
the Company/
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.

LEGAL PROTECTION PROCEEDING (LPP) IN THE GROUP'S PARENT COMPANY

As previously reported by the GROUP's Parent Company, as a result of the Landesbank Baden-Württemberg New York branch ('LBBW Bank') call on the guarantee issued by the GROUP's Parent Company to LBBW Bank in favor of the US subsidiary, the GROUP's Parent Company was obliged to repay the loan granted to the US Subsidiary together with interest accrued in the amount of USD 3 013 149 (see Note 5 to the financial statements) on 10 June 2019. The GROUP's Parent Company was not able to fulfill these obligations with short notice and filed an LPP application in the court on 17 June 2019. Vidzemes District Court (*Vidzemes rajona tiesa*) passed a decision to initiate the LPP of the GROUP's Parent Company on 18 June 2019.

Mr. Jānis Lagzdīņš, place of practice: PricewaterhouseCoopers Legal, Kr. Valdemāra Street 21, Riga, was approved as a Supervisor of the LPP.

On May 19, 2020 the Vidzemes District Court (*Vidzemes rajona tiesa*) approved the amendments to the initially developed LPP Plan. The reason of necessity to amend the initially developed LPP Plan, please read under the section "Events after the end of the reporting period".

According to LPP plan, the total liabilities of the GROUP's Parent Company amounted to EUR 118 286 814 out of which:

- 1) payment obligations to unsecured creditors amount to EUR 27 240 572 including EUR 19 371 694 due to creditors treated as "related companies" within the meaning of Corporate Income Tax Law;
- 2) total payment obligations to Secured Creditors: in the amount of EUR 91 046 242 out of which the payment obligations to AS SEB Bank amount to EUR 45 477 443 and the payment obligations to Danske Bank, A/S amount to EUR 45 568 799.

To successfully implement the Plan and attain the objective of LPP, namely, to restore the GROUP's Parent Company's ability to fulfil its obligations, the GROUP's Parent Company will apply the following methods during the LPP:

In the group of Secured Creditors:

- 1) the postponement of fulfilment of the GROUP's Parent Company's payment obligations (creditors' Principal Claims);
- 2) the release of the GROUP's Parent Company from its payment obligations of creditors' Ancillary Claims such as interest charges, contractual penalties, default interest etc.;
- 3) the alienation of the assets of the US Subsidiary;
- 4) the signing of an agreement with Secured Creditors on the postponement of the fulfilment of payment obligations for a period after the fulfilment of the Plan.

In the group of Unsecured Creditors:

- 1) the postponement of the fulfilment of GROUP's Parent Company's payment obligations (creditors' Principal Claims) and division in instalments for a period of up to 24 payments;
- 2) the release of the GROUP's Parent Company from its payment obligations of creditors' Ancillary Claims such as interest charges, contractual penalties, default interest etc.;
- 3) the signing of an agreement with LBBW Bank on the division of payment obligations in instalments for a period of up to 48 months;
- 4) the receipt of certifications from individual Unsecured Creditors (related parties) on the postponement of the fulfilment of payment obligations for a period after the fulfilment of the Plan.

In the group of Secured and Unsecured Creditors:

- 1) the undertaking of the GROUP's Parent Company to ensure the availability of additional funds.

Due to number of reasons the GROUP's Parent Company was not able to attract additional equity financing as agreed in initial LPP Plan, amended LPP Plan has been developed and approved by the Court in May 2020.

During the 2019 and until the date of issuance of these Consolidated and separate financial statements, the GROUP's Parent Company has successfully fulfilled all payments to the creditors according to the amended LPP Plan. Complying with the Clause 13 of the LPP Plan, the GROUP's Parent Company inform the creditors of the progress of the LPP by sending to each creditor a monthly report.

FUTURE OUTLOOK

The GROUP continues to have a strong market position in its specialty markets and is very adaptable to the current COVID-19 situation due to the limited capacities due to the elimination of the US Subsidiary melting furnace. General changes in the demand for our products are currently not apparent. All areas related to infrastructure, energy and security seem to continue to operate at a high level. We are only concerned about the transport sector, which still has to find itself during and after COVID-19.

Since the effects of the current pandemic cannot be assessed in the medium and long term, the forecast for 2021 can only be vague. Nevertheless, we trust ourselves to increase sales in 2021 and to further stabilize our earnings situation.

In August 2021, we plan to overhaul our melting furnace W 2.2 and make important investments.

Our guide almost through the end of 2021 will be the LPP plan, which will regulate the financing and debt settlement of the GROUP's Parent Company. It should be pointed out once again that the entire debt must be refinanced by November 2021, unless the GROUP's Parent Company agrees on an adjustment of the plan with the secured creditors by then.

The management expects the GROUP to remain an important European player in the textile fiberglass market through 2021, which will be affected by the various international measures for energy efficiency and sustainability, but can also benefit.

STOCK MARKET

The GROUP's Parent Company 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 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.

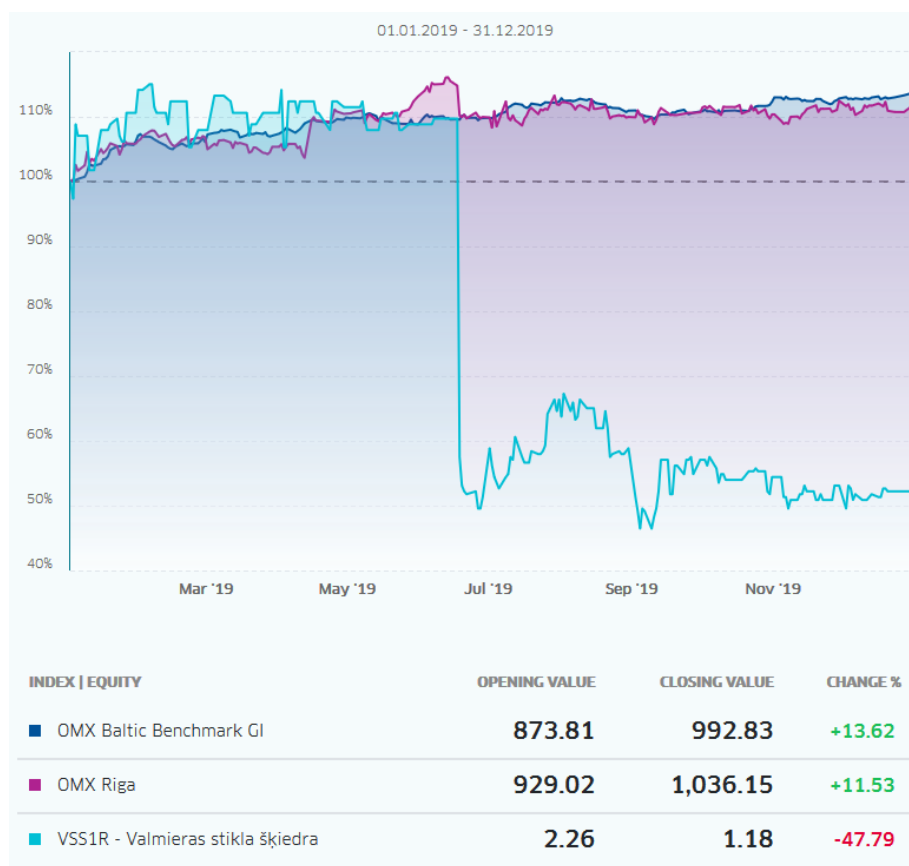
In the 12 months of 2019, the number of shares traded by the GROUP's Parent Company reached 550,134 and the turnover of shares amounted to EUR 0.75 M. During this period, 1,580 transactions were executed on the Exchange.

Price dynamics of GROUP's Parent Company's shares from 2015 to 2019 (Nasdaq Riga data¹):



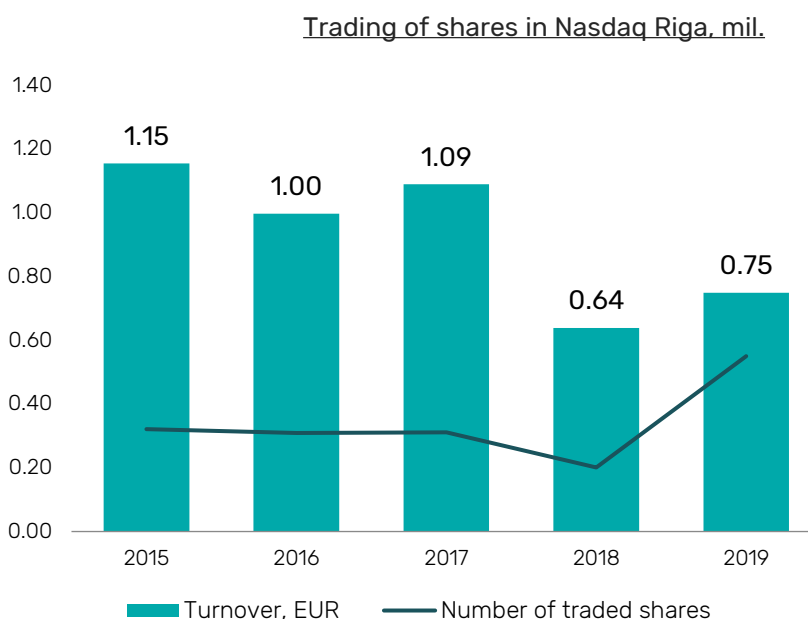
In 2019, the price of the GROUP's Parent Company shares decreased by 47.79%, while the OMX Riga index value increased by 11.53% while that of the OMX Baltic Benchmark GI by 13.62%.

The price of GROUP's Parent Company's shares in 2019 compared to OMX Baltic Benchmark GI and OMX Riga indexes (Nasdaq Riga data):



¹ www.nasdaqbaltic.com

**Trading of GROUP's
Parent Company's
shares in 2019
(Nasdaq Riga data):**



EVENTS AFTER THE END OF THE REPORTING PERIOD

On February 4, 2020 the GROUP's Parent Company's long-time Chairman of the Supervisory Board and founder of P-D group Mr. Heinz-Jürgen Preiss-Daimler passed away at the age of 80. Mr. Preiss-Daimler had a large part in the dynamic development of the GROUP's Parent Company and the GROUP. The GROUP is very grateful to Mr. Preiss-Daimler and we will keep him in our hearts and memories.

In addition to the matters already discussed elsewhere in this report and matters disclosed in Note 30 to the financial statements:

1. On March 2, 2020 the US Subsidiary has signed an Asset Purchase Agreement (Agreement) with Saint-Gobain Adfors America, Inc. to sell substantially all Assets of its Phase I and Phase II operations in Dublin, Georgia, USA, pursuant to the terms and conditions of the Agreement. The total cash purchase price is Seventeen Million Five Hundred Thousand Dollars (USD 17,500,000). The Bankruptcy Court, which is overseeing the US Subsidiary's Bankruptcy Case (Case No. 19-59440-pwb) approved the Asset Purchase Agreement and on June 2, 2020 US Subsidiary closed Asset Purchase Agreement by transferring its assets of Phase I and II operations in Dublin, Georgia, USA, to Saint-Gobain Adfors America, Inc.
2. On March 31, 2020 the GROUP's Parent Company announced, that it has not fulfilled the obligation under the LPP Plan to sell shares in US Subsidiary and/or ensure the alienation of its pledged property and/or to attract third-party funds for the total amount of at least EUR 35 000 000, and to attract additional financial resources in the amount of EUR 5 000 000 by March 31, 2020. Based on this the GROUP's Parent Company developed the amendments to the LPP Plan.

The GROUP's Parent Company informs that the necessity to amend the Plan was because of following conditions:

- On January 14, 2020, the GROUP's Parent Company convoked an extraordinary shareholders' meeting, during which was planned to adopt a decision on the issuance of convertible bonds, thus implementing the duty to attract funds as stipulated in the Plan. On January 29, 2020, majority shareholders of the GROUP's Parent Company announced that they had commenced business negotiations with potential investors with regard to the strategic future of the GROUP's Parent Company;
- Given the new circumstances, the decision on the issuance of convertible bonds (initiated for adoption at the extraordinary shareholders' meeting on February 14, 2020) concurrently

to negotiations with potential investors could not have been adopted; therefore, on January 31, 2020 the GROUP's Parent Company cancelled the announced meeting;

Only on March 2, 2020, the process of alienation of the US Subsidiary's property in the United States of America resulted in the signing of the Asset Purchase Agreement. Hence, the financial means from the selling of the property of the US Subsidiary could not be received until 31 March 2020 as it is defined in the Plan.

With the consents from 100% of secured creditors and 78.5 % of unsecured creditors for amendments of the LPP, the GROUP's Parent Company filed the amendments to the Court on April 30, 2020 for Court's approval. On May 19, 2020 the Vidzemes District Court (*Vidzemes rajona tiesa*) approved amendments to the LPP Plan.

3. On May 8, 2020, the SEB Bank paid out demanded Guarantee by Central Finance and Contracting Agency ('CFCA'), according the concluded Contract between the GROUP's Parent Company and CFCA from March 6, 2017, on the implementation of the project No.1.2.1.4./16/A/024 "Development and implementation of a new product and experimental technology in production of the company" ('Project'). Due to significant investment amount in US Subsidiary, the GROUP's Parent Company was not able to additional finance this Project and following unsuccessful attempts to extend the Agreement, the CFCA demanded for Contract performance guarantee, which was issued by SEB Bank in amount of EUR 98 000. This Guarantee amount is added to the total payment obligations to AS SEB Bank, increasing the total amount of commitments to EUR 45 575 443.

As of the publishing date of these Consolidated and separate financial statements, the Management Board of the GROUP's Parent Company revokes all previous announcements related to the financial results for year 2019.

AS VALMIERAS STIKLA ŠĶIEDRA
STATEMENT OF MANAGEMENT RESPONSIBILITY

The management of the GROUP's Parent Company is responsible for the preparation of the separate and consolidated financial statements of the GROUP's Parent Company and the GROUP ('financial statements').

The financial statements are prepared in accordance with the source documents and present fairly the financial position of the GROUP's Parent Company and the GROUP as of 31 December 2019 and the results of their operations and cash flows for the 12-month period ended on 31 December 2019. 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 GROUP's Parent Company and the GROUP and to prevent fraud and fraudulent activities, and other irregularities.

23 October, 2020

On the Company's behalf by:

THIS DOCUMENT IS SIGNED WITH SAFE ELECTRONIC SIGNATURE AND CONTAINS TIMESTAMP

Stefan Jugel
Chairman of the Management Board

AS VALMIERAS STIKLA ŠĶIEDRA
STATEMENT OF FINANCIAL POSITION OF THE GROUP
AS OF 31 DECEMBER 2019

	Notes	GROUP		
		31.12.19. EUR	31.12.18. (restated) EUR	31.12.17. (restated) EUR
ASSETS				
NON-CURRENT ASSETS				
Intangible assets				
Other intangible assets	4	1 087 612	965 172	988 018
Goodwill	5	3 850 810	3 662 559	3 692 694
Total intangible assets		4 938 422	4 627 731	4 680 712
Property, plant and equipment	6	70 303 458	56 290 609	156 299 780
Other non-current assets				
Other assets	9	148 395	204 119	206 831
Total other non-current assets		148 395	204 119	206 831
Deferred tax asset	24	919 405	904 799	1 185 747
Total non-current assets		76 309 680	62 027 258	162 373 070
CURRENT ASSETS				
Inventories	7	24 563 460	29 772 144	23 444 551
Debtors				
Current tax assets		458 998	-	-
Trade receivables	8	5 886 520	7 833 674	11 948 523
Amounts due from related parties	27	146 601	74 152	337 091
Other assets	9	2 122 646	1 714 074	2 947 963
Total debtors		8 614 765	9 621 900	15 233 577
Cash and cash equivalents	10	2 674 540	349 477	2 633 591
Total current assets		35 852 765	39 743 521	41 311 719
TOTAL ASSETS		112 162 445	101 770 779	203 684 789

The accompanying notes on pages 25 to 85 are an integral part of these financial statements.

The financial statements were signed on 23 October 2020 on the GROUP's behalf by:

THIS DOCUMENT IS SIGNED WITH SAFE ELECTRONIC SIGNATURE AND CONTAINS TIMESTAMP

Stefan Jugel, Chairman of the Board

Ģirts Vēveris, Member of the Board

Mārtiņš Blaus, Finance Director

AS VALMIERAS STIKLA ŠĶIEDRA
STATEMENT OF FINANCIAL POSITION OF THE GROUP
AS OF 31 DECEMBER 2019

	Notes	GROUP		
		31.12.19. EUR	31.12.18. (restated) EUR	31.12.17. (restated) EUR
LIABILITIES AND EQUITY				
SHAREHOLDERS' EQUITY				
Share capital	11	33 464 487	33 464 487	33 464 487
Foreign currency translation reserve		(3 856 861)	(4 197 550)	(3 084 475)
Other reserves	11	(3 130 175)	(3 000 141)	(3 145 849)
Retained earnings				
Profit/(loss) brought forward		(25 620 409)	31 728 022	21 642 586
Result for the current reporting year		(3 801 741)	(57 348 431)	5 716 120
Total equity attributable to owners of the parent		(2 944 699)	646 387	54 592 869
Non-controlling interest		(48 874 171)	(44 749 801)	7 642 772
Total equity		(51 818 870)	(44 103 414)	62 235 641
LIABILITIES				
Non-current liabilities				
Loans and borrowings	12, 27	68 986 115	61 847 472	4 193 540
Trade and other payables	13, 27	6 780 404	-	-
Deferred tax liabilities	24	540 025	582 202	676 831
Defined benefit obligation	14	3 841 416	4 372 128	5 282 734
Deferred income	15	1 937 579	4 372 788	4 218 087
Provisions		467 914	-	-
Derivative financial instruments		-	616 514	137 543
Total non-current liabilities		82 553 453	71 791 104	14 508 735
Current liabilities				
Loans and borrowings	12, 27	43 180 896	31 150 846	84 037 691
Contract liabilities		545 234	3 084 813	323 469
Trade and other payables	13, 27	32 921 095	38 035 219	40 890 405
Provisions		1 237 238	370 576	244 405
Defined benefit obligation	14	997 559	950 220	958 038
Deferred income	15	2 545 840	491 415	486 405
Total current liabilities		81 427 862	74 083 089	126 940 413
Total liabilities		163 981 315	145 874 193	141 449 148
TOTAL EQUITY AND LIABILITIES		112 162 445	101 770 779	203 684 789

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Mārtiņš Blaus, Finance Director

AS VALMIERAS STIKLA ŠĶIEDRA
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME OF THE
GROUP FOR THE YEAR 2019

	Notes	GROUP	
		2019	2018 (restated)
		EUR	EUR
Sales	16	119 483 375	114 245 302
Change in inventories		(11 381 134)	2 642 638
Costs capitalized to non-current assets		27 216	1 524 807
Other operating income	17	1 168 498	2 749 307
Raw materials and consumables	18	(49 958 923)	(56 343 440)
Personnel expenses	19	(37 877 434)	(40 116 935)
Depreciation and amortization	20	(10 060 354)	(14 562 787)
Impairment losses on trade receivables		(1 134 619)	(64 964)
Other operating expenses	21	(12 320 038)	(123 681 356)
Profit/(loss) from operations		(2 053 413)	(113 607 428)
Finance income	22	1 134 886	2 884 408
Finance costs	23	(5 921 537)	(3 886 432)
(Loss)/ profit before tax		(6 840 064)	(114 609 452)
Corporate income tax	24	(5 493)	(543 747)
(Loss)/ profit for the year		(6 845 557)	(115 153 199)
<i>Attributable to:</i>			
Non-controlling interest		(3 043 816)	(56 919 664)
Owners of the Parent		(3 801 741)	(58 233 535)
Earnings per share	25	(0.1590)	(2.4362)
Other comprehensive income			
Items that will not be transferred to profit or loss			
Remeasurement of defined benefit obligation	14	(99 115)	416 979
Deferred income tax relating to defined benefit obligation	24	(30 919)	(271 271)
Exchange differences on translating foreign operations		340 689	(1 113 075)
Other comprehensive income for the year, attributable to owners of the Parent		210 655	(967 367)
Items that will be transferred to profit or loss			
Exchange differences on translating foreign operations attributable to non-controlling interest		(1 080 554)	(1 352 113)
Total other comprehensive income		(869 899)	(2 319 480)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(7 715 456)	(117 472 679)

accompanying notes on pages 25 to 85 are an integral part of these financial statements.

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Mārtiņš Blaus, Finance Director

AS VALMIERAS STIKLA ŠĶIEDRA
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME OF THE
GROUP'S PARENT COMPANY FOR THE YEAR 2019

	Notes	GROUP's Parent Company		
		31.12.19. EUR	31.12.18. (restated) EUR	31.12.17. (restated) EUR
ASSETS				
NON-CURRENT ASSETS				
Intangible assets	4	1 087 612	965 171	905 888
Property, plant and equipment	6	52 594 040	54 095 041	62 576 443
Non-current financial investments				
Investments in subsidiaries	5	13 000 000	13 000 000	29 974 974
Loans to subsidiaries	27	-	-	30 358 012
Other assets	9	148 396	-	-
Total non-current financial investments		13 148 396	13 000 000	60 332 986
Total non-current assets		66 830 048	68 060 212	123 815 317
CURRENT ASSETS				
Inventories	7	16 442 816	15 779 716	14 173 407
Debtors				
Trade receivables	8	3 430 400	4 225 028	6 008 184
Receivables from subsidiaries	27	12 823 201	686 771	25 791 469
Amounts due from related parties	27	66 973	1 718	319 336
Other assets	9	1 043 858	1 170 593	2 378 859
Total debtors		17 364 432	6 084 110	34 497 848
Cash and cash equivalents	10	1 096 175	60 455	304 401
Total current assets		34 903 423	21 924 281	48 975 656
TOTAL ASSETS		101 733 471	89 984 493	172 790 973

The accompanying notes on pages 25 to 85 are an integral part of these financial statements.

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Mārtiņš Blaus, Finance Director

AS VALMIERAS STIKLA ŠĶIEDRA
STATEMENT OF FINANCIAL POSITION OF THE GROUP'S PARENT COMPANY
AS OF 31 DECEMBER 2019

	Notes	GROUP's Parent Company		
		31.12.19. EUR	31.12.18. (restated) EUR	31.12.17. (restated) EUR
LIABILITIES AND EQUITY				
SHAREHOLDERS' EQUITY				
Share capital	11	33 464 487	33 464 487	33 464 487
Other reserves	11	546 709	546 709	546 709
Retained earnings				
Profit/(loss) brought forward		(70 720 578)	21 847 867	18 932 653
Result for the current reporting year		(397 962)	(92 568 445)	2 915 214
Total equity		(37 107 344)	(36 709 382)	55 859 063
LIABILITIES				
Non-current liabilities				
Loans and borrowings	12, 27	66 137 509	63 781 022	5 264 281
Trade and other payables	13, 27	7 147 815	-	-
Provisions		467 914	-	-
Deferred income	15	1 937 579	2 318 364	2 699 149
Derivative financial instruments		-	616 514	137 543
Total non-current liabilities		75 690 817	66 715 900	8 100 973
Current liabilities				
Loans and borrowings	12, 27	41 475 652	27 519 544	82 971 882
Contract liabilities		545 236	947 023	260 612
Trade and other payables	13, 27	19 511 088	30 760 048	24 973 254
Provisions		1 237 237	370 576	244 405
Deferred income	15	380 785	380 784	380 784
Total current liabilities		63 149 998	59 977 975	108 830 937
Total liabilities		138 840 815	126 693 875	116 931 910
Total equity and liabilities		101 733 471	89 984 493	172 790 973

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Mārtiņš Blaus, Finance Director

AS VALMIERAS STIKLA ŠĶIEDRA
 STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME OF THE
 GROUP'S PARENT COMPANY FOR THE YEAR 2019

	Notes	GROUP's Parent Company	
		2019 EUR	2018 (restated) EUR
Sales	16	88 693 367	90 549 430
Change in inventories		(1 004 667)	1 271 809
Costs capitalized to non-current assets		27 216	-
Other operating income	17	1 863 750	2 181 097
Raw materials and consumables	18	(39 549 037)	(42 249 879)
Personnel expenses	19	(22 440 481)	(20 982 303)
Depreciation and amortization	20	(9 596 363)	(9 929 512)
Impairment losses on loans, trade and other receivables and contract assets	27a), 27d)	3 618 770	(83 818 051)
Other operating expenses	21	(16 089 185)	(28 731 735)
Profit/(loss) from operations		5 523 370	(91 709 144)
Finance income	22	9 070	3 144 418
Finance costs	23	(5 918 898)	(3 845 911)
(Loss)/ profit before tax		(386 458)	(92 410 637)
Corporate income tax	24	(11 504)	(157 808)
(Loss)/profit for the year		(397 962)	(92 568 445)
Earnings per share	25	(0.0166)	(3.8726)

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Mārtiņš Blaus, Finance Director

AS VALMIERAS STIKLA ŠĶIEDRA
STATEMENT OF PROFIT AND LOSS OF THE GROUP'S PARENT COMPANY
FOR THE YEAR 2019

GROUP

	Share capital	Foreign currency translation reserve	Other reserve	Retained earnings	Total	Non- controlling interest	Total equity
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
31.12.17.	33 464 487	(3 084 475)	(3 145 849)	30 347 312	57 581 475	7 642 772	65 224 247
Restatements (Note 31)	-	-	-	(2 988 606)	(2 988 606)	-	(2 988 606)
31.12.17., restated	33 464 487	(3 084 475)	(3 145 849)	27 358 706	54 592 869	7 642 772	62 235 641
Current year profit/(loss)	-	-	-	(57 348 431)	(57 348 431)	(57 804 768)	(115 153 199)
Sale of non- controlling interest	-	-	-	312 725	312 725	2 087 275	2 400 000
Changes in ownership interests	-	-	-	4 056 591	4 056 591	4 677 033	8 733 624
Other comprehensive income:							
<i>Remeasurement of defined benefit obligation</i>	-	-	416 979	-	416 979	-	416 979
<i>Deferred income tax relating to defined benefit obligation</i>	-	-	(271 271)	-	(271 271)	-	(271 271)
<i>Exchange differences on translating foreign operations</i>	-	(1 113 075)	-	-	(1 113 075)	(1 352 113)	(2 465 188)
31.12.18., restated	33 464 487	(4 197 550)	(3 000 141)	(25 620 409)	646 387	(44 749 801)	(44 103 414)
Current year profit/(loss)	-	-	-	(3 801 741)	(3 801 741)	(3 043 816)	(6 845 557)
Other comprehensive income:							
<i>Remeasurement of defined benefit obligation</i>	-	-	(99 115)	-	(99 115)	-	(99 115)
<i>Deferred income tax relating to defined benefit obligation</i>	-	-	(30 919)	-	(30 919)	-	(30 919)
<i>Exchange differences on translating foreign operations</i>	-	340 689	-	-	340 689	(1 080 554)	(739 865)
31.12.19.	33 464 487	(3 856 861)	(3 130 175)	(29 422 150)	(2 944 699)	(48 874 171)	(51 818 870)

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Mārtiņš Blaus, Finance Director

AS VALMIERAS STIKLA ŠĶIEDRA
STATEMENT OF CHANGES IN EQUITY OF THE GROUP'S PARENT COMPANY
FOR THE YEAR 2019

GROUP's Parent Company

	Share capital	Other reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR
31.12.17.	33 464 487	546 709	24 836 473	58 847 669
Restatement (Note 31)	-	-	(2 988 606)	(2 988 606)
31.12.17., restated	33 464 487	546 709	21 847 867	55 859 063
Loss for the reporting period	-	-	(92 568 445)	(92 568 445)
31.12.18., restated	33 464 487	546 709	(70 720 578)	(36 709 382)
Current year loss	-	-	(397 962)	(397 962)
31.12.19.	33 464 487	546 709	(71 118 540)	(37 107 344)

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AS VALMIERAS STIKLA ŠĶIEDRA
STATEMENT OF CASH FLOWS OF THE GROUP AND
THE GROUP'S PARENT COMPANY FOR THE YEAR 2019

Notes	GROUP		GROUP's Parent Company	
	2019 EUR	2018, restated EUR	2019 EUR	2018, restated EUR
Cash flows from operating activities				
Loss before tax	(6 840 064)	(114 609 452)	(386 458)	(92 410 637)
<i>Adjustments:</i>				
Change in fair value of derivative	399 317	478 971	399 317	478 971
Depreciation and amortization	20 10 060 354	14 562 785	9 596 363	9 929 512
Change in impairment allowances	(15 225 697)	102 570 869	1 627 560	94 262 438
Profit from disposal of property, plant and equipment, net	1 476 075	(94 400)	1 188 112	(94 400)
Profit from sale of share in subsidiaries	-	-	-	(121 915)
Past service cost defined benefit	-	449 859	-	-
Interest expenses	23 4 798 489	2 959 412	4 790 740	3 170 260
Interest income	-	-	-	(2 318 772)
Income on government grants	15 (381 539)	(792 216)	(381 539)	(380 785)
Changes in working capital:				
(Increase) / decrease in inventories	5 208 684	(6 120 762)	(663 100)	(1 606 309)
Decrease / (increase) in trade and other receivable	1 264 194	5 614 389	(12 378 863)	11 491 298
(Decrease) / increase in trade and other payables	(3 693 953)	(379 863)	(5 040 880)	6 963 550
Increase in provisions and employee benefits	721 169	-	1 334 575	-
Interest paid	(4 243 160)	(3 575 203)	(3 812 063)	(3 390 640)
Income tax paid	(382 789)	(444 703)	(165 673)	(2 098)
Cash (used in)/ provided by operating activities	(6 838 919)	619 686	(3 891 910)	25 970 473
Cash flows from investing activities				
Purchase of property, plant and equipment and intangible assets	(2 149 497)	(16 465 555)	(2 105 239)	(1 242 655)
Income from sales of investment in subsidiary shares to non-controlling shareholders	-	8 668 436	-	-
Loans to related parties	-	-	(1 186 640)	(30 566 325)
Loans repaid from related parties	-	-	379 655	-
Income from sales property, plant and equipment	8 281	130 159	8 281	130 159
Income from sales of investment in related party shares to non-controlling shareholders	-	-	-	2 400 000
Received interest	-	-	771 826	-
Net cash used in investing activities	(2 141 216)	(7 666 960)	(2 132 118)	(29 278 821)
Cash flows from financing activities				
Loans received	12 870 461	18 181 631	7 704 981	13 344 539
Loans repaid	(754 610)	(13 266 558)	(412 168)	(10 128 224)
Payment of lease liabilities (2018: payment of finance lease)	(810 652)	(151 913)	(233 066)	(151 913)
Net cash provided by financing activities	11 305 199	4 763 160	7 059 747	3 064 402
Net change in cash and cash equivalents	2 325 063	(2 284 114)	1 035 720	(243 946)
Cash and cash equivalents at the beginning of reporting period	349 477	2 633 591	60 455	304 401
Cash and cash equivalents at the end of reporting period	10 2 674 540	349 477	1 096 175	60 455

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Ģirts Vēveris, Member of the Board

Mārtiņš Blaus, Finance Director

1. GENERAL INFORMATION

AS VALMIERAS STIKLA ŠĶIEDRA 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 fiberglass and fiberglass products.

The GROUP consists of parent company AS VALMIERAS STIKLA ŠĶIEDRA (GROUP's Parent Company) and its subsidiaries - VALMIERA GLASS UK (previously - P-D Integrlas Technologies Ltd.), VALMIERA GLASS USA Corporation and VALMIERA GLASS USA Trading Corporation. The principal activity of the GROUP is production and trade of fiberglass and fiberglass products.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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.

1. Initial application of new amendments to the existing standards effective for the current reporting period

The GROUP and the GROUP's Parent Company have adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with the date of initial application of 1 January 2019.

- (i) **IFRS 16 "Leases"** - adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019)

In the current year, the GROUP and the GROUP's Parent Company have applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The date of initial application of IFRS 16 for the GROUP and the GROUP's Parent Company is 1 January 2019.

The GROUP and the GROUP's Parent Company has applied IFRS 16 using the modified retrospective approach which:

- requires to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information;
- required to apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

IFRS 16 changes how the GROUP and the GROUP's Parent Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet. Applying IFRS 16, for all leases (except as noted below), the GROUP and the GROUP's Parent Company:

- Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
- Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;

AS VALMIERAS STIKLA ŠĶIEDRA
NOTES TO THE FINANCIAL STATEMENTS

- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (assets with fair value below 1 000 EUR including items such as personal computers, printers, mobile phones, small items of office furniture and similar), the GROUP has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. Such operating lease expense is presented in the Income statement item 'Other operating expenses' (line items 'Rent' and 'Work safety').

The GROUP and the GROUP's Parent Company have used the following practical expedients when applying the modified retrospective approach to leases previously classified as operating leases applying IAS 17:

- applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Financial impact of the initial application of IFRS 16 is detailed below.

	GROUP			GROUP's Parent Company		
	01.01.19. EUR	IFRS 16 EUR	01.01.19. previously EUR	01.01.19. EUR	IFRS 16 EUR	01.01.19. previously EUR
Non-current assets						
Property, plant and equipment						
Right-of-use assets	1 533 953	1 476 288	546 186	1 250 950	1 193 285	57 665
Total property, plant and equipment	1 533 953	1 476 288	546 186	1 250 950	1 193 285	57 665
Total assets	1 533 953	1 476 288	546 186	1 250 950	1 193 285	57 665
Liabilities						
Non-current liabilities						
Lease liabilities	1 576 410	1 160 253	416 157	1 031 199	944 324	86 875
Current liabilities						
Lease liabilities	485 091	316 035	169 056	258 778	248 961	9 817
Total equity and liabilities	2 061 501	1 476 288	585 213	1 289 977	1 193 285	96 692

AS VALMIERAS STIKLA ŠĶIEDRA
NOTES TO THE FINANCIAL STATEMENTS

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	GROUP	GROUP's Parent Company
	EUR	EUR
Assets		
Operating lease liabilities as at 31 December 2018	1 583 173	1 283 608
The weighted average interest rate of the borrowing rate on 1 January 2019	2.90%	2.90%
Operating lease liabilities with a discount on January 1, 2019	1 476 288	1 193 285
Less		
Short-term lease obligations	-	-
Liabilities related to the lease of low value assets	-	-
	1 476 288	1 193 285
Commitments relating to leases previously classified as finance leases	585 213	96 692
Lease obligations on 1 January 2019	2 061 501	1 289 977

(ii) Other standards

The adoption of these new standards, amendments to the existing standards and interpretation has not led to any material changes in the GROUP and the GROUP's Parent Company's financial statements.

- *IFRS 9 "Financial Instruments" - Prepayment Features with Negative Compensation - adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019)*
- *Amendments to IAS 19 "Employee Benefits" - Plan Amendment, Curtailment or Settlement - adopted by the EU on 13 March 2019 (effective for annual periods beginning on or after 1 January 2019)*
- *Amendments to various standards due to "Improvements to IFRSs (cycle 2015 -2017)" resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 14 March 2019 (effective for annual periods beginning on or after 1 January 2019)*
- *IFRIC 23 "Uncertainty over Income Tax Treatments" - adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019)*

II. Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorization of these financial statements, the following new standard, amendments to the existing standard and interpretation issued by IASB and adopted by the EU are not yet effective:

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Material (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020).
- **Amendments to IFRS 3 "Business Combinations"** - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period).

- **Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures”** - Interest Rate Benchmark Reform (effective for annual periods beginning on or after 1 January 2020),

The GROUP and the GROUP's Parent Company have elected not to adopt new standard, amendments to existing standard and interpretation in advance of their effective dates. The GROUP and the GROUP's Parent Company anticipate that the adoption of these standards and amendments to existing standards will have no material impact on the financial statements of the GROUP and the GROUP's Parent Company in the period of initial application.

III. New standards and amendments to the existing standards 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 for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at 31 December 2019 (the effective dates stated below is for IFRS as issued by IASB):

- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 17 “Insurance Contracts”** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).
- **Classification of liabilities as current or non-current (Amendments to IAS 1).**

The GROUP and the GROUP's Parent Company anticipate that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the GROUP and the GROUP's Parent Company in the period of initial application.

3. ACCOUNTING POLICIES

Foreign currencies

The accompanying financial statements are presented in the currency of the European Union, the Euro (hereinafter - EUR), which is the GROUP's Parent Company's functional and presentation currency. The functional currencies of subsidiaries are GBP and USD.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the GROUP's foreign subsidiaries are translated into EUR using exchange rate prevailing at the end of each reporting period. Income and expense items are translated at average exchange rates for the period. Exchange differences arising are recognised in other comprehensive income and accumulated in equity as Foreign currency translation reserve, relevant part of which is allocated to non-controlling interest.

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All transactions and balances in foreign currencies are converted into euro after the European Central Bank exchange rate. Financial Reporting currency rates for 1 EUR:

	31.12.19.	31.12.18.
GBP	0.8508	0.89453
RUB	69.95630	79.71530
SEK	10.44680	10.25480
CHF	1.08540	1.12690
USD	1.1234	1.14500

Basis of consolidation

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

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the GROUP and to the non-controlling interests. Total comprehensive income is attributed to the owners of the GROUP and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

Changes in the GROUP's ownership interests in existing subsidiaries

Changes in the GROUP's ownership interests in subsidiaries that do not result in the GROUP losing control over the subsidiaries are accounted as equity transactions. The carrying amounts of the GROUP's interests and the non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amounts by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the GROUP.

Business combinations

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

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

Goodwill is measured as the excess of the sum of the consideration transferred over the fair value of net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Investments in subsidiaries

Investments in subsidiaries in the GROUP's Parent Company's separate 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.

Intangible assets

Goodwill

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

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

Other intangible assets

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

Tangible fixed assets

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

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

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

Land is not depreciated.

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

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

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

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs comprise direct materials and, where applicable, direct labour 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. See use of estimates section below.

Revenue recognition

Revenue is measured based on the consideration to which the GROUP expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The GROUP recognises revenue at the point of time when it transfers control of a product or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

	Performance of performance obligations and payment terms	Revenue recognition
Sale of goods	<p>Goods (and all risks and benefits associated with the ownership) are transferred to the customers in accordance with Incoterms specified in the sales contract and / or invoice.</p> <p>30 to 60-day payment terms apply, or prepayment is required depending on the availability of customer's credit insurance and / or credit risk assessment.</p> <p>Under the GROUP's standard contract terms, customers have a right of return within 6 months.</p> <p>The customers have a right of refund, early payment discounts and volume bonuses. Please see more details below.</p> <p>The sales contracts do not contain significant financing components.</p>	<p>Revenue is recognised when the goods are delivered in accordance with the sales agreement Incoterms.</p> <p>The GROUP recognises revenue when or as the performance obligation is satisfied, net of the amount of cash discount expected to be taken.</p> <p>The GROUP provides early payment discounts to its clients. The GROUP estimates the amount of variable consideration to which it will be entitled by using the 'most likely amount' method. The GROUP recognises revenue when or as the performance obligation is satisfied, net of the amount of cash discount expected to be taken.</p> <p>For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.</p> <p>Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated.</p>

The GROUP estimates the amount of variable consideration to which it will be entitled by using the 'most likely amount' method.

At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned.

The GROUP uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent insignificant level of returns over previous years.

Transport services

Transport services are deemed to be provided when the transport services have been completed (transported goods have been delivered to the customer).

30 to 60-day payment terms apply.

No discounts and bonuses apply.

The service contracts do not contain significant financing components.

Revenue from services is recognised in the accounting period in which the transportation services are completed (goods delivered to clients).

Management and consulting services

Services are deemed to be provided when a customer has confirmed complete or partial service delivery. In the case of long-term consulting contracts, services are deemed to be provided at a constant rate on monthly basis in accordance with the agreement.

30 to 60-day payment terms apply.

No discounts and bonuses apply.

Revenues are 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 amount of services to be provided.

The service contracts do not contain significant financing components.

The contract assets primarily relate to the GROUP's rights to consideration for services provided but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the GROUP issues an invoice to the customer.

The contract liabilities relate to advance payments received from customers, which will be recognized as revenue in the next reporting period, when the respective customer orders are fulfilled.

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. Please refer to Note 16.

Retirement benefit costs

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Defined benefit costs are categorised as follows:

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

The GROUP presents the first two components of defined benefit costs in profit or loss in the line item Personnel Expenses and Interest expense/ income. Remeasurement comprises actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is recognized in other comprehensive income and accumulated within Other reserves in equity.

Financial instruments

Recognition and initial measurement

Trade receivables and debt instruments issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the GROUP becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

- i. Financial assets

Classification and subsequent measurement

On initial recognition, GROUP's and GROUP's Parent Company's financial assets are classified as measured at amortised cost.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time

and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the GROUP considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the GROUP considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the GROUP's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets are not reclassified subsequent to their initial recognition unless the GROUP or the GROUP's Parent Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The GROUP does not hold debt or equity investments measured at FVOCI or FVTPL. All GROUP's financial assets are classified as financial assets at amortized costs, these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.

Derecognition

The GROUP derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the GROUP neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Any gain or loss on derecognition is recognised in profit or loss.

i. Financial liabilities

All GROUP's and GROUP's Parent Company's financial liabilities are classified as measured at amortised cost, except for derivative financial instruments which are measured at FVTPL.

Other financial liabilities at amortized cost

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Financial liabilities at FVTPL

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Derecognition

The GROUP derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The GROUP also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

ii. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the GROUP currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment of non-derivative financial assets

The GROUP and the GROUP's Parent Company recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- contract assets.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the GROUP and the GROUP's Parent Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs, simplified method.

The GROUP and the GROUP's Parent Company measures loss allowances at an amount equal to 12-month ECLs, unless there has been a significant increase in credit risk since initial recognition; then lifetime ECLs is used instead. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the GROUP and the GROUP's Parent Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the GROUP and the GROUP's Parent Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the GROUP's and the GROUP's Parent Company's historical experience and informed credit assessment and including forward-looking information. The GROUP and the GROUP's Parent Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The GROUP and the GROUP's Parent Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the GROUP and the GROUP's Parent Company in full, without recourse by the GROUP and the GROUP's Parent Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Credit-impaired financial assets

At each reporting date, the GROUP and the GROUP's Parent Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the GROUP and the GROUP's Parent Company on terms that the GROUP and the GROUP's Parent Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the GROUP and the GROUP's Parent Company have no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The GROUP and the GROUP's Parent Company individually make an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The GROUP and the GROUP's Parent Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the GROUP's and the GROUP's Parent Company's procedures for recovery of amounts due.

Deferred and current tax

Current tax assets and tax liabilities for current and previous periods are measured at the amount expected to be obtained from or paid to tax authorities. Deferred taxes refer to tax on differences between the carrying amount and the tax base, which in the future serves as the basis for current tax. Deferred tax liabilities are the tax attributable to taxable temporary differences and are expected to be paid in the future. Deferred tax liabilities are recognised on all taxable temporary differences, Deferred tax assets represent a reduction in the future tax attributable to deductible temporary differences, tax loss carry-forwards or other future taxable deductions. Deferred tax assets are tested on each closing period and recognised to the extent it is likely on each closing day that they can be utilised. As a result, a previously unrecognised deferred tax asset is recognised when it is considered likely that a sufficient surplus will be available in the future. Tax rates which have been enacted or substantively enacted as of the reporting date are used in the calculations. The GROUP's deferred tax assets and tax liabilities are estimated at nominal value using country's tax rate in effect in subsequent years. Deferred tax assets are netted against deferred tax liabilities for GROUP entities that have offsetting rights. All current and deferred taxes are recognised in profit or loss as Tax, with the exception of tax attributable to items that are recognised directly in other comprehensive income or equity.

Based on the new Corporate Income tax law of the Republic of Latvia starting from 1 January 2018 corporate income tax is applicable to distributed profits and several expenses that would be treated as profit distribution. In case of reinvestment of profit corporate income tax shall not be applied. The applicable corporate income tax rate is 20%. Corporate income tax will be recognized as tax payable at the period when shareholders decide to distribute profit.

In accordance with International Accounting Standard No 12 "Income Taxes" requirements, in cases where income tax is payable at a higher or lower rate, depending on whether the profit is distributed, the current and deferred tax assets and liabilities are measured at the tax rate applicable to undistributed profits. In Latvia the applicable rate for undistributed profits is 0%. Therefore, no deferred tax assets and liabilities arise.

Leases

The GROUP and the GROUP's Parent Company as lessee

The GROUP and the GROUP's Parent Company assess whether a contract is or contains a lease, at inception of the contract. The GROUP and the GROUP's Parent Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (assets with fair value below 1 000 EUR including items such as personal computers, printers, mobile phones, small items of office furniture and similar) . For these leases, the GROUP and the GROUP's Parent Company recognize the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;

- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented in Loans and Borrowings line item in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The GROUP and the GROUP's Parent Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over period of lease term.

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.

Cash and cash equivalents

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

Government grants

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

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

Other government grants are recognized as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the

purpose of giving immediate financial support to the GROUP with no future related costs are recognized in profit or loss in the period in which they become receivable.

Provisions

Provisions are recognised when the GROUP and the GROUP's Parent Company have a present obligation (legal or constructive) as a result of a past event, it is probable that the GROUP and the GROUP's Parent Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Restructurings

A restructuring provision is recognised when the GROUP and the GROUP's Parent Company have developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Provisions for waste disposal

Provisions for waste disposal are recognised when the GROUP and GROUP's Parent Company have generated waste during its production process to be disposed to landfill. The amount recognized as a provision is estimated considering the total amount of accumulated waste and waste disposal tariffs as at the reporting date.

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:

Recoverable amount of goodwill

Goodwill is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. Determining whether goodwill is impaired requires the management to estimate the future cash flows expected to arise from the cash-generating unit. Where the actual future cash flows are less than expected, a material impairment loss may arise. The key assumptions used to determine the recoverable amount of goodwill are disclosed in Note 5.

Useful lives of property, plant and equipment

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

The carrying amounts of property, plant and equipment

The GROUP's management reviews the carrying amounts of property, plant and equipment and assesses whenever indications exist that the assets' recoverable amounts might be lower than their carrying amounts. In case such indication of impairment is established, the GROUP measures the amount of impairment based on the estimates related to the expected future use, planned liquidation or sale of the assets. Main assumptions used to estimate the recoverable amount of property, plant and equipment are disclosed in Note 6.

Recoverability of deferred tax assets on tax loss carried forward

The GROUP assesses the availability of taxable profits during the period when tax losses and tax discounts carried forward can be used. The GROUP reviews the deferred tax asset at each balance sheet date and reduces it to the extent that it is no longer probable that sufficient

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taxable profit will be available during the period when tax loss and discounts can be carried forward to use the deferred tax asset.

Net realizable value of inventories

The GROUP's management evaluates the net realizable 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 realizable value of inventories is lower than the cost of inventories, allowance is recorded.

Starting from year 2019, the GROUP recognizes write down to Net realizable value for all inventory items with no movement for more than 1 year. The GROUP changed its estimates based on its reassessment of past experience and analysis of obsolete inventory ageing and pricing risk profile. This was introduced across the Group. Until 2019, the GROUP's Parent Company write down to inventory to net realizable value was established for all inventory items with no movement for more than 3 years. It was assumed that value of such inventory is close to 0, thus 100% write down was recognized. The UK subsidiary previously used a provision matrix, according to which inventory write down was recognized as follows:

Inventory item in stock with no movement, years	Write down, %
0	0
1	5
2	10
3	40
4	60
5	80
6	80
7	90
8	99
9	100

The effect of the accounting estimate change on the carrying amount of inventory as at 31 December 2019 (please see Note 7) and the net result for the year ended on 31 December 2019 can be disclosed as follows:

Inventory, net	According to the historical estimate, EUR	Effect of the estimate change, EUR	According to the revised estimate, EUR
GROUP's Parent Company	17 219 302	776 486	16 442 816
GROUP	27 324 786	2 761 326	24 563 460

Allowance for expected credit losses on doubtful receivables

Refer to above section Impairment of non-derivative financial assets.

Defined benefit pension plans

The GROUP's management determines net deficit in defined benefit pension plan based on an assessment carried out by independent actuary. The most significant assumptions used in this assessment are the expected return on pension plan assets, pension growth rate, discount rate and availability of refund of potential future surplus of the plan. Please see Note 14 for more detailed information.

Judgement regarding the Company's and GROUP's ability to continue as a going concern – please refer to Note 32.

Judgement whether particular subsequent event is adjusting or not – please refer to Note 6 and 30.

Judgement regarding entitlement to government grants received – please refer to Note 15.

4. INTANGIBLE ASSETS

GROUP

	Software licenses, patents, trademarks and other rights EUR	Software in acquisition process EUR	TOTAL EUR
COST			
31.12.17.	1 415 357	14 700	1 430 057
Exchange differences	4 481	-	4 481
Additions	129 162	79 352	208 514
31.12.18.	1 549 000	94 052	1 643 052
Exchange differences	1 971	-	1 971
Reclassified to property, plant and equipment (Note 6)	-	(80 316)	(80 316)
Additions	269 304	71 152	340 456
31.12.19.	1 820 275	84 888	1 905 163
ACCUMULATED AMORTISATION AND IMPAIRMENT			
31.12.17.	442 039	-	442 039
Exchange differences	3 205	-	3 205
Charged	158 281	-	158 281
Increase in impairment allowances	74 355	-	74 355
31.12.18.	677 880	-	677 880
Exchange differences	1 972	-	1 972
Charged	137 699	-	137 699
31.12.19.	817 551	-	817 551
Carrying value			
31.12.18.	871 120	94 052	965 172
31.12.19.	1 002 724	84 888	1 087 612

GROUP's Parent Company

	Software licenses, patents, trademarks and other rights EUR	Software in acquisition process EUR	TOTAL EUR
COST			
31.12.17.	1 327 790	14 700	1 342 490
Additions	118 713	79 352	198 065
31.12.18.	1 446 503	94 052	1 540 555
Reclassified to property, plant and equipment (Note 6)	-	(80 316)	(80 316)
Additions	269 304	71 152	340 456
31.12.19.	1 715 807	84 888	1 800 695
ACCUMULATED DEPRECIATION			
31.12.17.	436 602	-	436 602
Charged	138 782	-	138 782
31.12.18.	575 384	-	575 384
Charged	137 699	-	137 699
31.12.19.	713 083	-	713 083
Carrying value			
31.12.18.	871 119	94 052	965 171
31.12.19.	1 002 724	84 888	1 087 612

5. INVESTMENTS IN SUBSIDIARIES AND GOODWILL

The GROUP's Parent Company is a shareholder in the following companies:

	31.12.19. EUR	31.12.18. EUR
VALMIERA GLASS UK Limited (100%)	13 000 000	13 000 000
P-D VALMIERA GLASS USA Corporation (2019: 52.21%, 2018: 52.21%)	14 680 994	14 680 994
VALMIERA GLASS TRADING USA Corporation (100%)	15 895	15 895
Impairment allowances	(14 696 889)	(14 696 889)
Total	13 000 000	13 000 000

Core business of the subsidiaries is trade and production of fiberglass products.

VALMIERA GLASS UK Limited

The GROUP's Parent Company acquired 100% of shares of subsidiary VALMIERA GLASS UK Limited (formerly named P-D Interglas Technologies Limited) from a related party on 4 October 2013. Cost of acquisition amounted to EUR 13 000 000.

VALMIERA GLASS UK Ltd acquisition resulted in the recognition of goodwill of GBP 3 276 269 (2019: EUR 3 850 810, 2018: EUR 3 662 559) as acquisition costs essentially include the anticipated benefits of the business combination, revenue growth and future market growth. These and other benefits arising from the acquisition were not recognized as separate assets because they did not meet identifiable intangible assets recognition criteria.

The management has made assessment of the recoverable amount of the investment in VALMIERA GLASS UK Limited and goodwill based on value-in-use – discounted cash flow projections of the subsidiary. The financial model is based on discounted net expected cash flows, which are forecasted in accordance with detailed 5-year financial forecasts (the cash generating unit is on the level of VALMIERA GLASS UK Limited). Planned net sales compound annual growth rate (CAGR) in the period from 2020 through 2024 is 1.6% (in 2018 for the period 2019-2023: 5%). Estimated annual long-term growth rate, which is applied to project future cash flows after the fifth year, is 2% p.a. (2018: 2%). 9.8% (in 2018 for the period 2019-2023 and further: 13.2%) EBITDA margin in expected both in the period from 2019 through 2023, and is forecast after the fifth year through the terminal year. The estimated future cash flows are discounted to their present value using a pre-tax discount rate of 12% (2018: 8%), which reflects assessments of the time value of money of third-party investor and the risks specific to VALMIERA GLASS UK Limited as at the date of these financial statements. Based on the above assumptions, the present value of estimated future cash flows of VALMIERA GLASS UK Limited exceeds the carrying amount of the investment as at 31 December 2019, and no impairment is recognized. The calculation of value-in-use is most sensitive to the assumptions of net sales growth rates, EBITDA margins, and discount rates. No reasonably expected change in these key assumptions would result in goodwill impairment; hence, no sensitivity analysis is presented.

The main financial indicators of the UK Subsidiary can be disclosed as follows:

	2019 EUR	2018 EUR
Total assets as at 31 December	17 975 424	20 890 270
Net assets (equity) as at 31 December	9 951 114	12 122 590
Net profit / (loss) for the year	(2 531 623)	1 783 687

In 2019, VALMIERA GLASS UK Limited changed the estimates used to recognize inventory write down to Net realizable value (please see Note 3, section *Use of estimates and critical accounting judgements*) – the total effect of this change in estimates on the result for year 2019 amounts to GBP 1 688 702 (EUR 1 923 855). In addition, during 2019, the company established 100% allowances for the unrecoverable amount of the debts of P-D VALMIERA GLASS USA Corporation in the total amount of 2 518 985 GBP (EUR 2 869 755). Excluding the effects of the above

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adjustments, the adjusted net result of VALMIERA GLASS UK would amount to GBP 1 676 063 (EUR 1 909 456).

VALMIERA GLASS Trading USA Corporation

The GROUP's Parent Company established subsidiary VALMIERA GLASS Trading USA Corporation on 9 April 2014. The purpose of this US Subsidiary was to act as a sales representative of VALMIERA GLASS GROUP and P-D VALMIERA GLASS USA Corporation in the US market.

As the result of the negative business development of P-D VALMIERA GLASS USA Corporation, as at the date of these financial statements, VALMIERA GLASS Trading USA Corporation is a dormant company. The management of the GROUP's Parent Company consider winding-down of the subsidiary, and have decided to recognize impairment allowances in full amount of the carrying amount of investment in the subsidiary as at 31 December 2018. In 2019 management assessment has not changed.

P-D VALMIERA GLASS USA Corporation

In April 2018, the P-D VALMIERA GLASS USA Corporation started fiberglass production in newly constructed factory (including Phase 1 (needle mat production) and Phase 2 (melting operations) plants).

While Phase 1 was fully operational both during 2018 and 2019, investments totalling EUR 99 million had been made into the US Phase 2 facility by the end of 2018 (with a total of USD 110m planned in the period from 2014 through 2022). Unfortunately, Phase 2 facility production line was unable to reach the required production capacity utilisation and remained operationally loss-making both in 2018 and 2019, effectively consuming operational cash from other parts of the GROUP, as evidenced by substantial loans issued to the P-D VALMIERA GLASS USA Corporation in 2018 and the first half of 2019 (please refer to Note 27 Transactions and balances with related parties).

In May 2019, the GROUP's Parent Company and VALMIERA GLASS UK Limited discontinued their financial support to P-D VALMIERA GLASS USA Corporation.

In 2018 P-D VALMIERA GLASS USA Corporation entered into a short-term USD 3 000 000 (31.12.2019.: EUR 2 670 465) uncommitted revolving credit line agreement with Landesbank Baden-Württemberg New York ("LBBW Bank") guaranteed by the Company (please see Note 29 Contingent liabilities). On 10 June 2019 LBBW Bank demanded the Company to repay the principal amount and accrued interest of the loan in the total amount of USD 3 013 148 (31.12.2019: EUR 2 682 168). This event forced the Company to commence the Legal Protection Proceedings (LPP).

On 17 June 2019, P-D VALMIERA GLASS USA Corporation had to stop its Phase 2 Fiberglass furnace operation, and dismiss more than 350 employees. P-D VALMIERA GLASS USA Corporation continued to run Phase 1 manufacturing operations. Since discontinuation of Phase 2 operations, the management team of the subsidiary was replaced, and the operating and financial results of the subsidiary have significantly improved.

On 17 June 2019, the US Subsidiary also filed a voluntary petition for relief under Chapter 11 in the United States Bankruptcy Court for the Northern District of Georgia on 17 June 2019. Chapter 11 is a procedure under the US bankruptcy code to reorganise a distressed company, and permits continued operation of parts or the whole organisation in a controlled way.

P-D VALMIERA GLASS USA Corporation is operating as a debtor-in-possession under a Final Cash Collateral Order entered by the Bankruptcy Court, according to which all payments from the bank accounts of the Subsidiary are subject to the Court's approval in order to protect the interests of the secured creditors. In addition, the Court has appointed a Committee of Unsecured Creditors, which shall represent and protect the interests of unsecured creditors.

The Subsidiary remains under control and direction of the Management Board and Supervisory Council elected by the shareholders of the GROUP's Parent Company. In accordance with IFRS 10, the GROUP's Parent Company remains the controlling shareholder of P-D VALMIERA GLASS USA Corporation.

Considering the uncertainty associated with the Bankruptcy Court's approval of the reorganization plan of P-D VALMIERA GLASS USA Corporation, as well as the general future

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course of the subsidiary's operations, the GROUP's Parent Company recognized impairment allowance in full amount of the carrying amount of its investment in the US Subsidiary as at 31 December 2018 (EUR 14 680 994) in its separate financial statements. The GROUP's management assessment of the recoverability of the investment in US Subsidiary has not changes in 2019.

The main unaudited financial indicators of the US Subsidiary can be disclosed as follows:

	2019	2018
	EUR	EUR
Total assets as at 31 December	19 917 488	11 288 947
Negative net assets (equity) as at 31 December	(101 785 058)	(93 638 242)
Net (loss) for the year	(6 368 511)	(122 775 284)
<i>Net loss attributable to the Owners of the Parent</i>	<i>(3 324 695)</i>	<i>(64 975 662)</i>
<i>Net loss attributable to non-controlling interest</i>	<i>(3 043 816)</i>	<i>(57 799 621)</i>

In year 2018, the Subsidiary recognized 100% allowances on the total carrying amount of its PPE amounting to USD 111 130 007 (EUR 99 267 536). Excluding the effect of the adjustment, the adjusted net result of the Subsidiary would be negative in the amount of USD 26 316 924 (EUR 23 507 748).

In year 2019, the Subsidiary reversed impairment allowances on its PPE in the total amount of USD 17 500 000 (EUR 15 631 979). Excluding the effect of the adjustment, the adjusted net result of the Subsidiary would be negative in the amount of USD 24 629 548 (EUR 22 000 490).

As a result of new information becoming available in relation to the recoverable amounts of PPE, the Group Parent Company has partly reversed its impairment allowances against the debts of the US Subsidiary recognizing these in the amount of EUR 12 297 173 (2018: 0). Please see Note 27(d).

6. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Land EUR	Buildings EUR	Equipment and machinery EUR	Other fixed assets EUR	Construction in progress EUR	Advance payments for fixed assets EUR	Total EUR
HISTORICAL COST							
31.12.17.	376 885	34 832 913	135 787 262	5 648 382	71 400 627	13 163 703	261 209 772
Exchange differences	-	1 591 904	1 464 498	19 326	1 072 983	199 277	4 347 988
Additions	-	247 038	2 052 755	286 882	9 992 943	-	12 579 618
Disposals	-	-	(1 789 870)	(90 855)	-	-	(1 880 725)
Transfers	-	52 643 133	41 810 012	441 701	(82 033 530)	(12 861 316)	-
31.12.18. before IFRS16 adoption	376 885	89 314 988	179 324 657	6 305 436	433 023	501 664	276 256 653
Right-of-use assets recognized on 01.01.19.	-	195 676	1 180 078	100 534	-	-	1 476 288
01.01.19., after IFRS16 adoption	376 885	89 510 664	180 504 735	6 405 970	433 023	501 664	277 732 941
Exchange differences	-	1 196 750	1 836 143	78 542	(35)	1 293	3 112 693
Additions	-	262 540	2 140 650	5 547 539	410 253	190 643	8 551 625
Disposals	-	-	(2 488 910)	(744 827)	(67 275)	(220 659)	(3 521 671)
Reclassified from intangible assets	-	-	-	-	80 316	-	80 316
31.12.19.	376 885	90 969 954	181 992 618	11 287 224	856 282	472 941	285 955 904
ACCUMULATED DEPRECIATION							
31.12.17.	-	19 557 428	80 848 170	4 613 342	-	-	105 018 940
Exchange differences	-	1 792 958	1 418 041	17 979	-	-	3 228 978
Charge for the year	-	2 571 727	11 366 053	466 724	-	-	14 404 504
Disposals	-	-	(1 761 741)	(83 225)	-	-	(1 844 966)
Increase in impairment allowances	-	55 032 316	43 710 072	525 148	-	-	99 267 536
31.12.18.	-	78 954 429	135 580 595	5 539 968	-	-	220 074 992
Release of impairment based on selling agreement (US)	-	(8 901 451)	(6 620 760)	(109 768)	-	-	(15 631 979)
Allowance	-	-	-	-	-	440 920	440 920
Exchange differences	-	1 161 350	1 447 154	73 334	-	-	2 681 838
Charge for the year	-	1 284 141	7 757 866	880 648	-	-	9 922 655
Disposals	-	-	(1 216 881)	(619 098)	-	-	(1 835 979)
31.12.19.	-	72 498 469	136 947 974	5 765 084	-	440 920	215 652 447
NET CARRYING AMOUNT							
31.12.18.	376 885	10 469 507	43 744 062	765 468	433 023	501 664	56 290 609
31.12.19.	376 885	18 471 485	45 044 644	5 522 140	856 282	32 021	70 303 458

The GROUP has pledged all its property as a security for borrowings, see Note 12. In addition, the obligations of P-D VALMIERA GLASS USA Corporation to the City of Dublin and County of Laurens Development Authority (USA) were secured with tangible fixed assets of P-D VALMIERA GLASS USA Corporation, see Note 15.

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 2019 amounted to EUR 21 592 321.

During 2019, the GROUP's Parent Company disposed of degraded significant components of one of its furnaces and manufacturing equipment. The total net carrying amount of these assets amounted to EUR 1 397 729 as at the disposal date and the net result of disposal was a loss of EUR 1 397 729. In addition, the GROUP's Parent Company established impairment allowances for advance payments for manufacturing equipment development projects in the total amount of EUR 440 920.

Equipment and machinery include precious metal plates that are used in production, with net carrying amount as of 31 December 2019 of EUR 12 674 440 (2018: EUR 7 875 981). According to the metal prices quoted in London Stock Exchange as at 31 December 2019 the market price of

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the precious metals was EUR 20 889 579 (2018: EUR 10 136 417). The average technical depletion of the plates in 2019 was 4.7% (2018: 3.2 %).

The additions to property include capitalized interest costs on loans received for specific asset acquisition. There were no capitalized interest expenses in 2019 (2018: EUR 300 497).

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

GROUP	Land and buildings	Equipment and machinery	Motor vehicles	Total
	EUR	EUR	EUR	EUR
01.01.19.	195 676	1 180 078	100 534	1 476 288
Additions	48 471	139 526	71 459	259 456
Depreciation charge	(24 337)	(318 550)	(33 565)	(376 452)
31.12.19.	219 810	1 001 055	138 428	1 359 293

As described in Note 5 Investments in subsidiaries and goodwill, in April 2018, the GROUP's Parent Company's subsidiary P-D VALMIERA GLASS USA Corporation completed the project to construct fiberglass factory and started production of fiberglass products. During the production start-up phase, the Subsidiary was unable to attain the planned production capacity and was operationally loss-making. As a result, the Subsidiary had negative operating cash flow in 2018 and 2019, and had to stop Phase 2 Fiberglass furnace operations. The Subsidiary filed a voluntary petition for relief under Chapter 11 in the United States Bankruptcy Court for the Northern District of Georgia on 17 June 2019. The Subsidiary continued to run Phase 1 manufacturing operations.

For the purposes of year 2018 financial statements, the Subsidiary's management considered the above factors as adjusting subsequent events in accordance with IAS 10. The Subsidiary's management assumed that the carrying amount of the tangible fixed assets of P-D VALMIERA GLASS USA Corporation was not recoverable, and recognized impairment allowance in the amount of EUR 99 267 538 as at 31 December 2018.

As described in Note 30, on March 2, 2020, the Subsidiary signed an Asset Purchase Agreement with Saint-Gobain Adfors America, Inc. to sell substantially all assets of its Phase I and Phase II operations. The sales proceeds amount to USD 17 500 000 (EUR 15 631 979 according to year 2019 average EUR/USD foreign exchange rate). The Bankruptcy Court approved the Asset Purchase Agreement on June 2, 2020.

For the purposes of year 2019 financial statements, the Subsidiary's management considered it as an adjusting subsequent event in accordance with IAS 10. As at 31 December 2019, the Subsidiary's management has reversed the previously recognized impairment allowances in the amount of USD 17 500 000 (EUR 15 631 979).

As at 31 December 2018 the cost and accumulated depreciation of property, plant and equipment attributable to Phase 1 and Phase 2 operations were as follows:

As at 31 December 2018, EUR	Phase 1	Phase 2
Cost	9 986 269	98 590 876
Accumulated depreciation	(2 261 826)	(3 821 100)
Net value before impairment allowances	7 724 443	94 769 776

As at 31 December 2019 the cost and accumulated depreciation of property, plant and equipment attributable to Phase 1 and Phase 2 operations were as follows:

As at 31 December 2019, EUR	Phase 1	Phase 2
Cost	9 675 169	101 056 668
Accumulated depreciation	(2 851 231)	(8 630 665)
Net value before impairment allowances	6 823 938	92 426 003

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GROUP's Parent Company

	Land EUR	Buildings EUR	Equipment and machinery EUR	Other fixed assets EUR	Construction in progress EUR	Advance payments for fixed assets EUR	TOTAL EUR
HISTORICAL COST							
31.12.17.	376 885	28 649 355	118 935 242	4 134 299	204 798	449 975	152 750 554
Additions	-	58 670	863 038	200 209	223 170	-	1 345 087
Disposals	-	-	(1 789 870)	(90 855)	-	-	(1 880 725)
Transfers	-	-	-	-	5 055	(5 055)	-
31.12.18. before IFRS16 adoption	376 885	28 708 025	118 008 410	4 243 653	433 023	444 920	152 214 916
Right-of-use assets recognized on 01.01.19.	-	195 676	897 075	100 534	-	-	1 193 285
01.01.19., after IFRS16 adoption	376 885	28 907 874	118 905 485	4 344 187	433 023	444 920	153 408 201
Reclassified from intangible assets	-	-	-	-	80 316	-	80 316
Additions	-	262 540	7 779 693	67 102	332 840	28 020	8 488 073
Disposals	-	-	(3 205 661)	(8 939)	-	-	(3 214 600)
Adjustment	-	-	34 638	-	-	-	34 638
31.12.19.	376 885	29 166 241	123 514 155	4 420 228	846 179	472 940	158 796 628
ACCUMULATED DEPRECIATION							
31.12.17.	-	17 744 595	69 089 453	3 340 063	-	-	90 174 111
Charge for the year	-	1 247 269	8 211 524	331 937	-	-	9 790 730
Disposals	-	-	(1 761 741)	(83 225)	-	-	(1 844 966)
31.12.18.	-	18 991 864	75 539 236	3 588 775	-	-	98 119 875
Charge for the year	-	1 241 989	7 929 834	286 841	-	-	9 458 664
Allowance	-	-	-	-	-	440 920	440 920
Disposals	-	-	(1 808 168)	(8 703)	-	-	(1 816 871)
31.12.19.	-	20 233 853	81 660 902	3 866 913	-	440 920	106 202 588
NET CARRYING AMOUNT							
31.12.18.	376 885	9 716 161	42 469 174	654 878	433 023	444 920	54 095 041
31.12.19.	376 885	8 932 388	41 853 253	553 315	846 179	32 020	52 594 040

The GROUP's Parent Company has pledged all its property as a security for borrowings, see Note 12.

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 2019 amounted to EUR 19 352 499 (2018: EUR 17 761 282).

During 2019, the GROUP's Parent Company disposed of degraded significant components of one of its furnaces and manufacturing equipment. The total net carrying amount of these assets amounted to EUR 1 397 729 as at the disposal date. In addition, the GROUP's Parent Company established impairment allowances for advance payments for manufacturing equipment development projects in the total amount of EUR 440 920.

Equipment and machinery include precious metal plates that are used in production, with net carrying amount as of 31 December 2019 of EUR 12 674 440 (2018: EUR 7 875 981). According to the metal prices quoted in London Stock Exchange as at 31 December 2019 the market price of the precious metals was EUR 20 889 579 (2018: EUR 10 136 417). The average technical depletion of the plates in 2019 was 4.7% (2018: 3.2%).

The additions to property include capitalized interest costs on loans received for specific asset acquisition. There were no capitalized interest expenses in 2019 (2018: EUR 300 497).

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Set out below are the carrying amounts of right-of-use assets recognized as property, plant and equipment, and the movements during the period:

	Land and buildings	Equipment and machinery	Motor vehicles	Total
Group's Parent Company	EUR	EUR	EUR	EUR
01.01.19.	195 676	897 075	100 534	1 193 285
Additions	48 471	124 980	71 459	244 910
Depreciation charge	(24 337)	(218 967)	(33 565)	(276 869)
31.12.19.	219 810	803 088	138 428	1 161 326

7. INVENTORIES

	GROUP		GROUP's Parent Company	
	31.12.19. EUR	31.12.18. restated EUR	31.12.19. EUR	31.12.18., restated EUR
Raw materials	10 938 040	11 540 663	6 573 491	7 310 473
Write downs to net realizable value (raw materials)	(4 511 728)	(3 151 500)	(2 000 147)	(3 151 500)
Work in progress	4 326 165	8 375 109	3 652 335	4 796 309
Finished goods	13 886 791	12 770 177	8 366 030	6 787 362
Write downs to net realizable value (finished goods)	(859 035)	(123 629)	(763 022)	(123 629)
Advance payments for inventories	809 197	361 324	640 099	160 701
Write downs to net realizable value (advance payments for inventories)	(25 970)	-	(25 970)	-
Total	24 563 460	29 772 144	16 442 816	15 779 716

During 2019, the GROUP's Parent Company disposed significant amount of its obsolete raw materials resulting in decrease of write down to Net realizable value.

The change in the write down is mainly related to changes in the estimates (please see Note 3 Use of estimates and critical accounting judgements). Changes in the write downs are included in profit and loss statement item Raw materials and consumables (please see Note 18).

Change in allowances for inventory:

	GROUP EUR	GROUP's Parent Company EUR
Allowance as of 31 December 2017, restated	3 685 430	3 151 925
Change in allowances	(410 305)	123 204
Allowance as of 31 December 2018, restated	3 275 129	3 275 129
Additional allowances recognized	1 338 271	1 338 271
Disposal of obsolete inventory	(1 850 228)	(1 850 232)
Allowance as of 31 December 2019	2 763 168	2 763 168

The GROUP recognizes general 100% write down to Net realizable value for inventory items with no movement in the period longer than 1 year based on the historical experience. In addition, the GROUP recognizes specific write down to Net realizable value for waste fiber stock to reduce its carrying amount to 0.01 EUR/kg.

8. TRADE RECEIVABLES

	GROUP		GROUP's Parent Company	
	31.12.19. EUR	31.12.18. EUR	31.12.19. EUR	31.12.18. EUR
Trade receivables	7 085 510	7 929 477	3 760 579	4 320 831
Allowances for doubtful receivables	(1 198 990)	(95 803)	(330 179)	(95 803)
Total	5 886 520	7 833 674	3 430 400	4 225 028

Age of receivables that are past due but not impaired:

Days past due				
61-90 days	18 538	83 037	13 817	23 617
Over 90 days	207 859	230 045	57 604	137 863
Total	226 397	313 082	71 421	161 480

Change in allowance for doubtful trade and other receivables:

	GROUP EUR	GROUP's Parent Company EUR
Allowance as of 31 December 2017	312 986	6 726
Bad debts write off	(282 144)	-
Charge for the year	64 961	89 077
Allowance as of 31 December 2018	95 803	95 803
Charge for the year	1 103 187	234 376
Allowance as of 31 December 2019	1 198 990	330 179

In addition to the evaluation of expected credit losses according to IFRS 9 on collective basis, the GROUP and GROUP's Parent Company assess trade receivables outstanding balances individually and without the use of modelled inputs. If any significant differences in assessment identified, the management decides on the revision of the amount of allowance for receivables with impairment indicators. For detailed information about expected credit loss matrix refer to Note 28.

During 2019, the US subsidiary increased its impairment allowances by EUR 868 811 – deterioration of the recoverability of the subsidiary's trade receivables is related to the ongoing Chapter 11 proceedings.

9. OTHER ASSETS

	GROUP		GROUP's Parent Company	
	31.12.19.	31.12.18.	31.12.19.	31.12.18.
	EUR	EUR	EUR	EUR
Non-current:				
Legal protection process costs	148 395	-	148 396	-
Other receivables	-	204 119	-	-
Total non-current	148 395	204 119	148 396	-
Current				
VAT overpayment	430 647	350 295	317 828	350 295
Deferred insurance expenses	442 729	287 434	337 870	126 570
Legal protection process costs	197 457	-	197 457	-
Raw materials return	-	312 183	-	312 183
Other deferred expenses	364 668	317 079	169 776	74 846
Funds in escrow account	356 461	-	-	-
Other receivables	330 684	447 083	20 927	306 699
Total current	2 122 646	1 714 074	1 043 858	1 170 593

10. CASH AND CASH EQUIVALENTS

	GROUP		GROUP's Parent Company	
	31.12.19.	31.12.18.	31.12.19.	31.12.18.
	EUR	EUR	EUR	EUR
Cash in bank	2 674 540	349 477	846 175	60 455
Cash in transit	-	-	250 000	-
Total	2 674 540	349 477	1 096 175	60 455

11. EQUITY

Share Capital

The GROUP's Parent Company's paid-up share capital on 31 December 2019 consists of 23 903 205 (2018: 23 903 205) publicly listed bearer shares, all with equal rights. The share capital is EUR 33 464 487 (2018: EUR 33 464 487).

On December 4, 2017, the shareholder meeting of the GROUP's Parent Company decide to convert 12 408 955 closed issued registered shares with a EUR 1.40 nominal value each into 12 408 955 bearer shares with a EUR 1.40 nominal value each which confer identical rights to receive dividends and liquidation quotas, and voting rights at the general shareholder meeting. On July 18, 2018 Nasdaq Riga decided to admit for trading GROUP's Parent Company's additional 12 408 955 shares on the Nasdaq Baltic Secondary List next to the already traded 11 494 250 shares as of July 23, 2018.

In 2014 the share capital was denominated from Latvian lats to euro. Nominal value per share was determined EUR 1.40 and total value of share capital was determined EUR 3 3 464 487. Positive difference arising from the denomination in amount of EUR 546 709 was transferred to Other reserves of the GROUP's Parent Company.

As of 31 December 2019 and 2018 the shareholders of the the GROUP's Parent Company, in accordance with the records maintained by the Latvian Central Depository, are as follows:

	31.12.19.	31.12.18.
Corvalis GmbH	7.98%	11.97%
P-D Glaseeiden GmbH Oschatz	26.07%	26.07%
Preiss – Daimler Beatrix	9.49%	9.42%
P-D Composites Handels-und Service GmbH	22.82%	18.83%
P-D Management-Industries-Technologies GmbH	23.93%	23.93%
Other	9.71%	9.78%
	100.00%	100.00%

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The GROUP is ultimately controlled by Heinz-Jürgen Preiss-Daimler and Beatrix Preiss-Daimler.

Other reserves

	GROUP		GROUP's Parent Company	
	31.12.19.	31.12.18.	31.12.19.	31.12.18.
	EUR	EUR	EUR	EUR
Accumulated actuarial differences (Note 14)	(3 676 884)	(3 546 850)	-	-
Other reserves	546 709	546 709	546 709	546 709
Total	(3 130 175)	(3 000 141)	546 709	546 709

12. LOANS AND BORROWINGS

	GROUP		GROUP's Parent Company	
	31.12.19.	31.12.18.	31.12.19.	31.12.18.
	EUR	EUR	EUR	EUR
Non-current:				
Borrowings from credit institutions	50 046 242	54 755 439	50 046 242	55 426 558
Borrowings from subsidiaries (Note 27)	-	-	4 372 589	4 372 589
Borrowings from other related parties (Note 27(b))	12 506 004	5 557 348	10 845 000	3 895 000
Lease liabilities	895 410	329 282	771 522	-
Lease liabilities from related parties (Note 12(b), 27(c))	102 156	86 875	102 156	86 875
Other borrowings	5 436 303	1 118 528	-	-
Total non-current	68 986 115	61 847 472	66 137 509	63 781 022
Current:				
Borrowings from credit institutions	41 599 275	30 445 265	41 015 039	27 159 727
Borrowings from other related parties (Note 27(b))	-	350 000	-	350 000
Lease liabilities	462 389	169 056	386 041	9 817
Lease liabilities from related parties (Note 12(b), 27(c))	74 572	-	74 572	-
Other borrowings	1 044 660	186 525	-	-
Total current	43 180 896	31 150 846	41 475 652	27 519 544
Total	112 167 011	92 998 318	107 613 161	91 300 566

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Movement of loans and borrowings:

GROUP	31.12.18. EUR	Cash flows		Non-cash		31.12.19. EUR
		Received	Paid	IFRS16 adoption	Other*	
Borrowings from credit institutions	85 200 704	1 104 981	(754 610)	-	6 094 442	91 645 517
Borrowings from other related parties	5 907 348	6 600 000	-	-	(1 344)	12 506 004
Lease liabilities	585 213	-	(810 652)	1 476 288	283 678	1 534 527
Other borrowings	1 305 053	5 165 479	-	-	10 431	6 480 963
Total	92 998 318	11 765 479	(1 565 262)	1 476 288	292 765	112 167 011

GROUP's Parent Company	31.12.18. EUR	Cash flows		Non-cash		31.12.19. EUR
		Received	Paid	IFRS16 adoption	Other**	
Borrowings from credit institutions	82 586 285	1 104 981	(412 169)	-	7 782 184	91 061 281
Borrowings from subsidiaries	4 372 589	-	-	-	-	4 372 589
Borrowings from other related parties	4 245 000	6 600 000	-	-	-	10 845 000
Lease liabilities	96 692	-	(233 066)	1 193 285	277 380	1 334 291
Total	91 300 566	7 704 981	(645 235)	1 193 285	8 059 564	107 613 161

* In 2019, SEB and Danske banks fulfilled their obligations according to the bank guarantee agreements with J.Aron and Goldman Sachs International. In addition, the banks discontinued derivative financial instrument agreements – the principal amount of loans and borrowings from the banks was increased by the fair value of the agreements as at the termination date. Please see detailed description in Note 12(a).

** In 2019 Landesbank Baden – Wurttemberg terminated the credit line agreement with the the US subsidiary. In accordance with the guarantee agreement, the outstanding obligations of the US subsidiary were assigned to the GROUP's Parent company and recognized as other payables. Please see Note 13(c). Please see also the note above.

12(a) Borrowings from credit institutions

	GROUP		GROUP's Parent Company	
	31.12.19. EUR	31.12.18. EUR	31.12.19. EUR	31.12.18. EUR
Non-current part:				
Loan due within 2 to 5 years	50 046 242	40 799 764	50 046 242	41 470 883
Loan due after more than 5 years	-	13 955 675	-	13 955 675
Total non-current part	50 046 242	54 755 439	50 046 242	55 426 558
Current part:				
Credit line	512 936	20 633 347	-	17 347 809
Loan	41 086 339	9 811 918	41 015 039	9 811 918
Total current part	41 599 275	30 445 265	41 015 039	27 159 727
Total	91 645 517	85 200 704	91 061 281	82 586 285

The GROUP's Parent Company

Until 16 September 2019, based on agreements between the GROUP's Parent Company and Danske Bank AS and AS SEB Banka (hereinafter called – SEB, Danske or the Lenders), the GROUP's Parent Company had to observe certain financial covenants. As at 31 December 2018, the GROUP's Parent Company did not comply with the EBITDA (required result – above EUR 23 000 000) and Adjusted Equity (required result – above 40%) financial covenants. However, the Lenders confirmed that they would not exercise their rights to terminate the loan agreements concluded with the GROUP's Parent Company in respect to the financial covenant breaches during calendar year 2018, if the GROUP companies received loan facilities from Mr. John Post (Lamtec Corporation) (EUR 6 000 000), P-D Management Industries Technologies GmbH (EUR 5 000 000), and Mr. Heinz-Jürgen Preiss-Daimler (EUR 1 500 000) in January and February 2019. As at 31 December 2018 the GROUP's Parent Company was in the final stage of negotiations with the above-mentioned parties and the shareholders committed to provide the requested amount of financing. Therefore, it was assumed that the GROUP's Parent Company had both the ability and intent to comply with the additional conditions set by the Lenders. Accordingly, the loans were classified as long-term as at 31 December 2018. The loan facilities of Mr. John Post, P-D Management Industries Technologies GmbH and Mr. Heinz-Jürgen Preiss-Daimler were provided as agreed in January 2019 (please see Note 27).

In year 2018, the annual interest rate for EUR denominated loans and credit line ranged from 1.30% to 3.45% + 3M EURIBOR, and the annual interest rate for USD denominated loans ranged from 2.20% to 3.45% + 3M LIBOR.

As at 31 December 2018, the GROUP's Parent Company had concluded interest rate swap contracts for certain loan facilities, and the fair value of the interest swap agreements amounted to EUR -616 514 (liabilities), which is presented in line item *Derivative financial instruments* in these financial statements.

As at 31 December 2018, P-D VALMIERA GLASS USA Corporation had entered into a short-term USD 3 000 000 uncommitted revolving credit line agreement with Landesbank Baden – Württemberg. The annual loan interest is 4.00% p.a. The loan was secured with a guarantee of the GROUP's Parent Company. As at 31 December 2018, P-D VALMIERA GLASS USA Corporation had used the loan facility in full amount (EUR 2 620 087).

In 2019, a number of events significantly affected the amount and terms of the GROUP's Parent Company's financing agreements with credit institutions.

On 10 June 2019, LBBW Bank New York branch (hereinafter – LBBW) called the GROUP's Parent Company's guarantee securing its Credit line Agreement of 2 April 2018 with P-D VALMIERA GLASS USA Corporation (hereinafter – US subsidiary). LBBW demanded repayment of the

principal and accrued interest of the loan totaling USD 3 013 148 (EUR 2 682 168) (please see Note 5).

The GROUP's Parent Company was unable to execute its liabilities resulting from the above agreement with LBBW with short-notice, and had to file a Legal protection process (hereinafter – LPP) petition in the Vidzeme district court of Latvia on 18 June 2019. As the result, the GROUP's Parent Company had technically defaulted a number of financial and legal covenants of the loan agreements with the Lenders.

On 21 June 2019, both Lenders declared that the defaults have occurred and reserved the right to request immediate repayment of principal and accrued interest of all of the loan facilities. Subsequently, early repayment of the loan principal and accrued interest was requested.

On 17 June 2019, Goldman Sachs International declared default of its precious metal lease agreement with the GROUP's Parent Company based on LPP petition and unilaterally terminated the agreement. On 1 July 2019, SEB paid USD 5 549 184 (EUR 5 030 536) to Goldman Sachs International according to the Guarantee facility agreement of 12 December 2014 securing the above precious metal lease agreement. As a result, the GROUP's Parent Company's indebtedness to SEB increased by USD 5 549 184 (EUR 5 030 536), and it acquired precious metal stock previously leased from Goldman Sachs International.

Likewise, on 17 June 2019, J.ARON & COMPANY declared default of its precious metal lease agreement with P-D VALMIERA GLASS USA Corporation based on the Subsidiary's Chapter 11 petition (please see Note 5), and unilaterally terminated the agreement. The precious metal lease agreement with J.ARON & COMPANY was secured by the GROUP's Parent Company's letter of guarantee securing claims of J.ARON & COMPANY amounting up to USD 2 250 000 (EUR 2 009 826), and SEB and Danske had issued bank guarantees to secure the above GROUP's Parent Company's letter of guarantee and undertaken to be liable in equal amounts with respect to any indebtedness arising from the guarantee obligations in the amount of USD 1 500 000 (EUR 1 339 884). J.ARON & COMPANY demanded fulfillment of the relevant bank guarantee obligations of SEB and Danske and payment of USD 1 500 000 (EUR 1 339 884). On 26 and 30 August 2019, respectively, SEB and Danske satisfied the guarantee claims of J.ARON & COMPANY and paid USD 750 000 (EUR 669 942) each. As a result, the GROUP's Parent Company's indebtedness to the Lenders increased by USD 1 500 000 (EUR 1 339 884) in total. Both until and after the J.ARON & COMPANY's guarantee claims the US Subsidiary fully performed its obligations arising from the precious metal lease agreement.

In August 2020, SEB and Danske declared defaults and terminated interest rate swap agreements with the GROUP's Parent Company with the fair value amounting to EUR -513 900 and EUR -722 153, respectively. As a result, the GROUP's Parent Company's total indebtedness to the Lenders increased by 1 236 053 EUR.

On 16 September 2019, the GROUP's Parent Company and the Lenders concluded a Forbearance and Settlement agreement. According to the agreement, the GROUP's Parent Company's USD denominated indebtedness to the Lenders was converted into a EUR denominated obligation. In consideration of the Lenders' consent to the Legal protection proceedings plan and other terms of the agreement, the GROUP's Parent Company is obliged to pay to the Lenders Forbearance and Restructuring fees. The Forbearance fee is payable monthly and calculated as the outstanding principal indebtedness on the relevant day times 4.5% divided by 360 plus EUR 10,000 per month. The Restructuring fee amounting to EUR 4 800 000 is payable within 30 days after the date on which the LPP Plan has been completed and the competent court has passed the decision to terminate the LPP due to such completion.. The Restructuring fee is reduced by EUR 1 000 000, if the Lenders have received the principal indebtedness repayment in the amount of EUR 35 000 000 by 31 March 2020, and by additional EUR 800 000, if the gross leverage on 30 June 2021 and thereafter is below 3.5. Starting from January 2020, the GROUP's Parent Company had to repay its principal indebtedness in the amount of EUR 500 000 monthly. The Forbearance and Settlement agreement provided that the Company had to attract equity and/or loan financing in the amount exceeding EUR 40 000 000 in order to settle its liabilities to the secured creditors in the amount of EUR 35 000 000 and secure EUR 5 000 000 working capital and planned capital expenditure financing until 31 March 2020.

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As of 31 December 2018, the amount of the GROUP's Parent Company's available and not yet withdrawn credit lines was EUR 652 191.

As at 31 December 2018 and 2019, the indebtedness of the GROUP's Parent Company to the Lenders is secured by commercial pledge of all assets of the GROUP's Parent Company and its subsidiaries and mortgage of the GROUP's Parent Company's real estate located on Cempu iela 13, Cempu iela 13A, Cempu iela 13B, Cempu iela 11A, Cempu iela 11B, as well as land plots "Pie Gaujas" and "Piebraucamais dzelzceļš". The mortgaged properties are located in Valmiera, Latvia. The carrying amount of the above properties amounts to EUR 2 539 133 (2018: EUR 2 811 318).

VALMIERA GLASS UK Ltd has concluded a short-term GBP 1 000 000 overdraft facility agreement with SEB Bank. The annual loan interest rate ranges from 0.30 to 0.40% p.a. As at 31 December 2019, VALMIERA GLASS UK Ltd had used the loan facility in the amount of GBP 436 406 (EUR 512 936) (2018: GBP 595 366 (EUR 665 526)).

12(b) Lease liabilities

	GROUP		GROUP's Parent Company	
	31.12.19.	31.12.18.	31.12.19.	31.12.18.
	EUR	EUR	EUR	EUR
Non-current (up to five years)	997 566	416 157	873 678	86 875
Current	536 961	169 056	460 613	9 817
Total	1 534 527	585 213	1 334 291	96 692

The GROUP and the GROUP's parent does not have any significant liabilities with maturity over 5 years.

Movement of lease liabilities during the reporting period:

	GROUP	GROUP's Parent Company
	EUR	EUR
Lease liabilities		
01.01.2019	585 213	96 692
01.01.19. after IFRS16 adoption	1 476 288	1 193 285
Additions	244 910	244 910
Accretion of interest	38 768	32 470
Payments	(810 652)	(233 066)
31.12.19.	1 534 527	1 334 291

Increase in lease liabilities as of 01.01.19 is due to adoption of IFRS16 (see Note 2).

The following are the amounts recognized in profit or loss:

	GROUP	GROUP's Parent Company
	2019	2019
	EUR	EUR
Depreciation expense of right-of-use assets	376 452	276 869
Interest expense on lease liabilities	38 768	32 470
Expense relating to short-term leases	768 752	233 597
Total	1 183 971	542 936

The interest rate for the leases is variable 3-month EURIBOR and LIBOR and fixed rate 1.894%-2.75%.

12(c) Other borrowings

	GROUP		GROUP's Parent Company	
	31.12.19.	31.12.18.	31.12.19.	31.12.18.
	EUR	EUR	EUR	EUR
Non-current	5 436 303	1 118 528	-	-
Current	1 044 660	186 525	-	-
Total	6 480 963	1 305 053	-	-

13. TRADE AND OTHER PAYABLES

	GROUP		GROUP's Parent Company	
	31.12.19.	31.12.18.	31.12.19.	31.12.18.
	EUR	EUR	EUR	EUR
Non-current:				
Trade payables	4 932 232	-	4 932 233	-
Payables to subsidiaries (Note 27)	-	-	367 410	-
Other payables	1 848 172	-	1 848 172	-
Total trade and other payables, non-current	6 780 404	-	7 147 815	-
Current:				
Trade payables	20 433 751	25 608 632	11 331 949	16 045 018
Payables to subsidiaries (Note 27)	-	-	578 971	3 355 126
Payables to other related parties (Note 27)	4 292 097	4 850 913	1 070 022	3 345 431
Taxes and social security contributions	1 934 596	2 258 816	1 754 665	1 322 667
Accrued liabilities	3 867 545	3 746 910	3 056 207	5 805 338
Other payables	2 393 106	1 569 948	1 719 274	886 468
Total trade and other payables, current	32 921 095	38 035 219	19 511 088	30 760 048

13(a) Taxes and social security contributions

	GROUP		GROUP's Parent Company	
	31.12.19.	31.12.18.	31.12.19.	31.12.18.
	EUR	EUR	EUR	EUR
Republic of Latvia (Company)				
Natural resource tax	7 176	8 034	7 176	8 034
Social security contributions*	1 174 869	652 087	1 174 869	652 087
Personal income tax*	568 513	506 421	568 513	506 421
Enterprise risk duty	433	415	433	415
Corporate income tax	11 504	155 710	3 674	155 710
United Kingdom:				
Corporate income tax	143 915	289 970	-	-
United States of America				

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Personal income tax and Social security contributions	28 186	646 179	-	-
Total	1934 596	2 258 816	1754 665	1 322 667

During year 2019 the GROUP's Parent Company has reached agreements with the State Revenue Service on deferrals of social security contribution and personal income tax payments. As at 31 December 2019, the total amount of deferred tax liability amounted to EUR 859 239.

13(b) Accrued liabilities

	GROUP		GROUP's Parent Company	
	31.12.19. EUR	31.12.18., restated EUR	31.12.19. EUR	31.12.18., restated EUR
Accrual for vacations	1 298 507	1 042 615	1 298 507	1 042 615
Accruals for remuneration of management	80 161	569 586	80 161	569 586
Accruals for employee bonuses	854 480	741 091	854 480	741 091
Accruals for client bonuses	654 395	589 511	654 395	715 807
Accruals for guarantee obligations	-	-	-	2 620 087
Other	980 002	804 107	168 664	116 152
Total	3 867 545	3 746 910	3 056 207	5 805 338

13(c) Other payables

	GROUP		GROUP's Parent Company	
	31.12.19. EUR	31.12.18. EUR	31.12.19. EUR	31.12.18. EUR
Non-current:				
LBBW Bank	1 848 172	-	1 848 172	-
Total	1 848 172	-	1 848 172	-
Current:				
Salary	1 412 527	1 522 875	1 032 244	875 930
LBBW Bank	675 688	-	675 688	-
Other	304 891	47 073	11 342	10 538
Total	2 393 106	1 569 948	1 719 274	886 468

14. DEFINED BENEFIT OBLIGATION

Subsidiary of the GROUP VALMIERA GLASS UK Ltd (Employer) operates a defined benefit pension scheme for certain employees and for eligible employees, a scheme providing benefits based on final pensionable pay.

The fair value of the scheme assets and the present value of liabilities are as follows:

	31.12.19. EUR	31.12.18. EUR
Shares/equity	6 218 900	5 012 688
Corporate bonds	10 010 797	8 045 566
Index-linked assets	2 733 311	2 168 737
Cash and cash equivalents	288 705	486 289
Total pension plan assets	19 251 713	15 713 280
Present value of pension plan liabilities	(20 615 663)	(18 253 161)
Subsequent liabilities recognition	(3 475 025)	(2 782 467)
Total pension plan liabilities	(24 090 688)	(21 035 628)
Net pension plan liabilities	(4 838 975)	(5 322 348)
Current portion	997 559	950 220
Non-current portion	3 841 416	4 372 128

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

The assets of the pension schemes are held separately from those of VALMIERA GLASS UK Ltd being invested by independent investment managers.

A landmark judgement on a case concerning Lloyds Bank was released on 26 October 2018. Whilst this could be appealed, it confirmed that the Lloyds Bank schemes are required to equalise Guaranteed Minimum Pension (GMP) between men and women. In previous years, no allowance had been included for any potential equalisation. In terms of the accounting treatment, the effect of allowing for GMP equalisation constitutes a benefit change and therefore needs to be accounted for as a Past Service Cost and has therefore been recognised in the Profit and Loss.

The appointment of Trustees is determined by the trust documentation.

The Trustees of the Scheme invest the assets in line with the Statement of Investment Principles. The Statement of Investment Principles has been established taking into consideration the liabilities of the Scheme and the investment risk that the Trustees are willing to accept.

Under the Scheme Funding regime introduced by the Pensions Act 2004, the Trustees are required to carry out regular scheme funding assessments and establish a schedule of contributions and a recovery plan when there is a shortfall in the scheme. The recovery plan details the amount and timing of the contributions required to eliminate the shortfall in the scheme. Scheme funding assessments are carried out at least every three years. Approximate funding updates are produced annually in years where a full scheme funding valuation is not being completed.

In accordance with IFRIC 14, at each scheme funding assessment the present value of the contributions detailed in the current recovery plan is compared with any deficit measured. Where the contributions under the current recovery plan are no longer sufficient to remove the shortfall by the end of period specified in the recovery plan a new recovery plan will need to be agreed between the Trustees and the Employer. Options include increasing contributions due from the Employer, extending the recovery period with additional contributions paid after the expiry of the current recovery period or some combination of the two. The affordability to the Employer of any increase in contributions is a primary factor in the agreement of any new recovery plan.

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Where the contributions are more than sufficient to remove the shortfall by the end of the recovery period, options include reducing contributions due, keeping the recovery period the same, or shortening the recovery period.

As part of the Scheme Funding Assessment as at 31 March 2016, a recovery plan was agreed between the Trustees and the Employer to meet the shortfall over the period ending 31 January 2025. The contributions payable under this recovery plan are GBP 850,000 (EUR 999 060) per annum payable monthly.

The defined benefit pension scheme exposes the Employer to actuarial risks, such as longevity risk, interest rate risk, salary risk, market (investment) risk and currency risk.

The plan valuation is based on qualified actuarial valuation as of 31 December 2019. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

The principal assumptions at 31 December 2019 and 2018 were:

% p.a.	2019	2018
	%	%
Discount rate	1.90	2.75
Future increases in deferred pensions	2.15	2.35
Rate of increase in pension payments – RPI (max 5%)	3.10	3.25
Rate of increase in pension payments – CPI (max 3%)	1.95	2.05

Mortality assumptions

The assumed life expectations on retirement at age 65 are:

	2019	2018
	Years	Years
Retiring today		
- Males	21.80	22.1
- Females	24.00	24.2

Sensitivity of the net obligation to changes in assumptions

The sensitivity analysis shows what the present value of pension plan liabilities would be with the stated changes in the assumptions (assuming all other assumptions remain constant).

The total employer contributions to the scheme in 2020 is estimated to be GBP 850,000 (EUR 999 060). The duration of the defined benefit obligation is 14 years.

	2019	2018
	EUR	EUR
0.25% pa decrease in discount rate	758 110	634 970
0.25% pa increase in inflation and related assumptions	110 484	90 550
1 year increase in life expectancy	1 149 506	917 800

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Movements in the fair value of plan assets:

	2019	2018
	EUR	EUR
At 1 January	15 713 202	16 348 636
Currency translation difference	807 719	(127 929)
Interest income	458 392	396 735
Return on plan assets (excl. interest)	2 019 276	(1 160 818)
Benefits paid	(716 972)	(704 177)
Contributions by the employer	999 060	960 755
At 31 December	19 280 677	15 713 202

Movements in the present value of defined benefit obligation:

	2019	2018
	EUR	EUR
At 1 January	(18 253 161)	(19 070 590)
Currency translation difference	(938 188)	148 291
Past service cost	-	(449 859)
Benefits paid	716 972	704 177
Actuarial gains and losses	(1 646 685)	866 940
Interest cost	(518 336)	(452 120)
At 31 December	(20 639 398)	(18 253 161)

Amounts recognized in other comprehensive income:

	2019	2018
	EUR	EUR
Actuarial gains and losses	1 563 619	(866 940)
Return on plan assets (excl. interest)	(2 019 276)	1 160 818
Change in the effect of the asset ceiling	554 772	(710 857)
Remeasurement of defined benefit obligation	99 115	(416 979)

15. DEFERRED INCOME

	GROUP		GROUP's Parent Company	
	31.12.19.	31.12.18.	31.12.19.	31.12.18.
	EUR	EUR	EUR	EUR
EU and other grants	1 937 579	2 318 364	1 937 579	2 318 364
USA grants	-	2 054 424	-	-
Total non-current	1 937 579	4 372 788	1 937 579	2 318 364
EU and other grants	380 785	380 784	380 785	380 784
USA grant	2 165 055	110 631	-	-
Total current	2 545 840	491 415	380 785	380 784
Total	4 483 419	4 864 203	2 318 364	2 699 148

In the period from 2012 through 2016, the GROUP's Parent Company accomplished a number of investment projects co-financed by the funds of European Union, Norwegian financial instrument and the Republic of Latvia to develop the GROUP's Parent Company's manufacturing processes, facilitate new product development, reduce greenhouse gas emissions and improve wastewater treatment. Total amount of co-financing received amounted to EUR 3 956 672. As at 31 December 2019 and 2018,

the GROUP's Parent Company has complied with covenants of the agreements concluded between the GROUP's Parent Company and providers of financing.

In July 2014 P-D Valmiera Glass USA Corporation Ltd. (hereinafter – US Subsidiary) entered into a Memorandum of Understanding („MOU”) with the City of Dublin and County of Laurens Development Authority (USA), whereby the Authority agreed to provide certain inducements, if the GROUP locates its manufacturing facility in Laurens County. As of 31 December 2015, the GROUP had received grant in amount of USD 900 000 (EUR 786 026) to finance the facility. Based on grant terms, the GROUP had to ensure creation of 150 jobs in USA facility and investment of USD 20 000 000 until 31 December 2019.

In January 2016, the US Subsidiary signed an additional agreement, whereby the Authority undertook to ensure support, if the US Subsidiary will make additional investment in the amount of USD 90 000 000 in the established manufacturing facility within Phase 1 until 31 December 2022, and will create 425 new full-time work places (Phase 2).

Until 31 December 2017, the US Subsidiary had received support payments in the amount of USD 1 900 000 (EUR 1 659 389) to finance Phase 1 manufacturing operation development, and USD 1 000 000 (EUR 873 362) to develop Phase 2 operations.

Until 31 December 2018, the US Subsidiary had invested in Phase 1 and Phase 2 operations around 116 300 000 USD (EUR 101 572 052) and created 463 jobs.

As disclosed in Note 5 on 19 June 2019 the US Subsidiary stopped Phase 2 fiberglass furnace operations.

As at 31 December 2019 and 2018, the obligations of P-D Valmiera Glass USA Corporation under the MOU with the Authority were secured with tangible fixed assets of P-D Valmiera Glass USA Corporation.

On 29 July 2019, the Authority claimed repayment of the grant provided for financing of manufacturing facility Phase 2 construction in the amount of USD 1 000 000 (EUR 873 362).

In 2020 the Authority revoked its claim, based on an agreement between P-D Valmiera Glass USA Corporation and the United States City of Dublin and County of Lawrence Development Authority as disclosed in Note 30 to these financial statements.

16. SALES AND OPERATING SEGMENTS

In accordance with IFRS 8, segment information shall reflect the GROUP's internal organization.

The GROUP's core business is manufacturing of glass fibre products, including both non-woven products and glass fibre fabrics. The GROUP is organized into business units based on its geographical and legal organisation and has three reportable segments:

- Latvia (AS VALMIERAS STIKLA ŠĶIEDRA)
- United Kingdom (VALMIERA GLASS UK Limited)
- USA (P-D VALMIERA GLASS USA Corporation)

Each of the reportable business units (operating segments) operate as independent businesses.

Transfer prices between these operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The Management Board of the GROUP's Parent Company is the Chief Operating Decision Maker and monitors the operating results of its business unit separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit and loss in the consolidated financial statements.

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16(a) Net sales

Statement of comprehensive income

	United Kingdom	United States of America	Latvia	Intra- segment eliminations	Total
	2019	2019	2019	2019	2019
	EUR	EUR	EUR	EUR	EUR
Sales	23 343 107	22 496 989	88 693 367	(15 050 088)	119 483 375
Other operating income	43 690	747 640	1 863 750	(1 486 582)	1 168 498
Segment operating expenses	(22 695 292)	(27 266 723)	(85 033 745)	12 290 476	(122 705 284)
Operating profit/(loss)	691 505	(4 022 094)	5 523 370	(4 246 194)	(2 053 413)
Interest income	177 267	1 090 077	9 070	(117 272)	1 159 142
Interest expenses	(564 359)	(3 436 494)	(5 918 898)	3 973 958	(5 945 793)
Profit/(loss) before taxation	304 413	(6 368 511)	(386 458)	(389 508)	(6 840 064)
Income tax expense	33 718	-	(11 504)	(27 707)	(5 493)
Profit/(loss) for the year	338 131	(6 368 511)	(397 962)	(417 215)	(6 845 557)

Statement of financial position

	United Kingdom	United States of America	Latvia	Intra- segment eliminations	Total
	2019	2019	2019	2019	2019
	EUR	EUR	EUR	EUR	EUR
ASSETS					
Segment Assets	17 975 424	19 917 488	101 733 471	(27 463 938)	112 162 445
TOTAL ASSETS	17 975 424	19 917 488	101 733 471	(27 463 938)	112 162 445
LIABILITIES AND EQUITY					
Segment liabilities and equity	17 975 424	19 917 488	101 733 471	(27 463 938)	112 162 445
TOTAL EQUITY AND LIABILITIES	17 975 424	19 917 488	101 733 471	(27 463 938)	112 162 445

Other information

	United Kingdom	United States of America	Latvia	Intra- segment eliminations	Total
	2019	2019	2019	2019	2019
	EUR	EUR	EUR	EUR	EUR
Acquisition of tangible and intangible fixed assets	333 509	307 310	10 021 814	-	10 662 633
Depreciation and amortization	336 047	127 944	9 596 363	-	10 060 354

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Statement of comprehensive income

	United Kingdom 2018	United States of America 2018	Latvia 2018, restated EUR	Intra- segment eliminations 2018, restated EUR	Total 2018, restated EUR
	EUR	EUR	EUR	EUR	EUR
Sales	23 225 987	23 416 221	90 549 430	(22 946 336)	114 245 302
Other operating income	76 062	1 692 148	2 181 097	(1 200 000)	2 749 307
Segment operating expenses	(21 330 546)	(144 886 828) *	(167 122 695) **	102 738 032	(230 602 037)
Operating profit/(loss)	1 971 503	(119 778 459) *	(74 392 168) **	78 591 696	(113 607 428)
Interest income	255 845	2 094 302	3 144 418	(2 610 157)	2 884 408
Interest expenses	(67 483)	(2 461 281)	(21 162 887)	19 805 219	(3 886 432)
Profit/(loss) before taxation	2 159 865	(120 145 438) *	(92 410 637) **	95 786 758	(114 609 452)
Income tax expense	(376 178)	(9 760)	(157 808)	(1)	(543 747)
Profit/(loss) for the year	1 783 687	(120 155 198) *	(92 568 445) **	97 570 444	(115 153 199)

* Contain increase of impairment allowances for the carrying amount of intangible and tangible fixed assets amounting to EUR 102 460 969. Please see Notes 4 and 6.

** Contain increase of impairment allowances for the carrying amount of investments in subsidiary P-D Valmiera Glass USA Corporation, non-current loans to P-D Valmiera Glass USA Corporation and trade receivables from subsidiary P-D Valmiera Glass USA Corporation totaling EUR 102 460 969. Please see Notes 5, 27(a), and 27 (c).

Statement of financial position

	United Kingdom 2018	United States of America 2018	Latvia 2018, restated EUR	Intra- segment eliminations 2018, restated EUR	Total 2018, restated EUR
	EUR	EUR	EUR	EUR	EUR
ASSETS					
Segment Assets	20 890 270	13 693 727*	89 984 493**	(22 797 711)	101 770 779*
TOTAL ASSETS	20 890 270	13 693 727*	89 984 493**	(22 797 711)	101 770 779*
LIABILITIES AND EQUITY					
Segment liabilities and equity	20 890 270	13 693 727*	89 984 493**	(22 797 711)	101 770 779*
TOTAL EQUITY AND LIABILITIES	20 890 270	13 693 727*	89 984 493**	(22 797 711)	101 770 779*

* As at 31 December 2018, the management of the GROUP has recognized impairment allowances for the carrying amount of intangible and tangible fixed assets amounting to EUR 102 460 969. Please see Notes 4 and 6.

** As at 31 December 2018, the GROUP's Parent Company has recognized impairment allowances for the carrying amount of investments in subsidiary P-D Valmiera Glass USA Corporation, non-current loans to P-D Valmiera Glass USA Corporation and trade receivables from subsidiary P-D Valmiera Glass USA Corporation totaling EUR 102 460 969. Please see Notes 5, 27(a), and 27(c).

Other information

	United Kingdom 2018	United States of America 2018	Latvia 2018	Intra- segment eliminations 2018	Total 2018
	EUR	EUR	EUR	EUR	EUR
Acquisition of tangible and intangible fixed assets	258 446	10 986 534	1 543 152	-	12 788 132
Depreciation and amortization	162 127	4 471 144	9 929 512	-	14 562 783

16(b) Net sales by geography

	GROUP		GROUP's Parent Company	
	2019 EUR	2018 EUR	2019 EUR	2018 EUR
EU	81 652 234	85 901 490	69 704 072	69 574 545
North America	25 180 492	13 938 946	8 567 198	9 730 846
CIS	2 238 839	2 606 842	2 238 839	2 348 622
Other	10 411 811	11 798 024	8 183 258	8 895 417
Total	119 483 375	114 245 302	88 693 367	90 549 430

16(c) Net sales by product type

	GROUP		GROUP's Parent Company	
	2019 EUR	2018 EUR	2019 EUR	2018 EUR
Glass fibre fabrics	67 241 138	69 366 868	56 954 163	54 329 658
Glass fibre non-woven products	52 242 237	44 878 434	31 739 204	36 219 772
Total	119 483 375	114 245 302	88 693 367	90 549 430

16(d) Net sales – other information

The GROUP's Parent Company and the GROUP have not recognized any revenue in the current period that was included in the opening contract liability balance.

No revenue was recognized in the current period from performance obligations satisfied in previous periods.

No information is provided about remaining performance obligations at 31 December 2019 that have an original expected duration of one year or less, as allowed by IFRS 15 Revenue from Contracts with Customers.

The GROUP's Parent Company and the GROUP do not have assets recognized from the costs to obtain or fulfil contract with a customer.

17. OTHER OPERATING INCOME

	GROUP		GROUP's Parent Company	
	2019 EUR	2018 EUR	2019 EUR	2018 EUR
Sale of raw materials	283 785	226 553	283 785	177 777
Profit from sales of fixed assets	84 154	94 400	84 154	94 400
Insurance indemnification	-	364 326	-	25 615
Income from rent of premises	42 902	32 180	42 902	32 180
Recovered bad debts	-	1 668	-	-
Income from EU funding	381 539	380 785	381 539	380 785
Income from US grants	-	240 808	-	-
Management services	-	-	800 000	1 200 000
Other	376 118	1 408 587	271 370	270 340
Total	1 168 498	2 749 307	1 863 750	2 181 097

The management services are provided by the GROUP's Parent Company to its subsidiaries and include in particular securing financing and insurance protection, provision of IT services, tax and legal consultancy, controlling, etc.

18. RAW MATERIALS AND CONSUMABLES

	GROUP		GROUP's Parent Company	
	2019 EUR	2018 EUR	2019 EUR	2018 EUR
Raw materials and other costs	34 544 277	40 153 881	28 017 063	30 420 363
Natural gas	5 154 631	5 738 610	4 412 017	4 336 084
Electricity	7 533 624	7 692 875	5 379 132	5 826 412
Oxygen	1 195 491	1 368 400	867 319	834 064
Precious metal plates processing costs	1 047 119	1 389 674	756 374	832 956
Other	483 781	-	117 132	-
Total	49 958 923	56 343 440	39 549 037	42 249 879

19. PERSONNEL EXPENSES

	GROUP		GROUP's Parent Company	
	2019 EUR	2018 EUR	2019 EUR	2018 EUR
Salaries	27 627 380	29 996 305	14 783 854	14 157 024
State social security contributions	5 396 465	5 351 442	4 171 349	3 749 751
Illness and vacation expenses	2 599 865	2 282 103	2 536 259	2 020 490
Employee insurance	1 232 211	1 203 416	101 318	102 230
Bonuses	591 938	741 091	591 938	741 091
Other	429 575	542 578	255 763	211 717
Total	37 877 434	40 116 935	22 440 481	20 982 303
Average number of employees	1 307	1 702	1 120	1 108

20. DEPRECIATION AND AMORTIZATION

	GROUP		GROUP's Parent Company	
	2019 EUR	2018 EUR	2019 EUR	2018 EUR
Fixed asset depreciation based on straight line method	9 006 993	13 946 512	8 639 497	9 332 738
Depreciation of precious metal plates based on production volume	541 836	457 994	541 836	457 992
Intangible asset amortization	137 699	158 281	137 699	138 782
Right-of-use assets depreciation	373 856	-	277 331	-
Total	10 060 354	14 562 787	9 596 363	9 929 512

Please also see Notes 4 and 6.

OTHER OPERATING EXPENSES

	GROUP		GROUP's Parent Company	
	2019	2018,	2019	2018,
	EUR	restated	EUR	restated
		EUR		EUR
Logistics and transportation	7 753 805	8 892 884	5 509 685	5 547 232
Professional services	2 792 313	2 772 368	1 028 994	2 042 334
Cleaning and maintenance	3 733 542	2 858 232	2 297 157	1 863 256
Waste removal	1 602 466	126 172	1 007 202	126 172
Insurance	533 074	921 599	254 973	288 174
Training and development	185 421	188 071	151 061	172 262
Business trips	293 396	397 143	195 888	294 933
Events and non-business expense	93 016	-	31 974	-
Work safety	552 976	662 104	469 894	284 700
Research and development	235 350	177 043	151 385	138 370
Office expenses	50 669	80 457	16 500	22 046
Postage and communication	273 904	263 409	127 519	78 339
Rent *	1 792 250	2 892 565	233 597	648 844
PR & Marketing	546 428	511 021	433 678	438 371
Write-down to net realizable value	1 338 271	(410 305)	1 338 271	123 204
(Change in)/ impairment allowance for intangible assets and property, plant and equipment	(15 191 059)	99 341 893	440 920	-
Loss from disposal of property, plant and equipment	1 685 692	-	1 397 729	-
Impairment allowance for investment in subsidiary (Note 5)	-	-	-	14 696 889
Property tax	259 894	261 366	88 700	78 114
Nature resource tax	29 050	-	29 050	-
Other	3 759 550	3 335 029	662 097	1 888 495
Total	12 320 038	123 681 356	16 089 185	28 731 735

There were no non-audit services received from the auditors of the financial statements in 2019. In 2018, total value of non-audit services provided by the auditors amounted to EUR 27 820. Total value of audit services provided to the GROUP in 2019 amounted to EUR 118 669 (2018: 158 195).

*As of 1 January 2019, the GROUP implemented IFRS16 changing the accounting treatment of operating lease contracts, which resulted in the reduction of the amount of rent expense recognized in the income statement.

21. FINANCE INCOME

	GROUP		GROUP's Parent Company	
	2019	2018	2019	2018
	EUR	EUR	EUR	EUR
Interest income	55	-	-	2 318 772
Foreign currency exchange gain	1 123 215	2 884 408	-	703 731
Gain on sale of share in Subsidiary	-	-	-	121 915
Other	11 616	-	9 070	-
Total	1 134 886	2 884 408	9 070	3 144 418

22. FINANCE COST

	GROUP		GROUP's Parent Company	
	2019 EUR	2018 EUR	2019 EUR	2018 EUR
Interest expenses on liabilities carried at amortised cost	4 798 489	2 959 412	4 790 740	3 170 260
Loss from foreign currency exchange rate fluctuations	-	-	381 789	-
Fair value change in derivatives	399 317	551 213	399 317	551 821
Fines and penalties	432 095	320 422	87 607	123 830
Interest expenses related to retirement benefit	59 944	55 385	-	-
Other	231 692	-	259 445	-
Total	5 921 537	3 886 432	5 918 898	3 845 911

During the preparation of these financial statements the GROUP's Parent Company reclassified "Increase in impairment allowances" to Note 21 Other operating expenses and "Increase in allowances for accrued claims" to Impairment losses on loans, trade receivables and contract assets (in 2018: classified as Finance cost).

23. CORPORATE INCOME AND DEFERRED TAX

24(a) Income tax charges

	GROUP		GROUP's Parent Company	
	2019 EUR	2018 EUR	2019 EUR	2018 EUR
Corporate income tax and deferred tax recognized in profit or loss:				
Current tax	62 276	542 911	11 504	157 808
Deferred tax	(56 783)	836	-	-
Total recognized in profit or loss	5 493	543 747	11 504	157 808
Deferred tax recognized in OCI:				
Deferred tax on retirement benefit revaluation	(30 919)	(271 271)	-	-
Changes in deferred tax recognized in OCI	(30 919)	(271 271)	-	-
Total	(25 426)	272 476	11 504	157 808

24(b) Reconciliation of accounting profit/(loss) to tax charges

	GROUP		GROUP's Parent Company	
	2019 EUR	2018, restated EUR	2019 EUR	2018, restated EUR
Loss before tax	(6 840 063)	(114 609 452)	(386 458)	(92 410 637)
Tax effect of tax rate in United Kingdom 19%	(57 839)	(410 365)	-	-
Tax effect of tax rate in United States of America 27%	1 719 498	6 284 280	-	-
Tax effect of non-deductible items	(53 393)	(267 006)	(11 504)	(157 808)
Effect of changes in non-recognized deferred tax assets	(1 613 759)	(6 150 656)	-	-
Corporate income tax and deferred tax	(5 493)	(543 747)	(11 504)	(157 808)
Effective tax rate	0.08%	-0.48%	-2.98%	-0.2%

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Starting from the taxation year 2018, the corporate income tax for the GROUP's Parent Company is calculated for distributed profits (20/80 from the net amount payable to shareholders). Tax rate for non-distributed profits is 0%. Corporate income tax is also paid on conditionally distributed profits (non-business related disbursements, entertainment and donation costs exceeding certain criteria and similar).

24(c) Deferred tax as of end of the year

	GROUP	
	31.12.19.	31.12.18.
	EUR	EUR
Temporary difference on depreciation of fixed assets	540 025	582 202
Total deferred tax liabilities	540 025	582 202
Temporary difference on retirement benefit	(919 405)	(904 799)
Total deferred tax assets	(919 405)	(904 799)
Net deferred tax (asset) / liability	(379 380)	(322 597)
Presented in statement of financial position		
Deferred tax assets	(919 405)	(904 799)
Deferred tax liabilities	540 025	582 202

24(d) Deferred tax as of end of the year

GROUP

	Temporary difference originated on:		
	Fixed assets	Pension liabilities	TOTAL
	EUR	EUR	EUR
31.12.18.	582 202	(904 799)	(322 597)
Impact of currency fluctuation	(98 960)	(45 525)	(144 485)
Charge to profit and loss	56 783	-	56 783
Charges to OCI	-	30 919	30 919
31.12.19.	540 025	(919 405)	(379 380)

24. EARNINGS AND DIVIDEND PER SHARE

	GROUP		GROUP's Parent Company	
	2019	2018, restated	2019	2018, restated
	EUR	EUR	EUR	EUR
(Loss)/ profit for the year	(3 801 741)	(58 233 535)	(397 962)	(92 568 445)
Average number of shares outstanding	23 903 205	23 903 205	23 903 205	23 903 205
Losses per share	(0.1590)	(2.4362)	(0.0166)	(3.8726)
Dividends paid	-	-	-	-
Dividends per share	-	-	-	-

In years 2019 and 2018 no dividends were paid to the shareholders of the GROUP's Parent Company.

In the period from 2016 through 2019, the GROUP's Parent Company has not issued dilutive securities, which would dilute the GROUP's Parent Company's earnings per share.

25. MANAGEMENT REMUNERATION

	GROUP		GROUP's Parent Company	
	2019 EUR	2018 EUR	2019 EUR	2018 EUR
<u>Members of the Council:</u>				
Compensation	288 000	226 770	288 000	263 693
Social security payments	4 475	14 130	4 475	15 343
<u>Members of the Board:</u>				
Compensation	1 258 039	673 945	651 483	503 030
Social security payments	217 311	161 086	146 503	105 077
Contribution to defined benefit scheme	6 779	-	-	-
Total	1774 603	1075 931	1090 461	887 143

In 2019 and 2018 the GROUP and the GROUP's Parent Company have not granted or received any loans from the members of Council, Board or other management.

26. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

27(a) Loans to related companies

	31.12.19. EUR	31.12.18. EUR
GROUP's Parent Company		
P-D Valmiera Glass USA Corporation	80 048 156	79 565 549
Impairment allowance	(80 048 156)	(79 565 549)
Total	-	-

As described in Note 5, the management of the GROUP's Parent Company believes that the carrying amount of the GROUP's Parent Company's loans to P-D Valmiera Glass USA Corporation are not recoverable. Impairment allowance in full amount of its loans to the Subsidiary EUR 80 048 156 (2018: EUR 79 565 549) is recognized as at 31 December 2019 and as at 31 December 2018 in the separate financial statements of the GROUP's Parent Company.

27(b) Borrowings from related companies

	Interest rate	31.12.19. EUR	31.12.18. EUR
GROUP			
Private persons	4%	3 782 330	2 165 630
Entities controlled by the parties controlling the GROUP	4%	8 723 674	3 391 718
Long term borrowings total		12 506 004	5 557 348
<hr/>			
Entities controlled by the parties controlling the GROUP		-	350 000
Short term borrowings total		-	350 000
<hr/>			
GROUP's Parent Company			
Private persons	4%	2 895 000	1 295 000
Entities controlled by the parties controlling the GROUP	4%	7 950 000	2 600 000
Subsidiaries	2.5%-4%	4 372 589	4 372 589
Long term borrowings total		15 217 589	8 267 589
<hr/>			
Entities controlled by the parties controlling the GROUP		-	350 000
Subsidiaries		-	-
Short term borrowings total		-	350 000

27(c) Lease liabilities from related companies

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	31.12.19. EUR	31.12.18. EUR
GROUP		
Entities controlled by the parties controlling the GROUP	102 156	86 875
Non-current lease liabilities total	102 156	86 875
Entities controlled by the parties controlling the GROUP	74 572	-
Current lease liabilities total	74 572	-
GROUP's Parent Company		
Entities controlled by the parties controlling the GROUP	102 156	86 875
Non-current lease liabilities total	102 156	86 875
Entities controlled by the parties controlling the GROUP	74 572	-
Current lease liabilities total	74 572	-

27(d) Receivables from and payables to related parties

GROUP	31.12.19. Receivables	31.12.19. Payables	31.12.18. Receivables	31.12.18. Payables
	EUR	EUR	EUR	EUR
Controlling parties				
P-D Glasseiden GmbH Oschatz	25 511	5 528 047	-	3 753 538
P-D Management Industries-Technologies GmbH	917	7 965 216	-	350 824
Jurgen Preiss-Daimler	-	4 092 903	-	44 179
Entities controlled by the parties controlling the GROUP				
P-D Preiss -Daimler Consulting	-	-	-	167 899
P-D MIT	-	831 174	-	-
P-D Consulting	-	435 647	-	-
S.Jugel Consulting, SIA	-	-	-	-
P-D Tatneft Fiberglas Alabuga	-	-	1 718	-
P-D Industriegesellschaft GmbH Bratendorf	115 653	329 205	72 434	-
P-D Industriegesellschaft Wetro	-	-	-	-
P-D Interglas Technologies GmbH	-	-	-	3 307
P-D Refractories GmbH	-	353 195	-	311 478
P-D Refractories CZ a.s	-	290 846	-	219 688
P-D Tatneft-Alabuga Steklovokno	2 244	-	-	-
P-D Refractories Feuerfestwerke Wet	-	104 199	-	-
P-D Consulting USA LLC	2 276	8 456	-	-
Total	146 601	19 938 888	74 152	4 850 913

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GROUP's Parent Company	31.12.19.	31.12.19.	31.12.18.	31.12.18.
	Receivables	Payables	Receivables	Payables
	EUR	EUR	EUR	EUR
Controlling parties				
P-D Glasseiden Oschatz GmbH	-	3 287 449	-	2 557 134
P-D Management Industries –Technologies	-	7 792 361	-	179 711
Jurgen Preiss-Daimler	-	2 950 175	-	-
Entities controlled by the parties controlling the GROUP's Parent Company				
P-D Preiss –Daimler Consulting	-	-	-	69 889
Jürgen Preiss-Daimler Consulting	-	124 093	-	-
P-D Tatneft Fiberglass Alabuga	-	-	1 718	-
P-D Industriegesellschaft GmbH Bratendorf	64 728	152 738	-	6 716
S.Jugel Consulting, SIA	-	-	-	-
P-D Industriegesellschaft Wetro GmbH	-	-	-	3 307
P-D Refractories GmbH	-	104 199	-	311 478
P-D Refractories CZ a.s	-	353 195	-	217 196
P-D Tatneft-Alabuga Steklovolokno	2 245	290 846	-	-
	66 973	15 055 056	1 718	3 345 431
Total other related parties				
Subsidiaries				
Valmiera Glass UK Limited	526 028	4 898 181	686 771	310 583
P-D Valmiera Glass USA Corporation	15 961 586	403 308	1 543 338	3 044 543
Impairment allowances for receivables from P-D Valmiera Glass USA Corporation	(3 664 413)	-	(1 543 338)	-
Total subsidiaries	12 823 201	5 301 489	686 771	3 355 126
Total	12 890 174	20 356 545	688 489	6 700 557

As at 31 December 2018, the management of the GROUP's Parent Company believed that the carrying amount of the GROUP's Parent Company's receivables and claims to P-D VALMIERA GLASS USA Corporation (hereinafter – US Subsidiary) is not recoverable, and impairment allowance in full amount of its receivables from the subsidiary was recognized as at 31 December 2018 in the separate financial statements of the GROUP's Parent Company.

As disclosed in Note 30, on 2 March 2020, the Subsidiary signed an Asset Purchase Agreement with Saint-Gobain Adfors America, Inc. to sell substantially all assets of its Phase 1 and Phase 2 operations, and the Bankruptcy Court approved the Asset Purchase Agreement on 2 June 2020. A fraction of the sales proceeds will be paid to the secured creditors of the GROUP's Parent Company thus reducing its liabilities.

As at 31 December 2019, the management of the US Subsidiary and the GROUP's Parent Company estimates that the recoverable amount of the debts of the US entity is USD 13 814 644 (EUR 12 297 173). The final settlement is expected near the end of 2020 depending on how bankruptcy proceedings in USA develop. The GROUP's Parent Company discounted the expected cash flows estimated based on information provided by US Subsidiary management about expected settlement amounts and timeline. This exposure was identified as a stage 3 exposure under IFRS 9 requirements.

27(e) Transactions with related parties

GROUP	2019 EUR	2018 EUR
Sale of goods	2 190 741	4 544 317
Services provided	8 852	1 032 452
Purchase of fixed and intangible assets	(664 457)	(12 647 151)
Purchase of goods	(1 119 670)	(29 194 401)
Interest expenses	(300 625)	-
Sales commission	-	(453 455)
Services received	(578 969)	(2 877 613)
Loans received	7 300 000	-
GROUP's Parent Company	2019 EUR	2018 EUR
Subsidiaries		
Sale of goods	10 081 743	14 533 859
Purchase of goods	(3 483 185)	(4 828 528)
Services provided	4 624 992	3 419 177
Services received	(500 800)	(1 019 968)
Sale/ (purchase) of fixed and intangible assets	9 413	-
Interest expenses	(152 296)	(129 579)
Interest income	-	292 776
Change in bad debt allowances	3 853 146	(83 728 974)
Other related parties		
Sale of goods	2 190 741	1 149 818
Purchase of goods	(1 119 670)	-
Services provided	8 852	14 490
Purchase of fixed and intangible assets	(664 457)	-
Purchase of goods	-	(213 076)
Sales commission	-	(196 252)
Services received	(578 969)	(339 724)
Interest expenses	(300 625)	-
Loans received	7 300 000	-

27. FINANCIAL RISK MANAGEMENT

Main financial instruments of the GROUP are trade receivables, trade payables, loans and borrowings, finance lease, cash and its equivalents. The primary objective of these financial instruments is to ensure the necessary financing for the GROUP. The GROUP also has other financial instruments, which arise due to its operating activities. The GROUP also uses derivative financial instruments to minimize interest and foreign currency rate risks.

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

Market risks

Interest rate risk

The GROUP has loans with fixed and variable EURIBOR and LIBOR interest rate from credit institutions, and it is exposed to risks related changes in interest rates. In 2019, the majority of the GROUP's loan agreements with variable interest rates were terminated and refinanced with a fixed interest rate loan facility (Please see Note 12 Loans and Borrowings). Please see below interest rate analysis for loans with variable interest rates.

GROUP	31.12.2019		31.12.2018	
Interest rate analysis				
Currency	% rate increase	Impact on statement of profit or loss	% rate increase	Impact on statement of profit or loss
EUR	+1,0	-	+1,0	(704 585)
USD	+1,0	-	+1,0	(170 319)
GBP	+1,0	(11 392)	+1,0	(11 303)

GROUP's Parent

Company

Interest rate analysis

	31.12.2019		31.12.2018	
Currency	% rate increase	Impact on statement of profit or loss	% rate increase	Impact on statement of profit or loss
EUR	+1,0	-	+1,0	(568 033)
USD	+1,0	-	+1,0	(151 025)
GBP	+1,0	-	+1,0	-

As at 31 December 2018, the GROUP has entered into three amortizing interest rate swap contracts to minimize the risks associated with variable loan interest rate fluctuations. Based on the contracts, the GROUP has agreed to exchange the floating 3-month EURIBOR interest and fixed interest ranging from -0.04% to 0.68%. 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 fair value of financial instruments as of 31 December 2018 was liability in the amount of EUR 616 514. During year 2019, the majority of the loan agreements with variable interest rates and the relevant interest rate swap contracts were restructured (please see Note 12 Loans and borrowings). As at 31 December 2019, the GROUP had no open interest rate swap contracts.

Foreign currency risk

The GROUP operates internationally and performs transactions mainly in EUR, USD and GBP. GROUP mainly is exposed to foreign currency risk arising from USD and EUR fluctuations. Approximately 15% of total sales in 2019 resulted from contracts denominated in USD (2018: 15%).

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

The net position in USD and EUR is directly exposed to a possible fluctuation in the exchange rate thus resulting in direct effect to the GROUP's profit/(loss) before tax.

Analysis of financial assets and liabilities exposed to currency risk:

GROUP

31.12.2019	EUR	USD	Total
Trade and other receivables	6 480 122	4 406 167	10 886 289
Cash and cash equivalents	638 907	33 046	671 953
Borrowings and finance lease obligations	(46 852 567)	(373 175)	(47 225 742)
Trade and other payables	(7 131 589)	(3 324 381)	(10 455 970)
Total net financial assets	(46 865 127)	741 657	(46 123 470)
% from net assets	90%	(1)%	89%
31.12.2018	EUR	USD	Total
Trade and other receivables	6 611 218	3 537 490	10 148 709
Cash and cash equivalents	244 680	-	244 680
Borrowings and finance lease obligations	(46 923 498)	(16 770 006)	(63 693 505)
Trade and other payables	(4 198 981)	(2 846 460)	(7 045 441)
Total net financial assets	(44 266 580)	(16 078 975)	(60 345 556)
% from net assets	100%	36%	136%

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Currency	31.12.2019		31.12.2018	
	Exchange rate fluctuation	Impact on statement of profit or loss	Exchange rate fluctuation	Impact on statement of profit or loss
	%	EUR	%	EUR
USD	+10%	74 166	+10%	(1 607 897)
USD	-10%	(74 166)	-10%	1 607 897
EUR	+10%	4 686 513	+10%	4 426 658
EUR	-10%	(4 686 513)	-10%	(4 426 658)

Analysis of financial assets and liabilities exposed to currency risk:

GROUP's Parent Company

31.12.2019	USD	Total
Trade and other receivables	4 099 550	4 099 550
Cash and cash equivalents	33 046	33 046
Trade and other payables	(3 324 381)	(3 324 381)
Total net financial assets	808 215	808 215
% from net assets	(2)%	(2)%

GROUP's Parent Company

31.12.2018	USD	Total
Trade and other receivables	629 862	629 862
Cash and cash equivalents		
Borrowings and finance lease	(16 567 594)	(16 567 594)
Trade and other payables	(2 752 327)	(2 752 327)
Total net financial assets	(18 690 059)	(18 690 059)
% from net assets	42%	42%

Currency	31.12.2019		31.12.2018	
	Exchange rate fluctuation	Impact on statement of profit or loss	Exchange rate fluctuation	Impact on statement of profit or loss
	%	EUR	%	EUR
USD	+10%	80 821	+10%	1 869 005
USD	-10%	(80 821)	-10%	(1 869 005)

To reduce potential adverse effects of USD and EUR currency fluctuations, the GROUP uses derivative financial instruments for significant transactions. As of 31 December 2019 and 2018 the GROUP did not have open derivative contracts for foreign currency exchange.

Credit risk

Credit risk is the risk of financial loss to the GROUP if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The carrying amount of financial assets and contract assets represent the maximum credit exposure.

In 2019, the impairment loss on trade and other receivables and contract assets arising from contracts with customers recognised in profit or loss of the GROUP and the GROUP's Parent Company was EUR 1 134 619 and EUR 234 376, respectively (2018: EUR 64 961 and EUR 89 077, respectively).

The GROUP has significant exposure of credit risk with its customers. The GROUP's policy is to ensure that sales of products are carried out with customers having appropriate credit history. Some of the trade receivables are insured. The GROUP has also set credit limits for each

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customer. Customers from countries with increased risk and / or lack credit insurance are usually required to pay in advance.

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

At 31 December, the exposure to credit risk for trade and other receivables and contract assets by geographic regions was as follows:

GROUP	31.12.2019	31.12.2018
Europe	3 109 375	6 346 702
North America	1 648 909	934 776
CIS countries	310 211	445 244
Other	964 626	978 480
Total	6 033 121	8 705 202
GROUP's Parent Company	31.12.2019	31.12.2018
Europe	2 337 980	3 704 839
North America	12 930 327	613 004
CIS countries	230 562	367 099
Other	821 705	885 569
Total	16 320 574	5 570 511

Expected credit loss assessment for all customers as at 31 December 2019

The GROUP uses an allowance matrix to measure the ECLs of trade and other receivables from debtors.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures based on the common credit risk characteristics, which is a geographic region.

The following table provides information about the exposure to credit risk and ECLs for trade and other receivables and contract assets from debtors assessed collectively as at 31 December 2019.

EUR			
31 December 2019			
GROUP	Loss rate	Gross carrying amount	Loss allowance
Not due - 30 days past due	0.08%-8.35%	6 013 587	517 617
31 - 60 days past due	0.28%-8.79%	184 034	19 880
61 - 90 days past due	0.29%-9.54%	39 352	20 814
91 - 180 days past due	0.59%-11.47%	106 592	41 727
180 - 360 days past due	3.00%-25.36%	550 053	443 076
Above 360 days past due	2.19%-80.62%	191 892	155 876
Total		7 085 510	1 198 990

EUR

31 December 2019

GROUP's Parent Company	Average loss rate	Gross carrying amount	Loss allowance
Not due - 30 days past due	0.07%	3 213 911	2 663
31 - 60 days past due	0.05%	150 720	1 931
61 - 90 days past due	0.28%	24 368	10 519
91 - 180 days past due	0.03%	47 268	1 012
180 - 360 days past due	5.25%	197 320	197 320
Above 360 days past due	3.10%	126 992	116 735
Total		3 760 579	330 179

Loss rates are based on actual credit loss experience in years 2018 and 2019. Loss rates to be applied are taken for one of the years during which economic conditions in the geographic region were most close to current economic conditions and the GROUP's view of economic conditions over the expected lives of the receivables. When evaluating economic conditions, the GROUP considers GDP growth rates in each geographic region.

As at 31 December 2019 and 2018, the GROUP and the GROUP's Parent Company have established allowances for impairment of the carrying amount of loans and receivables, which can be disclosed as follows:

	GROUP		GROUP's Parent Company	
	2019 EUR	2018 EUR	2019 EUR	2018 EUR
Allowances for trade accounts receivable (please see Note 8)	1 198 990	95 803	330 179	95 803
Allowances for loans to subsidiaries (please see Note 27)	-	-	80 048 156	79 565 549
Allowances for trade and other receivables from subsidiaries (please see Note 27)	-	-	3 664 413	4 163 425
Total	1 198 990	95 803	84 042 748	83 824 777

Movements in the allowance for impairment in respect of trade and other receivables and contract assets

The movement in the allowance for impairment in respect of trade and other receivables and contract assets during the reporting period was as follows.

GROUP	2019 EUR	2018 EUR
Balance at 1 January	95 803	312 986
Charge for the year	1 134 619	64 964
Amounts written off	-	(283 020)
Effect of movements in exchange rates	(31 432)	876
Balance at 31 December	1 198 990	95 803
GROUP's Parent Company		
Balance at 1 January	83 824 777	6 726
Charge for the year	234 376	83 818 051
Net remeasurement of loss allowance	(3 853 146)	-
Effect of movement in exchange rates	3 836 742	-
Balance at 31 December	84 042 748	83 824 777

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

Loans issued

Loans issued by the GROUP's Parent Company include only loans issued to related parties (refer to Note 27 for more details).

The GROUP monitors changes in credit risk by regularly reviewing financial statements of debtors, external ratings if they are available.

The exposure to credit risk for loans issued and measured at amortised cost at the reporting date by geographic region was as follows.

	31.12.2019	01.01.2019
North America	80 048 156	79 565 549
Total	80 048 156	79 565 549

As at 31 December 2019 and 2018, 100% impairment allowances for the above loan amount are recognized (please see Note 27).

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

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

Guarantees

As at 31 December 2018, the GROUP's Parent Company had issued guarantees to secure the liabilities of P-D VALMIERA GLASS USA Corporation. As at 31 December 2018, the company had recognized accruals for such guarantee obligations in the amount of EUR 2 620 087.

The GROUP's Parent Company monitors changes in credit risk by regularly reviewing financial statements of the guarantee beneficiaries. However, in June 2019, LBBW Bank New York branch and J.ARON & COMPANY called the guarantees securing the liabilities of P-D VALMIERA GLASS USA Corporation in the total amount of USD 3 013 148 (EUR 2 691 512) (please see Note 12 Loans and borrowings).

Liquidity risk

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

In order to maintain sufficient liquidity level, the GROUP's Parent Company uses various financial instruments such as long-term and short-term financing of banks, shareholder loans, supplier financing.

Starting from 2018, the GROUP uses a liquidity planning tool. The GROUP constantly monitors its liquidity and performs weekly rolling cash flow forecasting.

In order to restructure its short-term liabilities, in June 2019 P-D VALMIERA GLASS USA Corporation filed a voluntary petition for relief under Chapter 11 in the United States Bankruptcy Court and the GROUP's Parent Company initiated the legal protection plan (LPP), which was approved by the Court on 18 October 2019.

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Repayment terms of financial liabilities are following:

GROUP

31.12.2019	Less than 6 months	6-12 months	From 1-2 years	From 2-5 years	More than 5 years	Total
EUR						
Borrowings and finance lease*	38 055 425*	4 356 019*	51 598 765	4 375 765	15 636	98 401 610
Interest payables	2 142 683	2 142 683	3 208 334	-	-	7 493 700
Trade accounts payable and other liabilities	23 113 748	1 709 666	17 077 437	-	-	41 900 851
Total EUR	63 311 856	8 208 368	71 884 536	4 375 765	15 636	147 796 161

31.12.2018	Less than 6 months	6-12 months	From 1-2 years	From 2-5 years	More than 5 years	Total
EUR						
Borrowings and finance lease	19 720 620	11 430 226	13 703 025	2 651 940	46 163 626	93 669 437
Interest payable	1 686 976	1 515 831	2 563 199	7 380 738	411 970	13 558 714
Trade accounts payable and other liabilities	43 740 118	-	-	-	-	43 740 118
Total EUR	65 147 714	12 946 057	16 266 224	10 032 678	46 575 596	150 968 269

GROUP's Parent Company

31.12.2019	Less than 6 months	6-12 months	From 1-2 years	From 2-5 years	More than 5 years	Total
EUR						
Borrowings and finance lease*	38 015 040*	3 000 000*	54 786 241	-	-	95 801 281
Interest payable	2 142 683	2 142 683	3 208 334	-	-	7 493 700
Trade accounts payable and other liabilities	8 950 620	1 709 666	22 133 485	-	-	32 793 771
Total EUR	49 108 343	6 852 349	80 128 060	-	-	136 088 752

31.12.2018	Less than 6 months	6-12 months	From 1-2 years	From 2-5 years	More than 5 years	Total
EUR						
Borrowings and finance lease	11 786 912	15 732 632	11 900 312	2 221 751	49 658 959	91 300 566
Interest payable	1 635 766	1 512 996	2 541 118	7 357 020	402 104	13 449 004
Trade accounts payable and other liabilities	31 707 072	-	-	-	-	31 707 072
Total EUR	45 129 750	17 245 628	14 441 430	9 578 771	50 061 063	136 456 642

* Based on the amendments to the LPP plan approved by the Court on 19 May 2020 (please see section Legal protection proceeding (LPP) in the GROUP's Parent Company of the Management Report), repayment of loans and borrowings in the total amount of EUR 41 000 000 have been postponed to October 2021 (in the period of 1-2 years as of 31 December 2019).

Capital management

The capital structure of the GROUP consists of borrowings, which are disclosed in Note 12, and items presented within equity in the statement of financial position. The GROUP's board manage the GROUP's capital structure and make adjustments to it in light of changes in economic conditions. The capital structure is reviewed on an ongoing basis.

	GROUP		GROUP's Parent Company	
	31.12.2019	31.12.2018 (restated)	31.12.2019	31.12.2018 (restated)
	EUR	EUR	EUR	EUR
Loans and borrowings	112 167 011	93 669 437	107 613 161	91 300 566
Cash and cash equivalents	(2 674 540)	(349 477)	(1 096 175)	(60 455)
Net debt	109 492 471	93 319 960	106 516 986	91 240 111
Equity	(52 601 509)	(44 103 414)	(37 107 344)	(36 709 382)
Debt to equity	-208%	-212%	-287%	-249%

In both years 2018 and 2019, the capital structure of the GROUP's Parent Company and the GROUP was negatively affected by the weak operating and financial performance of P-D VALMIERA GLASS USA Corporation, as disclosed in Note 5.

In 2018, the GROUP's Parent Company recognized 100% impairment allowances for its investments, loans and receivables from P-D VALMIERA GLASS USA Corporation (please see Notes 5 and 27). On GROUP level, in 2018, 100% impairment allowances were recognized for the carrying amount of tangible and intangible fixed assets of P-D VALMIERA GLASS USA Corporation (please see Note 4 and 6).

In order to improve the GROUP's Parent Company's and GROUP's capital structure, in 2019 the GROUP has attracted additional loan financing, and has hired an M&A advisor to attract additional equity investment and sell the shares or assets of P-D VALMIERA GLASS USA Corporation in 2020 (please also see Note 32).

28. CONTINGENT LIABILITIES

On 22 June 2017, the GROUP's Parent Company issued a letter of guarantee for the benefit of US commodities trader J.ARON & COMPANY as a security in relation to any loss that may be incurred by reason of obligations continuing to be outstanding between the P-D VALMIERA GLASS USA Corporation and J.ARON & COMPANY related to the lease of certain platinum and rhodium commodities. The maximum amount covered by the guarantee is USD 2 250 000 (EUR 2 002 848). The guarantee is irrevocable, i.e. remains in force as long as P-D VALMIERA GLASS USA Corporation continues to use precious commodities belonging to J.ARON & COMPANY and/or continues to be liable in relation to J.ARON & COMPANY with respect to any obligations.

AS SEB Bank and AS Danske Bank had secured the guarantee obligations of the GROUP's Parent Company in the total amount of USD 1 500 000 (EUR 1 335 232). In June 2019, J.ARON & COMPANY unilaterally discontinued the precious metal lease agreement with P-D VALMIERA GLASS USA Corporation, and called the bank guarantees. In August 2019, the banks satisfied the claim and paid USD 1 500 000 (EUR 1 335 232) in total to J.ARON & COMPANY (please see Note 12 Loans and borrowings).

P-D VALMIERA GLASS USA Corporation has returned the leased precious metal stock to J.ARON & COMPANY.

On 19 December 2019, J.ARON & COMPANY notified P-D VALMIERA GLASS USA Corporation and the GROUP's Parent Company that, according to its estimates, the loss resulting from the termination of the precious metal lease agreement exceeds USD 3 778 452 (EUR 3 363 408).

Based on the estimates of the GROUP, the bank guarantee payments effected in August 2019 fully cover any loss incurred by J.ARON & COMPANY. In addition, J.ARON & COMPANY has benefited from the termination of the precious metal lease agreement as a result of

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advantageous developments in the precious metal market prices. According to the estimates of the GROUP, the leased precious metal stock value has increased by more than EUR 13 million, which must be taken into account assessing the amount of the loss incurred in accordance with the US law. Accordingly, the GROUP has challenged the claim and treats it as unsupported.

As at 31 December 2018, the GROUP's Parent Company and the GROUP had entered into a number of operating lease agreements. The operating lease commitments can be disclosed as follows:

GROUP's Parent Company

	Short-term >1 year	Long-term 2-5 years	5< years	Total
Land	24 697	98 790	98 790	222 277
Machinery and equipment	213 396	704 684	-	918 080
Precious metals	135 371	19 844	-	155 214
Other	17 800	57 600	4 800	80 200
Total	391 264	880 918	103 590	1375 771

GROUP

	Short-term >1 year	Long-term 2-5 years	5< years	Total
Land	54 601	98 790	98 790	252 181
Machinery and equipment	277 600	864 352	16 429	1 158 381
Precious metals	135 371	19 844	-	155 214
Other	116 667	142 815	4 800	264 282
Total	584 239	1 125 801	120 019	1830 058

In 2019, the GROUP implemented IFRS 16. As at 31 December 2019, the GROUP has no significant contingent operating lease liabilities related to low value assets or short-term operating lease agreements.

29. SUBSEQUENT EVENTS

(a) In 2020, it was decided to dissolve the operations of P-D VALMIERA GLASS USA Corporation. The property, plant, equipment and inventory of P-D VALMIERA GLASS USA Corporation were sold to Saint-Gobain Adfors America, Inc. for the total amount of USD 18.4 million (approximately EUR 16.4 million) in accordance with the Asset Purchase Agreement of 2 March 2020. On 10 September 2020, the liquidation plan of P-D VALMIERA GLASS USA Corporation was submitted for the approval of the US Bankruptcy Court, which is expected by 2 December 2020. The Company and VALMIERA GLASS UK are not expecting any future cash outlays related to the US operations. The funds of the dissolved company will be distributed among its 3rd party creditors, including AS SEB Banka and AS Danske Bank (please see Note 12 Loans and Borrowings). The disbursements to AS SEB Banka and AS Danske Bank will reduce the principal amount of the Group's Parent Company's indebtedness towards these creditors. In the separate financial statements of the Company, the expected amount of the disbursement is disclosed as the recoverable amount of the Company's receivables from P-D VALMIERA GLASS USA Corporation (please see Note 27 Transactions and balances with related parties).

(b) On 11 March 2020 the World Health Organization declared the coronavirus outbreak a pandemic. The Latvian government declared a state of emergency on 12 March 2020 that was prolonged on 7 April 2020 and on 7 May 2020. Responding to the potentially serious threat the COVID-19 presents to public health, the Latvian government authorities took measures to contain the outbreak, including suspension of international passenger transport through airports, ports, by bus and rail and the 'lock-down' of certain industries. In particular, airlines, sea carriers and railways suspended international transport of people, schools, universities, restaurants, cinemas, theatres and museums and sport facilities were closed or restricted their activities. Many businesses in Latvia also instructed employees to remain at home and some curtailed or temporarily suspended business operations. The state of emergency in Latvia has

been cancelled from 10 June 2020. Similar measures were taken by other European countries and other countries affected by the pandemic, including UK, which declared lockdown from March 2020. As a manufacturing site, the UK subsidiary was able to continue with reduced capacity in accordance with the UK government instruction and has continued to do so. Further, the UK government introduced a Furlough scheme to provide financial support to those employees that had insufficient work, by paying up to 80% of the employees to the employer while they were at home and this has been utilized where appropriate. The Furlough scheme will end on 31 October 2020 and will be replaced by the job retention scheme, that will run for 6 months from 1 November 2020. The job retention scheme differs from the Furlough scheme in that the employee has to work at least 33% of the time to qualify and then a proportion of the time at home will be paid equally by the employer and the government and this scheme will also be utilized at the UK subsidiary as and where appropriate.

The financial results of both the Company and its subsidiary VALMIERA GLASS UK were affected by global COVID-19 outbreak. The effect of COVID-19 outbreak on the sales of the Group's Parent Company's results was most severe in April and May 2020, when the unaudited net sales of the Company were more than 20 per cent below the last year's results. In the second half of the year, stable recovery of target markets and sales is observed. The effect of COVID-19 in the UK continues to impact the UK subsidiaries revenue and the overall performance, with a reduction in revenue in excess of 40 per cent during the period April to August inclusive compared to the last year. Although partial recovery is expected during the 4th quarter of 2020, overall levels of performance are expected to remain suppressed until there is a general economic recovery and particularly in the aerospace industry. The management of the Group expects continued recovery of the target markets in the remaining months of 2020 and in 2021.

Based on the publicly available information as at the date these financial statements were authorized for issue, management considered a number of severe but plausible scenarios with respect to the potential development of the second wave of COVID-19 outbreak and its expected impact on the economic environment, in which the Group operates, including the measures already taken by the Latvian and UK government and governments in other countries, where the Group's major business partners and customers are located.

Notably, as at the date of publishing these financial statements, the Group's Parent Company's target markets, customers and key suppliers are not significantly affected by the second wave of COVID-19. The demand for the company's products is stable and recovering to the extent that the Company has to consider restoring of 100% production capacity utilization, which was temporarily reduced in spring and summer months.

The UK subsidiary operates in a sector that is experiencing significant decline in demand and the management has considered that the adverse economic environment may last the following quarter of 2020 with recovery in Q1 2021. In response to these possible scenario, Group's management has already initiated actions aimed at mitigating the risks, which include:

- use of the UK governments job retention scheme;
- review of its existing commitments related to capital expenditures with the aim of their cancellation or postponement, where such expenditure is not considered essential for the ongoing operation of the site;
- adjustment to the scale of the entities' operations to respond to the temporary decrease in demand for the products offered by UK subsidiary.

Due to the fact that the situation related to the outbreak of the disease is very dynamic and responses of the Latvian and UK governments and governments worldwide are evolving rapidly, and certain of the above measures initiated by Management are still in progress, their outcome is uncertain at this stage. Accordingly, there is a risk is that in a severe but plausible scenario of decrease in demand management plans might be insufficient to mitigate the operating and liquidity risks of the UK operations. However, management is of the view that it is reasonable to assume that the situation in the UK should improve in 2021.

(c) On 5 June 2020, as disclosed in Notes 12 and 15 to these financial statements, all agreements on loans and borrowings, government grants and the respective securities between P-D VALMIERA GLASS USA Corporation and the United States City of Dublin and County of Lawrence Development Authority were cancelled. According to the agreement, in June 2020, P-

D VALMIERA GLASS USA Corporation paid USD 1 100 000 (EUR 979 170) to fully settle its liabilities to the United States City of Dublin and County of Lawrence Development Authority. The management of the Group considers it as a non-adjusting post-balance sheet event not affecting the financial results for year 2019.

Other subsequent events are described in section Events after the end of the Reporting Period of the Management Report on page 13 and Note 32 Going concern.

30. CORRECTION OF ERRORS

(a) Production waste measurement

The manufacturing plant of the GROUP's Parent Company generates a significant amount of manufacturing waste. Until 2019, in addition to own-produced waste, the company purchased manufacturing waste. Management planned to use both own-produced and purchased manufacturing waste as raw materials for non-woven product manufacturing.

Currently the GROUP's Parent Company does not have technological equipment for efficient sorting, purification and crushing of manufacturing waste. Such equipment is necessary for waste recycling and reuse. Previously, the company had investment plans for development of such facilities with the purpose to expand its product range and capacities. Considering such a plan, the stock of own-produced manufacturing waste was treated as manufacturing by-product and classified as inventory of semi-finished production at full production cost.

Until August 2019, the company had no sheltered both types of manufacturing waste warehouse for waste storage, and due to the lack of covered storage capacities the stock of waste was stored outdoors. In 2019, during annual inventory count, the company's engineers assessed the quality and usability period of the waste stored in outdoor conditions. According to the evaluation, the usability period in such conditions does not exceed 3 months. Management of the GROUP's parent considered that such conditions existed already at 31 December 2018 and previous periods.

The above conclusions were not considered during preparation of the financial statements for the year ended 31 December 2018 and preceding years. As condition of the manufacturing waste is critical for its possible use, the management of the company believes that significant error was made in respect of measurement of the value of the waste inventories in the preceding periods as waste quality and reusability had not been considered even though for a material amount of manufacturing waste its condition had to be considered in assessing its recoverable value. Thus, according to IAS 8, management of the company has corrected error and revised production waste measurement retrospectively, restating the opening balances of assets and equity for the earliest prior period presented. As a result value of the production waste inventories has been written-down.

(b) Provisions for disposal of production waste

Considering the fact that production waste described in the section (a) needs to be disposed, the GROUP's Parent Company established provisions for manufacturing waste disposal costs. Provisions for waste disposal were recognized in the period in which the waste was generated. Until 2019, the GROUP did not recognize expected waste disposal costs. Consequently to the matter described in section (a), management of the company treated establishment of the provisions for waste disposal as correction of error and applied recognition of provisions retrospectively, restating the opening balances of provisions and equity for the earliest prior period presented.

The impact of the correction of errors on the previously reported figures can be disclosed as follows:

Statement of financial position

	Notes	GROUP		
		Previously reported EUR	Adjustments EUR	Restated EUR
31 December 2017				
ASSETS				
Inventories		26 188 752	(2 744 201)	23 444 551
Total current assets		44 055 920	(2 744 201)	41 311 719
TOTAL ASSETS		206 428 990	(2 744 201)	203 684 789
LIABILITIES				
Provisions		-	244 405	244 405
Total current liabilities		126 696 008	244 405	126 940 413
TOTAL LIABILITIES		141 204 743	244 405	141 449 148
EQUITY				
Total equity		65 224 247	(2 988 606)	62 235 641
TOTAL EQUITY AND LIABILITIES		206 428 990	(2 744 201)	203 684 789

	Notes	GROUP		
		Previously reported EUR	Adjustments EUR	Restated EUR
31 December 2018				
ASSETS				
Inventories	7	32 832 726	(3 060 582)	29 772 144
Total current assets		42 804 103	(3 060 582)	39 743 521
TOTAL ASSETS		104 831 361	(3 060 582)	101 770 779
LIABILITIES				
Provisions		-	370 576	370 576
Total current liabilities		73 712 513	370 576	74 083 089
TOTAL LIABILITIES		145 503 617	370 576	145 874 193
EQUITY				
Profit brought forward		34 716 628	(2 988 606)	31 728 022
Loss for the year		(56 905 879)	(442 552)	(57 348 431)
Total equity		(40 672 256)	(3 431 158)	(44 103 414)
TOTAL EQUITY AND LIABILITIES		104 831 361	(3 060 582)	101 770 779

Statement of profit or loss and OCI

	Notes	GROUP		
		Previously reported EUR	Adjustments EUR	Restated EUR
For year ended 31 December 2018				
Other operating expenses	21	(123 238 804)	(442 552)	(123 681 356)
Loss from operations		(113 164 876)	(442 552)	(113 607 428)
Loss for the year		(114 710 647)	(442 552)	(115 153 199)

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Earnings per share	(2.3807)	(2.4362)
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Statement of financial position

	Notes	GROUP'S Parent Company		
		Previously reported EUR	Adjustments EUR	Restated EUR
31 December 2017				
ASSETS				
Inventories		16 917 608	(2 744 201)	14 173 407
Total current assets		51 719 857	(2 744 201)	48 975 656
TOTAL ASSETS		175 535 174	(2 744 201)	172 790 973
LIABILITIES				
Provisions		-	244 405	244 405
Total current liabilities		108 586 532	244 405	108 830 937
TOTAL LIABILITIES		116 687 505	244 405	116 931 910
EQUITY				
Total equity		58 847 669	(2 988 606)	55 859 063
TOTAL EQUITY AND LIABILITIES		175 535 174	(2 744 201)	172 790 973

	Notes	GROUP'S Parent Company		
		Previously reported EUR	Adjustments EUR	Restated EUR
31 December 2018				
ASSETS				
Inventories	7	18 840 298	(3 060 582)	15 779 716
Total current assets		24 984 863	(3 060 582)	21 924 281
TOTAL ASSETS		93 045 075	(3 060 582)	89 984 493
LIABILITIES				
Provisions		-	370 576	370 576
Total current liabilities		59 607 399	370 576	59 977 975
TOTAL LIABILITIES		126 323 299	370 576	126 693 875
EQUITY				
Profit brought forward		24 836 473	(2 988 606)	21 847 867
Profit for the year		(92 125 893)	(442 552)	(92 568 445)
Total equity		(33 278 224)	(3 431 158)	(36 709 382)
TOTAL EQUITY AND LIABILITIES		93 045 075	(3 060 582)	89 984 493

Statement of profit or loss and OCI

	Notes	GROUP'S Parent Company		
		Previously reported EUR	Adjustments EUR	Restated EUR
For year ended 31 December 2018				
Other operating expenses	21	(13 592 294)	(442 552)	(14 034 846)
Loss from operations		(73 949 616)	(442 552)	(74 392 168)
Loss for the year		(92 125 893)	(442 552)	(92 568 445)
Earnings per share		(3.8541)		(3.8726)

31. GOING CONCERN

- (a) During the reporting year, the Company and the Group experienced significant financial difficulties. Despite the good operating results of the Company and its UK subsidiary, these two Group companies were unable to continue financing of the significant monthly operating losses of P-D VALMIERA GLASS USA Corporation resulting from the extended commissioning of the large-scale investment in Phase 2 manufacturing operations.

In the first half of 2019, the management of the Group took a number of measures to bring the US operations to a sustainable level. Nevertheless, on 17 June 2019 P-D VALMIERA GLASS USA Corporation had to file a voluntary petition for relief under Chapter 11 in the United States Bankruptcy Court for the Northern District of Georgia (see Note 5). Likewise, on 18 June 2019, Vidzeme District Court of the Republic of Latvia passed a decision to initiate the legal protection plan (LPP) of the Group's Parent Company. Both LPP and Chapter 11 proceedings obliges the involved parties to participate in the entity's liability restructuring to fully restore its solvency. P-D VALMIERA GLASS USA Corporation suspended Phase 2 manufacturing operations – as a result, the US subsidiary could continue its operations without additional financial support of other Group companies.

Both the Company and P-D VALMIERA GLASS USA Corporation hired M&A advisors to attract new equity and / or loan financing.

On 16 September 2019, the Company and its secured creditors AS SEB Bank and AS Danske Bank (hereinafter – the secured creditors) signed a Forbearance and Settlement agreement (hereinafter – Forbearance agreement) (for additional details see Note 12).

The Company developed a Legal protection proceedings (LPP) plan considering the above mentioned Forbearance agreement, which was approved by the court on 18 October 2019.

The refinancing process took longer than expected, and, in the first quarter of 2020, the Company could not meet the requirements set out in the Forbearance agreement to attract equity and/ or loan financing in the amount exceeding EUR 40 000 000, thus settle liabilities to the secured creditors in the amount of EUR 35 000 000 until 31 March 2020. Due to the above, the Company also did not perform scheduled repayments of the principal indebtedness in the amount of EUR 500 000 in January and February 2020 each. Accordingly, on 28 April 2020, amendments to the Forbearance agreement were signed and the LPP plan was amended to revoke the above requirements and postpone any repayment of the principal indebtedness to the secured creditors until October 2021. The amendments of the LPP plan were approved by the court on 19 May 2020.

As the result of the above activities, the Company restructured its short-term obligations, and the Company in management's view will be able to settle its current liabilities according to the agreed payment terms for the remainder of 2020. Until the date of signing of these financial statements the Company has fulfilled its liabilities according to the amended LPP plan and Forbearance agreement.

The amended Forbearance agreement and LPP plan requires the Company to attract up to 10 million EUR loan to finance its maintenance capital investment projects by 30 November 2020 unless a different arrangement is agreed with its secured creditors AS SEB Banka and AS Danske Bank. As at the date of signing of these financial statements, the Company is in the final stages of negotiations of bank and shareholder loan financing agreements with the aim to attract the set amount of financing by 30 November 2020.

Nevertheless, the future success of the Company and the Group is dependent, among other, on the Company's ability to attract 10 million EUR loan for capital expenditure financing until 30 November 2020 as well as its operation results in difficult global economic circumstances.

- (b) On 11 March 2020 the World Health Organization declared the coronavirus outbreak a pandemic. For detailed description of the impact of COVID-19 on the Parent Company and the Group's ability to continue as a going concern see Note xx (b). The uncertain economic environment caused by the COVID-19 impact contributes to the challenges that the Company and the Group are facing.

- (c) BREXIT - the United Kingdom (UK) is scheduled to depart from the EU on 31 December 2020, when the current transitional period is due to expire. The terms on which the UK will depart from the EU remain unknown. Given that Group's UK subsidiaries significant revenue relates to European Union customer base, including the Company, it remains unclear how viable the UK component's operations will remain should the departure process happen in a disorderly way or on terms which are unfavorable for continued business operations in the UK. Given that the UK subsidiary is a niche manufacturer of specialty glass fiber fabrics with limited alternative product offering, in the management's view BREXIT would not have any significant short-term or medium-term impact on the business operations and financial results of the UK subsidiary.

Having considered the facts and circumstances laid out in the preceding paragraphs (a), (b), and (c), management have prepared these consolidated and separate financial statements on the going concern basis, and they therefore do not include any adjustments that would have been required had the Group and the Company not applied the going concern basis of accounting. The management has applied going concern basis to these financial statements due to the Parent Company's and UK components ability to adjust to the new economic circumstances in response to the COVID-19 crisis, restructuring of liabilities' settlement terms achieved, expected partial debt settlements from USA operations wind down.

Nevertheless, the management acknowledges that going concern judgements were made placing significant reliance on the positive outcomes of future uncertain events and, therefore, a material uncertainty exists that may cast significant doubt on the Company's and the Group's ability to continue as a going concern.



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Independent Auditors' Report

To the shareholders of Valmieras Stikla Šķiedra AS

Report on the Audit of the Consolidated Financial Statements

Disclaimer of Opinion on the Consolidated Financial Statements

We were engaged to audit the accompanying consolidated financial statements of Valmieras Stikla Šķiedra AS ("the Company") and its subsidiaries ("the Group") set out on pages 16 to 85 of the accompanying separate and consolidated Annual Report. The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019,
- the consolidated statement of comprehensive income for the year then ended,
- the consolidated statement of changes in equity for the year then ended,
- the consolidated statement of cash flows for the year then ended, and
- notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes.

We do not express an opinion on the accompanying consolidated financial statements of the Group. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion on the Consolidated Financial Statements* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Basis for Disclaimer of Opinion on the Consolidated Financial Statements

As stated in Note 5, as at 31 December 2019, included in the consolidated financial statements is the financial information of the Group's subsidiary, P-D Valmiera Glass USA Corporation ("VSS USA"). We were not granted access to the subsidiary's financial information to perform any audit procedures to satisfy ourselves regarding its financial information. As a result, other than in respect of the matter described in the third paragraph of this section, we were unable to determine whether any adjustments were necessary in respect of the assets, liabilities, income and expense of VSS USA included in the consolidated financial statements of the Group as at and for the year ended 31 December 2019, and the relevant elements making up the Group's consolidated statements of changes in equity and cash flows for the year ended 31 December 2019.

In addition, as discussed in Notes 30 and 32, the Company and the Group had faced operational and financial challenges that lead to legal protection proceedings ("LPP") initiated in Latvia in June 2019, with the LPP plan approved by the relevant court on 18 October 2019, with subsequent amendments. Also, VSS USA ceased its Phase 2 fiberglass furnace operation and filed a voluntary petition for relief under Chapter 11 in the United States Bankruptcy Court. As also described in those Notes, the Group's entity in the United Kingdom may be negatively impacted by developments relating to the United Kingdom leaving the European Union. That entity, as well as the Company, have also been negatively affected by the market disruption related to the outbreak of the COVID-19 disease. As stated in Note 32, these events or conditions, along with other matters as set forth in that Note, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.



Furthermore, as stated in Note 6, in 2018, the Group recognized an impairment loss against the entire stated amount of property, plant and equipment held by VSS USA, in the amount of EUR 99 267 536. In our view, in estimating the assets' recoverable amounts management failed to sufficiently consider all reasonably possible scenarios in relation to the said subsidiary's future operations, which resulted in likely material effects on those recoverable amount estimates. In the current year, based on its updated assessment of the said recoverable amounts, the Group recognized a EUR 15 631 979 reversal of the impairment loss, which, in our view, relates entirely or partially to prior year. However, it was impracticable for us to quantify the financial effects of the above departure from the relevant requirements of the financial reporting standards, including any adjustments required to the stated amounts of accumulated losses as at 31 December 2019, property, plant and equipment as at 31 December 2018, and to the net loss for the years then ended.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

In accordance with the 'Law on Audit Services' of the Republic of Latvia, our responsibility is to conduct our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs) and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion on the Consolidated Financial Statements* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and independence requirements included in the 'Law on Audit Services' of the Republic of Latvia that are relevant to our audit of the consolidated financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and the 'Law on Audit Services' of the Republic of Latvia.



Report on Other Legal and Regulatory Requirements

Other Reporting Responsibilities and Confirmations Required by the Legislation of the Republic of Latvia and the European Union when Providing Audit Services to Public Interest Entities

We were appointed by the annual shareholders' meeting held on 20 December 2020 to audit the consolidated financial statements of the Group as at and for the year ended 31 December 2019. Our total uninterrupted period of engagement is 2 years, covering the periods ending 31 December 2018 to 31 December 2019.

We confirm that:

- our disclaimer of opinion on the consolidated financial statements is consistent with the additional report presented to the Audit Committee of the Group;
- as referred to in the paragraph 37.6 of the 'Law on Audit Services' of the Republic of Latvia, we have not provided to the Group the prohibited non-audit services (NASs) referred to of EU Regulation (EU) No 537/2014. We also remained independent of the audited group in conducting the audit.

For the period to which our statutory audit relates, we have not provided any services to the Group in addition to the audit, which have not been disclosed in the Management Report or in the consolidated financial statements of the Group.

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Independent Auditors' Report

To the shareholders of Valmieras Stikla Šķiedra AS

Report on the Audit of the Separate Financial Statements

Our Qualified Opinion on the Separate Financial Statements

We have audited the accompanying separate financial statements of Valmieras Stikla Šķiedra AS ("the Company") set out on pages 16 to 85 of the accompanying separate and consolidated Annual Report, which comprise:

- the separate statement of financial position as at 31 December 2019,
- the separate statement of comprehensive income for the year then ended,
- the separate statement of changes in equity for the year then ended,
- the separate statement of cash flows for the year then ended, and
- notes to the separate financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying separate financial statements give a true and fair view of the financial position of Valmieras Stikla Šķiedra AS as at 31 December 2019, 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 ("IFRS EU").

Basis for Qualified Opinion

As at 31 December 2018, the Company recognized EUR 81 108 887 of impairment losses against the entire balance of loans to and receivables from its subsidiary, P-D Valmiera Glass USA Corporation. In our view, in estimating the assets' recoverable amounts, management applied certain overly conservative assumptions that could not be supported by available evidence, which resulted in likely material effects on those recoverable amount estimates. The matter caused us to qualify our auditor's opinion on the separate financial statements for the prior year. As at 31 December 2019, based on its reassessment of the recoverable amounts, the Company recognized a EUR 12 297 173 reversal of the said impairment losses, which, in our view, in full or in part, relates to the prior year. It was, however, impracticable for us to quantify the financial effects of the matter on the separate financial statements, including any adjustments required to the stated amounts of accumulated losses as at 31 December 2019, loans to and receivables from subsidiaries as at 31 December 2018, and to the net loss for the years then ended.

In accordance with the 'Law on Audit Services' of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibility for the Audit of the Separate Financial Statements* section of our report.



We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and independence requirements included in the 'Law on Audit Services' of the Republic of Latvia that are relevant to our audit of the separate financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and the 'Law on Audit Services' of the Republic of Latvia.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 32 of the separate financial statements, which outlines that the Company faced operational and financial challenges resulting in legal protection proceedings ("LPP") initiated in Latvia in June 2019. The LPP plan was approved by the Court for the District of Vidzeme on 18 October 2019 with subsequent amendments. The Company's operating results and cash flows are highly dependent on its ability to attract additional financing as provided in the LPP plan. Note 32 also describes that the Company has been adversely affected by developments relating to the COVID-19 outbreak, with further discussion of the impacts in Note 30. As also stated in Note 32, these events or conditions, along with other matters as set forth therein, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion on the separate financial statements is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matters described in the *Basis for Qualified Opinion* and *Material Uncertainty Related to Going Concern* sections, above, we have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue recognition

Key audit matter

Net sales for the year ended 31 December 2019: EUR 88 693 367 (2018: EUR 90 549 430).

We refer to the separate financial statements: Note 3 (accounting policy) and Note 16 (financial disclosures).

The Company manufactures and sells glass fibre products, with the majority of its sales representing exports to countries in Europe and worldwide.

The Company's sales contracts include terms such as, among other things, product quantity to be

Our response

Our audit procedures in the area included, among other things:

- Assessing the Company's revenue recognition policy, including considering whether the policy is in accordance with the five-step approach required by the applicable revenue standard;
- Assessing the design, implementation and operating effectiveness of selected internal controls within the revenue recognition



delivered, relevant pricing conditions and shipping terms. Contractually specified shipping terms may vary depending on factors such as the mode of transport (e.g. by sea, road or air) and shipping destination (locally, to the European market or beyond). The Company applies International Commerce Terms (Incoterms) to clarify when a delivery occurs and therefore to establish the point in time at which the related performance obligation is satisfied and revenue is to be recognized.

The multitude of such terms to be considered in accounting for revenue transactions, and manual intervention required in recognizing revenue in the appropriate period, required our increased attention in performance of our audit of the separate financial statements. We considered the most significant risk of misstatement of the separate financial statements to exist for transactions occurring in the proximity of the reporting date.

Due to the above factors, this area required our increased attention and represented a key audit matter in our audit.

process, including those in respect of matching of sales order, delivery note and sales invoice;

- For a sample of individual sales transactions occurring around the reporting date:
 - inspecting underlying sales contracts for key commercial terms, including those in respect of shipping;
 - inspecting evidence to support the timing of revenue recognition, based on the said terms and conditions set out in the sales contracts, including sales invoices and delivery documents;
 - tracing the above evidence to the corresponding accounting (revenue) entries, evaluating the amounts recognized and the timing of revenue recognition, and investigating any inconsistencies.
- For a sample of trade accounts receivable outstanding as at 31 December 2019, obtaining customer confirmations of the balances, and also of the turnover for the year. Where applicable, inquiring of the accounting personnel as to the reasons for any significant differences between the amounts confirmed and the Company's accounting records;
- Inspecting journal entries posted to revenue accounts, focusing on items which we considered unusual, irregular or otherwise associated with increased risk;
- Considering the adequacy and accuracy of the Company's disclosures (Note 3 and Note 16) in respect of revenue and revenue recognition policies.

Valuation of inventories

Key audit matter

Inventory as at 31 December 2019: EUR 16 442 816 (31 December 2018: EUR 15 779 716).

We refer to the separate financial statements: Note 3 (accounting policies and use of estimates and

Our response

Our audit procedures in the area included, among other things:

- Testing design and implementation of selected controls within the inventory accounting



critical accounting judgments) and Note 7 and 31 (financial disclosures).

The Company presents inventory net of the related write-down to net realizable value. As discussed in Note 3, in 2019, the Company changed the key assumption used in estimating the write-down. In addition, as also discussed in Note 31, management identified evidence that quality of the production waste inventory would not allow for its utilization as semi-finished product, as previously expected. As a result, the Company recognized an additional write-down to net realizable value for the production waste inventory in the amount of EUR 925 002 as at 31 December 2019 and in the amount of EUR 3 060 582 as at 31 December 2018 (recognized as a correction of a prior period error).

Assessment whether the changed approach to estimating inventory obsolescence and the additional write-down for production waste inventory were to be accounted for as a change in estimate, change in accounting policy or a correction of an error required significant judgment and consideration of all facts and circumstances associated with the matters.

In addition, evaluation of the amounts of the write-downs to net realizable value, including the amount of the error correction, required careful consideration of multiple data sources and assumptions, such as historical information on inventory purchases and production, storage conditions and the impact thereof on the ability to utilize or realize the inventory.

Due to these aspects, the area required our increased attention in the audit, and as such was considered by us to be a key area of our audit.

process, including relevant information technology (IT) controls relating to the estimation of the inventory write-downs;

- Based on our understanding of the nature of the inventory and developments in 2019, as well as inquiries of the Company's CFO, challenging the accounting for the changes in inventory write-downs in the current year;
- Challenging the amounts of inventory write-downs to net realizable value at the reporting date, as well as the amount of the adjustment to production waste inventory recognized as a prior period error, by reference to:
 - analysis of the past experience, current industry circumstances and the Company's technological capabilities, and
 - assessment of the condition of inventory, including production waste inventory, during attendance of inventory count;
- Evaluating the completeness and accuracy of inventory-related disclosures in the separate financial statements against the relevant requirements of the financial reporting standards, including the disclosure in respect of the error correction.

Reporting on Other Information

The Company's management is responsible for the other information. The other information comprises:

- Information about the Company, as set out on page 3 of the accompanying Annual Report,
- the Management Report, as set out on pages from 5 to 14 of the accompanying Annual Report,
- the Statement on Management Responsibility, as set out on page 15 of the accompanying Annual Report,



- the Statement of Corporate Governance, which the Company has prepared as integral part of Sustainability report and plans to file with "Nasdaq Riga" together with Consolidated and Separate Annual Report.

Our opinion on the separate financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information* section of our report.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Qualified Opinion* section above, the Company failed to account for impairment losses in respect of certain financial assets in accordance with the relevant requirements of the financial reporting standards. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items affected by this matter.

Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information

In addition, in accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion, in all material respects:

- the information given in the Management Report for the financial year for which the separate financial statements are prepared is consistent with the separate financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

In accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the 'Financial Instruments Market Law' of the Republic of Latvia and if it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the 'Financial Instruments Market Law' of the Republic of Latvia.

In our opinion, the Statement of Corporate Governance includes, in all material respects, the information required in section 56.1, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the 'Financial Instruments Market Law' of the Republic of Latvia and it includes the information stipulated in section 56.2



second paragraph, clause 1, 2, 3, 4, 7 and 8 of the 'Financial Instruments Market Law' of the Republic of Latvia.

Furthermore, in accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to the Non-financial Statement, our responsibility is to report whether the Company has prepared the Non-financial Statement and whether the Non-financial Statement is included in the management Report or prepared as a separate element of the Annual Report or is included in the consolidated non-financial statement of the Group's parent company.

We report that the Company has prepared separate Sustainability report, which includes the Non-financial Statement.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation of the separate financial statements that give a true and fair view in accordance with IFRS EU and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibility for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Other Reporting Responsibilities and Confirmations Required by the Legislation of the Republic of Latvia and the European Union when Providing Audit Services to Public Interest Entities

We were appointed by the annual shareholders' meeting held on 20 December 2019 to audit the separate financial statements of Valmieras Stikla Šķiedra AS for the year ended 31 December 2019. Our total uninterrupted period of engagement is 2 years, covering the periods ending 31 December 2018 to 31 December 2019.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company;
- as referred to in the paragraph 37.6 of the 'Law on Audit Services' of the Republic of Latvia we have not provided to the Company the prohibited non-audit services (NASs) referred to of EU Regulation (EU) No 537/2014. We also remained independent of the audited entity in conducting the audit.



For the period to which our statutory audit relates, we have not provided any services to the Company and its controlled entities in addition to the audit, which have not been disclosed in the Management Report or in the financial statements of the Company.

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