CONSOLIDATED AND SEPARATE ANNUAL REPORT FOR THE YEAR

2020

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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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
THE COUNCIL	Chairman of the Council: Peter John Bentley (from 29.03.2021) Stefan Alexander Preiss-Daimler (06.03.2020- 29.03.2021) Heinz-Jürgen Preiss-Daimler (until 04.02.2020) Members of the Council: Stefan Alexander Preiss-Daimler (until 06.03.2020. and from 29.03.2021) Andris Oskars Brutāns Jöran Pfuhl (until 29.03.2021) Ainārs Ozols (until 29.03.2021) Theis Klauberg (until 29.03.2021)
REPORTING YEAR	1 January 2020 - 31 December 2020
PRIOR REPORTING YEAR	1 January 2019 - 31 December 2019
AUDITORS AND THEIR ADDRESS	KPMG Baltics AS Licence Nr.55 Vesetas street 7, Riga, LV-1013, Latvia

STATEMENT

Dear shareholders,

The year 2020 was characterized by changing market situations for our company. The first quarter of 2020 was one of the best quarters in the company's history in terms of profitability, despite the tense financial situation. After the outbreak of the global corona pandemic in December 2019, the market had adjusted to a short-term shortage of material deliveries and discontinued the interruption of the supply chains for a short-term restart of production. Our company was also able to benefit from the high level of inventory in the short term and sell large quantities at higher prices, which in turn had a positive effect on the gross margin. After it became clear from April 2020 that the measures to contain the pandemic of the individual nation states would take longer, many industries, including those of our customers, reacted relatively quickly and drastically and reduced their production dramatically. In combination with the stockpiling of the first quarter, we were faced with a dramatic decline in sales that we cannot compensate due to our limited financing options. To counteract this, we also reduced the output of our E-glass melting tanks by up to 25% and bought larger market shares in the area of E-Glass yarns with, in some cases, considerable bulk discounts. In order to ensure the continuous outflow of our glass quantities, we were forced to lower the general price level of the entire product range by 20%, as we could not have afforded higher storage due to the limited financing options within the scope of the current LPP. From the end of the third quarter of 2020, we were able to record a general recovery in the sales markets, to which we responded immediately by increasing the output volume of the E-Glass melting furnace 1.2. From this point on, we have actively tried to gradually bring prices back to the level of Q4 2019. Throughout 2020, we were helped by the good, in some cases above-plan, output from tank 3.1 and the sale of silica glass fibers. This established leading product is enjoying steadily increasing use in the field of automotive engineering, mechanical engineering and consumer goods production and therefore had to cope with lower price discounts even in times of crisis.

From Q4 2020, the European market recovered increasingly, combined with increasing demand from the Asian markets, where the largest production capacities for glass fibers are located. This put us in a position to catch up and partially compensate for price reductions in the first quarters of 2020. Unfortunately, in the 4th quarter of 2020, there was also a drop in output from our largest melting furnace W2.1, as it is now 10 years at the end of the usage period. In summary, it can be concluded that it was possible to react correctly to the changing market conditions. Thanks to the close-knit cash management system installed in previous years, the management was able to even out large fluctuations in sales and to provide sufficient cash at any time to meet the requirements for material, investments and wage payments without additional credit lines and state support. In addition, during the reporting period liabilities to suppliers were reduced and all obligations of the amended LPP process were met. The personnel situation was also improved in 2020. In addition to the permanent efforts to improve working conditions and employee satisfaction, the decision not to layoffs due to Corona has contributed to this. In contrast to many other companies in the country, we have refrained from layoffs and deliberately only worked with reduced working hours and vacation, which has benefited our reputation as a reliable employer.

Our British subsidiary has also succeeded in bridging the considerably higher sales reduction, which was particularly due to the lower composite business in the aviation industry severely affected by COVID-19 pandemic. Throughout 2020, no funding was required from the Latvian parent company. By cleverly using the Furlough, it was possible to react flexibly to the falling demand and ultimately to contribute a positive net result of EUR 490 586 to the group result.

All in all, it can be concluded that despite lower income from the sale of goods and stable purchase prices, a result that is appealing for the circumstances was achieved. As during the 2009/2010 financial crisis, the business model and product portfolio have proven to be robust and crisis-resistant. EBITDA and EBIT of both AS VALMIERAS STIKLA ŠĶIEDRA's and the Group are satisfactory for the circumstances. Only the net result, which was significantly burdened by the high interest charges from the LPP, was far below the results of the years before 2017.

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Stefan Jugel
Chairman of the Management board

GENERAL INFORMATION

AS VALMIERAS STIKLA ŠĶIEDRA and its subsidiary (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.

The GROUP consists of the parent company AS VALMIERAS STIKLA ŠĶIEDRA (hereinafter – the GROUP's Parent Company), its subsidiary VALMIERA GLASS UK Ltd. (hereinafter – the UK Subsidiary) in the United Kingdom, and subsidiaries 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. In the beginning of 2020, the GROUP decided to discontinue the operations of its subsidiaries in the United States of America. On 2 June 2020, all business assets of the US subsidiary were sold, as well as all employees, customer, supply, lease and other executory contracts were transferred to Saint-Gobain Adfors America, Inc.

The 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.

VALMIERAS STIKLA ŠĶIEDRA, AS 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;
- 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. The Subsidiary specializes in fiberglass weaving, fabric coating and laminating.

Changes of the GROUP

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 the new owner.

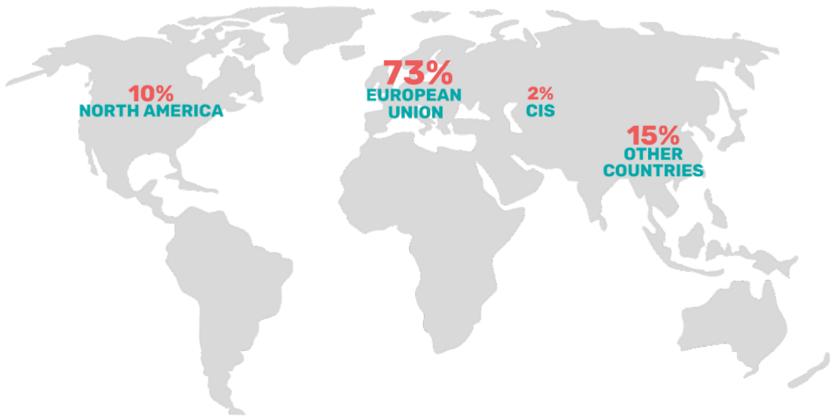
After the end of the reporting period in February, 2021, Company's US subsidiaries P-D VALMIERA GLASS USA Corp. (Reg. No. 14036662) and VALMIERA GLASS USA Trading Corp. (Reg. No. 14036664) have been dissolved. After this process, VALMIERA GLASS GROUP consisting of VALMIERAS STIKLA ŠĶIEDRA, AS in Latvia and VALMIERA GLASS UK Ltd. in the United Kingdom continues to operate in the usual manner.

MARKETS

In 2020, products manufactured by the GROUP's Parent Company were exported to 51 countries across the world, with the export share of 96%. The key sales markets of the GROUP changed in 2020: majority with 73% of the total output was sold in European Union countries as biggest market now, 10% in North America, 2% in CIS countries and 15% in other export countries (incl. Switzerland, Japan, South Korea, Macedonia, UAE, etc.) which is increase of 6% that is related to increase in sales to South Korea and Macedonia. As the result of shutdown of the glass melting furnace, initiation of Chapter 11 bankruptcy and suspension of active business operations of the US Subsidiary in the middle of 2019, in 2020 share of sales in North America has decreased by 11% compared to 2019.

COVID-19 pandemic significantly affected sales and operating results of the GROUP, which is illustrated by the fact that the GROUP's Parent Company's and UK subsidiary's gross sales were 19% and 37% behind the original budget, respectively. Nevertheless, across product segments, sales volumes increased for high value-added products, such as E-glass textured fabrics and non-woven materials with thermal resistance of 600+°C and high-content SiO2 glass fibre products with thermal resistance of 1000+°C.

KEY SALES MARKETS OF THE GROUP



EMPLOYEES

In 2020, the average number of employees in the continuing operations of the GROUP was 1,274 of which 1,159 people (62% men and 38% women) work at AS VALMIERAS STIKLA ŠĶIEDRA. VALMIERA GLASS UK Ltd. employed 115 employees on average (81.9% men, 18.1% women).

There is a large share of male employees in the HR structure of the GROUP, the share of male employees is explained by the nature of the industry and specific requirements for the positions.

In the UK all people are 100% full time employed, in Latvia 1% is not full-time employees based on work specification, for example, clean-up works. The average employee turnover was 24.3%, indicating the lowest percentage in four years in Latvia, and 14.6% in the UK. Employee annual turnover has decreased in Latvia, but raised in the UK.

As of 2020, P-D VALMIERA GLASS USA Corp. is considered as discontinued operations - on 2 June 2020, all employment contracts of P-D VALMIERA GLASS USA Corp. were transferred to Saint-Gobain Adfors America, Inc. In the period from 1 January until 2 June 2020, the US subsidiary had 59 employees on average.

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 2020, investment volume in both the Group's Parent Company and its UK subsidiary was limited by the effects of COVID-19 on operating results and cash flows of the companies.

In view of the above, in 2020, the Group's Parent Company's capital investments of EUR 2.58 million were made mainly for the maintenance and commissioning of the equipment of the Group's Parent Company for improving manufacturing energy efficiency, increasing the capacity of the IT system, strengthening the infrastructure of environmental protection and working conditions, as well as ensuring compliance with fire and civil protection and other regulations of the Republic of Latvia.

The Company has prepared for successful reconstruction of its e-glass melting furnace No. 2, which is already in operation for 9.5 years, as well as ready to implement a number of development projects, which are expected to rapidly improve the Company's competitive position in 2021.

FINANCIAL RESULTS

MAIN FINANCIAL INDICATORS OF THE GROUP

TEUR	2016	2017	2018	2019*	2020*
Net sales	124 814	125 864	114 245	99 165	95 840
EBITDA	17 752	18 441	(99 045)	8 312	13 684
EBIT	7 204	7 317	(113 607)	(1 620)	5 192
Net profit/ (loss) attributable to the owners of the Parent	4 741	7 053	(58 233)	(3 802)	(2 260)
Sales growth,%	3.0%	0.8%	-9.2%	-22.4%	(3.4%)
EBITDA margin, %	14.22%	14.7%	-86.7%	8.4%	14.3%
EBIT margin, %	5.8%	5.8%	-99.4%	-1.6%	5.4%
Net profit margin, %	3.8%	5.6%	-51.0%	-3.8%	-2.4%
ROE,%	8.7%	10.8%	-184.60%	14.9%	4.9%
ROA,%	3.37%	4,06%	-54.3%	-6.69%	-2.30%
ROCE,%	5.3%	9.2%	-363.7%	-5.3%	-15.7%
Current ratio	1.11	0.35	0.58	0.44	0.27
Earnings per share (EUR)	0.2011	0.2951	(2.3807)	(0.1590)	(1.7130)

* Financial indicators of the Group's continuing operations. Please also see Note 17 Discontinued operations

MAIN FINANCIAL INDICATORS OF THE GROUP'S PARENT COMPANY

TEUR	2016	2017	2018	2019	2020
Net sales	101 413	104 039	90 549	88 693	83 207
EBITDA	13 453	14 020	(81 780)	11 501	13 368
EBIT	4 132	3 866	(91 709)	5 523	4 287
Net profit/ -loss	2 373	4 252	(92 568)	(386)	(3 389)
Sales growth,%	-1.8%	2.6%	-13.0%	-2.0%	-6.2%
EBITDA margin, %	13.3%	13.5%	-90.3%	13.0%	16.1%
EBIT margin, %	4.1%	3.7%	-101.3%	6.2%	5.15%
Net profit margin, %	2.3%	4.1%	-102.2%	-0.4%	-4.1%
ROE,%	4.4%	7.5%	-720.5%	1.1%	8.9%
ROA,%	1.87%	2.42%	-97.9%	-0.39%	-3.73%
ROCE,%	4.6%	5.8%	-229.0%	-1.1%	10.33%
Current ratio	0.89	0.48	0.42	0.55	0.20
Earnings per share (EUR)	0.1021	0.1779	(3.85)	(0.0166)	(0.1454)

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 avarage 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 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.

As disclosed in Note 33, during the reporting period, the GROUP's Parent Company amended LPP Plan in May 2020 and December 2020. Both amendments were successfully approved by Vidzemes District Court (Vidzemes rajona tiesa) of the Republic of Latvia.

During 2020 and until the date of issue of these consolidated and separate financial statements, the GROUP's Parent Company has complied with its payment obligations to the creditors according to the approved LPP Plan and it's ammendments.

According to Clause 13 of the LPP Plan, the GROUP's Parent Company informs its creditors on the execution of the LPP Plan by disseminating LPP progress reports on monthly basis.

FUTURE OUTLOOK

From Q1 2021 onwards, the ability to deliver E-Glass products has tightened considerably. The reasons for this include the lack of freight capacities from Asia, the continued high demand for glass fibers in Asia and several accidents at glass fiber producers in North America. This situation gives us the opportunity to catch up on 2020 discounts and regain lost ground. At the same time, we see a growing need for our products in almost all segments, but especially in the area of thermal insulation and fire protection. Overall, we expect European suppliers to return to European supply chains and fixed, long-term supply contracts.

On 28 October 2020 the GROUP's Parent Company's controlling shareholders and Duke I S.à r.l. signed a share sale and purchase agreement on sale and purchase of 83.14% of the GROUP's Parent Company's shares. As disclosed in Note 31 to these financial statements, the transaction was completed on 18 February 2021.

With the change of shareholder in February and the long-term refinancing of our bank liabilities, we are for the first time in 4 years in a position to carry out investments that can progressively counter the positive market development. In addition to the furnace repair of our largest glass melting furnace W2.1, we are planning further investments in the future. which will further increase our market position and competitiveness. The greatest challenge will again be the provision of sufficient specialist staff and at the same time be prepared for any market impacts from a third corona wave. For our UK subsidiary, too, after the problems of Brexit have subsided, we expect an improvement in demand and thus a significantly improved contribution to the group result. A significant improvement in net profitability is to be expected as a result of the new refinancing conditions and the closing and deconsolidation of the US company.

STOCK MARKET

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

The share price increased by 32.2% during the course of the 12 months of 2020 and fluctuated within the range of EUR 1.00 (lowest share price) to EUR 1.87 (highest share price). During this period, the weighted average share price amounted to EUR 1.36. The share price of the first transaction at the beginning of the period was EUR 1.18, whereas the share price of the last transaction at the end of the period was EUR 1.56.

In the 12 months of 2020, the number of shares traded by the joint stock company reached 288,579 and the turnover of shares amounted to EUR 0.40 Mil. During this period, 1,576 transaction were executed on the Exchange.

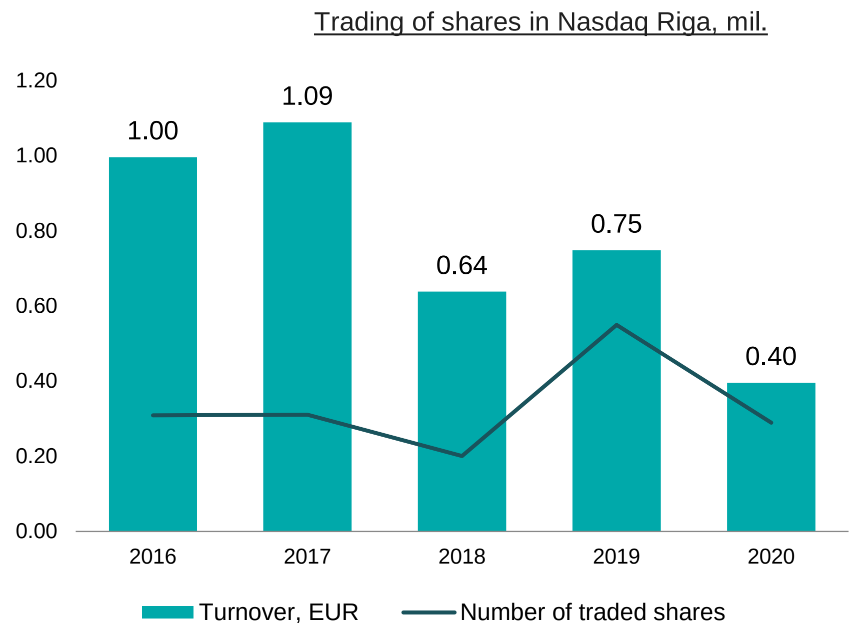
Price dynamics of AS VALMIERAS STIKLA ŠĶIEDRA shares during the last five years before the end of the reporting period (source: Nasdaq Riga)

In the 12 months of 2020, the price of AS VALMIERAS STIKLA ŠĶIEDRA shares increased by 32.2%, while the OMX Riga index value increased by 9.67% while that of the OMX Baltic Benchmark GI by 11.27%.

The price of AS VALMIERAS STIKLA ŠĶIEDRA shares in the 12 months of 2020 compared to OMX Baltic Benchmark GI and OMX Riga indexes (source: Nasdaq Riga)

INDEX | EQUITY	OPENING VALUE	CLOSING VALUE	CHANGE %
OMX_Baltic_Benchmark_GI	992.83	1,104.74	+11.27
OMX Riga_GI	1,036.15	1,136.34	+9.67
VSS1R - Valmieras stikla šķiedra	1.18	1.56	+32.2

Trading of AS VALMIERAS STIKLA ŠĶIEDRA shares in the 12 months 2020 (source: Nasdaq Riga)



EVENTS AFTER THE END OF THE REPORTING PERIOD

On 28 October 2020 the GROUP's Parent Company's controlling shareholders and Duke I S.à r.l. signed a share sale and purchase agreement on sale and purchase of 83.14% of the GROUP's Parent Company's shares. The transaction was completed on 18 February 2021.

During the extraordinary general meeting of shareholders of GROUP's Parent Company on 29 March 2021, the shareholders decided to exclude all bearer shares of GROUP's Parent Company from JSC "Nasdaq Riga" Baltic Second list, and elect new Supervisory Council for the next three-year period with the term of office beginning on 29 March 2021. As of 29 March 2021, the Supervisory Council members are: Mr. Ian Jeffrey Burgess, Mr. Peter John Bentley, Mr. Alvaro Luis Esteban Belzuz, Mr. Stefan Alexander Preiss-Daimler and Mr. Andris Oskars Brutāns.

On 16 April 2021, AS VALMIERAS STIKLA ŠĶIEDRA announced that by the decision of the Financial and Capital Market Commission of April 13, 2021, Duke I S.à r.l. is authorized to make a mandatory buyout offer to the shareholders of AS VALMIERAS STIKLA ŠĶIEDRA, which would take effect on April 17, 2021 and would be closed on May 17, 2021.

For further information on subsequent events, please see Note 31 to these financial statements.

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 2020.

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 2020 and the results of their operations and cash flows for the 12-month period ended on 31 December 2020. 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.

On the Company's behalf by:

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Chairman of the Management Board

Stefan Jugel

	Notes	31.12.20.	31.12.19.
		EUR	EUR
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Other intangible assets	4	1 528 614	1 087 612
Goodwill	5	3 644 227	3 850 810
Total intangible assets		**5 172 841**	**4 938 422**
Property, plant and equipment	6	**48 239 586**	**70 303 458**
Other non-current assets			
Other assets	9	-	148 395
Total other non-current assets			**148 395**
Deferred tax asset, net	25	**192 686**	**379 380**
Total non-current assets		**53 605 113**	**75 769 655**
CURRENT ASSETS			
Inventories	7	**20 190 794**	**24 563 460**
Debtors			
Current tax assets	9	389 278	458 998
Trade receivables	8	5 512 208	5 886 520
Amounts due from related parties	28	1 018 501	146 601
Other assets	9	1 507 203	2 122 646
Total debtors		**8 427 190**	**8 614 765**
Cash and cash equivalents	10	**3 038 076**	**2 674 540**
Total current assets		**31 656 060**	**35 852 765**
TOTAL ASSETS		**85 261 173**	**111 622 420**

The accompanying notes on pages 23 to 79 are an integral part of these financial statements.

The financial statements were signed on 30 April 2021 on the GROUP’s behalf by:

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Stefan Jugel, Chairman of the Board

Ģirts Vēveris, Member of the Board

Mārtiņš Blaus, Finance Director

	Notes	31.12.20.	31.12.19.
		EUR	EUR
LIABILITIES AND EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	11	33 464 487	33 464 487
Foreign currency translation reserve		(884 694)	(3 856 861)
Other reserves	11	(2 804 357)	(3 130 175)
Retained earnings			
Profit/(loss) brought forward		(29 422 150)	(25 620 409)
Result for the current reporting year		(40 947 347)	(3 801 741)
Total equity attributable to owners of the parent		**(40 594 061)**	**(2 944 699)**
Non-controlling interest		-	(48 874 171)
Total equity		**(40 594 061)**	**(51 818 870)**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	12, 28	871 640	69 575 269
Trade and other payables	13, 28	2 057 426	6 780 404
Defined benefit obligation	14	2 974 848	3 841 416
Deferred income	15	1 556 794	1 937 579
Provisions		-	-
Total non-current liabilities		**7 460 708**	**82 134 668**
Current liabilities			
Loans and borrowings	12, 28	95 466 283	43 260 561
Contract liabilities		1 140 374	545 234
Trade and other payables	13, 28	19 088 187	32 720 190
Provisions		1 546 373	1 237 238
Defined benefit obligation	14	772 524	997 559
Deferred income	15	380 785	2 545 840
Total current liabilities		**118 394 526**	**81 306 622**
Total liabilities		**125 855 234**	**163 441 290**
TOTAL EQUITY AND LIABILITIES		**85 261 173**	**111 622 420**

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Stefan Jugel, Chairman of the Board

Ģirts Vēveris, Member of the Board

Mārtiņš Blaus, Finance Director

	Notes	2020	2019*
		EUR	EUR
Sales	16	95 839 730	99 164 775
Change in inventories		(2 206 400)	(2 333 676)
Costs capitalized to non-current assets		-	27 216
Other operating income	18	901 515	1 159 457
Raw materials and consumables	19	(38 013 821)	(43 631 247)
Personnel expenses	20	(27 954 338)	(28 102 026)
Depreciation and amortization	21	(8 492 521)	(9 932 410)
Reversal of impairment losses on trade receivables		(214)	(262 782)
Other operating expenses	22	(14 881 980)	(17 709 434)
Profit/(loss) from operations		**5 191 971**	**(1 620 127)**
Finance income	23	257 555	44 809
Finance costs	24	(7 615 523)	(5 577 049)
(Loss)/ profit before tax		**(2 165 997)**	**(7 152 367)**
Corporate income tax	25	(94 279)	(5 493)
(Loss)/ profit for the year from continuing operations		**(2 260 276)**	**(7 157 860)**
Discontinued operations	17	**9 160 154**	**312 303**
(Loss)/ profit for the year		**6 899 878**	**(6 845 557)**
Attributable to:			
Non-controlling interest		**47 847 225**	**(3 043 816)**
Owners of the Parent		**(40 947 347)**	**(3 801 741)**
Earnings per share	26	**(1.7130)**	**(0.1590)**
Other comprehensive income			
Items that will not be transferred to profit or loss			
Remeasurement of defined benefit obligation	14	485 557	(99 115)
Deferred income tax relating to defined benefit obligation	25	(159 739)	(30 919)
Exchange differences on translating foreign operations		2 972 167	340 689
Other comprehensive income for the year, attributable to owners of the Parent		**3 297 985**	**210 655**
Items that will be transferred to profit or loss			
Exchange differences on translating foreign operations attributable to non-controlling interest		1 026 946	(1 080 554)
Total other comprehensive income		**4 324 931**	**(869 899)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**11 224 809**	**(7 715 456)**
Attributable to:			
Non-controlling interest		**48 874 171**	**(4 124 370)**
Owners of the Parent		**(37 649 362)**	**(3 591 086)**

* Comparative information is re-presented due to Discontinued operations. Refer to Note 17.

The accompanying notes on pages 23 to 79 are an integral part of these financial statements.

The financial statements were signed on 30 April 2021 on the GROUP's behalf by:

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Stefan Jugel, Chairman of the Board

Ģirts Vēveris, Member of the Board

Mārtiņš Blaus, Finance Diector

	Notes	31.12.20. EUR	31.12.19. EUR
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	4	**1 528 614**	**1 087 612**
Property, plant and equipment	6	**46 163 382**	**52 594 040**
Non-current financial investments			
Investments in subsidiaries	5	13 000 000	13 000 000
Other assets	9	-	148 396
Total non-current financial investments		**13 000 000**	**13 148 396**
Total non-current assets		**60 691 996**	**66 830 048**
CURRENT ASSETS			
Inventories	7	**15 443 487**	**16 442 816**
Debtors			
Trade receivables	8	3 810 235	3 430 400
Receivables from subsidiaries	28	1 133 451	12 823 201
Amounts due from related parties	28	1 018 501	66 973
Other assets	9	1 377 008	1 043 858
Total debtors		**7 339 195**	**17 364 432**
Cash and cash equivalents	10	**1 316 810**	**1 096 175**
Total current assets		**24 099 492**	**34 903 423**
TOTAL ASSETS		**84 791 488**	**101 733 471**

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Ģirts Vēveris, Member of the Board

Mārtiņš Blaus, Finance Director

	Notes	31.12.20.	31.12.19.
LIABILITIES AND EQUITY		**EUR**	**EUR**
SHAREHOLDERS' EQUITY			
Share capital	11	33 464 487	33 464 487
Other reserves	11	546 709	546 709
Retained earnings			
Profit/(loss) brought forward		(71 118 540)	(70 720 578)
Result for the current reporting year		(3 475 153)	(397 962)
Total equity		**(40 582 497)**	**(37 107 344)**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	12, 28	3 323 839	66 726 663
Trade and other payables	13, 28	2 057 426	7 147 815
Deferred income	15	1 556 794	1 937 579
Total non-current liabilities		**6 938 059**	**75 812 057**
Current liabilities			
Loans and borrowings	12, 28	97 073 472	41 555 317
Contract liabilities		1 140 372	545 236
Trade and other payables	13, 28	18 728 416	19 310 183
Provisions		1 112 881	1 237 237
Deferred income	15	380 785	380 785
Total current liabilities		**118 435 926**	**63 028 758**
Total liabilities		**125 373 985**	**138 840 815**
Total equity and liabilities		**84 791 488**	**101 733 471**

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Ģirts Vēveris, Member of the Board

Mārtiņš Blaus, Finance Director

	Notes	GROUP's Parent Company	
		2020	**2019**
		EUR	**EUR**
Sales	16	83 206 544	88 693 367
Change in inventories		(1 038 213)	(1 004 667)
Costs capitalized to non-current assets		-	27 216
Other operating income	18	1 127 275	1 863 750
Raw materials and consumables	19	(32 965 124)	(39 549 037)
Personnel expenses	20	(23 906 756)	(22 440 481)
Depreciation and amortization	21	(8 122 552)	(9 596 363)
Impairment losses on loans, trade and other receivables and contract assets	28a), 28d)	(958 226)	3 618 770
Other operating expenses	22	(13 056 208)	(16 089 185)
Profit/(loss) from operations		**4 286 740**	**5 523 370**
Finance income	23	11 785	9 070
Finance costs	24	(7 687 750)	(5 918 898)
(Loss)/ profit before tax		**(3 389 225)**	**(386 458)**
Corporate income tax	25	(85 928)	(11 504)
(Loss)/profit for the year		**(3 475 153)**	**(397 962)**
Losses per share	26	**(0.1454)**	**(0.0166)**

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Mārtiņš Blaus, Finance Director

GROUP

	Share capital	Foreign currency translation reserve	Other reserve	Retained earnings	Total	Non-controlling interest	Total equity
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
31.12.18.	**33 464 487**	**(4 197 550)**	**(3 000 141)**	**(22 189 251)**	**4 077 545**	**(44 749 801)**	**(40 672 256)**
Restatements				(3 431 158)	(3 431 158)		(3 431 158)
31.12.18,	**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:							
Remeasurement of defined benefit obligation	-	-	(99 115)	-	**(99 115)**	**-**	**(99 115)**
Deferred income tax relating to defined benefit obligation	-	-	(30 919)	-	**(30 919)**	**-**	**(30 919)**
Exchange differences on translating foreign operations	-	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)**
Current year profit/(loss)	-	-	-	(40 947 347)	**(40 947 347)**	47 847 225	**6 899 878**
Other comprehensive income:							
Remeasurement of defined benefit obligation	-	-	485 557	-	**485 557**	-	**485 557**
Deferred income tax relating to defined benefit obligation	-	-	(159 739)	-	**(159 739)**	-	**(159 739)**
Exchange differences on translating foreign operations	-	2 972 167	-	-	**2 972 167**	1 026 946	**3 999 113**
31.12.20.	**33 464 487**	**(884 694)**	**(2 804 357)**	**(70 369 497)**	**(40 594 061)**	**-**	**(40 594 061)**

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Mārtiņš Blaus, Finance Director

GROUP's Parent Company

	Share capital	Other reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR
31.12.18.	**33 464 487**	**546 709**	**(70 720 578)**	**(36 709 382)**
Loss for the reporting period	-	-	(397 962)	**(397 962)**
31.12.19.	**33 464 487**	**546 709**	**(71 118 540)**	**(37 107 344)**
Loss for the reporting period	-	-	(3 475 153)	(3 475 153)
31.12.20.	**33 464 487**	**546 709**	**(74 593 693)**	**(40 582 497)**

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Mārtiņš Blaus, Finance Director

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

	Notes	GROUP		GROUP's Parent Company	
		2020 EUR	2019 EUR	2020 EUR	2019 EUR
Cash flows from operating activities					
Loss before tax		(2 165 997)	(7 152 367)	(3 389 225)	(386 458)
Adjustments:					
Depreciation and amortization	21	8 492 521	9 932 410	8 122 552	9 596 363
Increase in impairment allowances		2 256 171	4 588 890	2 256 171	1 627 560
Loss from disposal of property, plant and equipment, net		(7 306)	1 188 112	-	1 188 112
Change in fair value of derivative		-	399 317	-	399 317
Cash paid to pension scheme not recognized in profit or loss		(438 350)	(968 362)	-	-
Income on government grants	15	(380 785)	(381 539)	(380 785)	(381 539)
Interest expense	24	7 312 731	4 244 154	7 420 497	4 372 671
Interest income		(133 752)	(145 077)	-	-
Changes in working capital:					
(Increase) / decrease in inventories		1 122 220	344 798	(183 885)	(663 100)
(Increase) in trade and other receivables		(1 530 459)	(18 380 947)	(857 260)	(12 378 863)
(Decrease) / increase in trade and other payables		(4 882 463)	5 947 849	(5 438 276)	(4 622 812)
Increase in provisions and employee benefits		(553 632)	1 399 813	(553 632)	1 334 575
Interest paid		(4 238 936)	(3 836 538)	(4 220 007)	(3 812 063)
Income tax paid		(26 658)	(601 995)	(25 178)	(165 673)
Cash provided / (used in) by operating activities		**4 825 305**	**(3 421 482)**	**2 750 972**	**(3 891 910)**
Cash flows from investing activities					
Purchase of property, plant and equipment and intangible assets		(2 339 971)	(2 150 341)	(2 162 552)	(2 105 239)
Income from sale of property, plant and equipment		7 306	8 281	-	8 281
Loans to related parties		-	(1 186 640)	-	(1 186 640)
Loans repaid from related parties		-	379 655	-	379 655
Received interest		-	771 826	-	771 826
Net cash used in investing activities		**(2 332 665)**	**(2 177 219)**	**(2 162 552)**	**(2 132 117)**
Cash flows from financing activities					
Loans received		94 055	7 704 981	94 055	7 704 981
Loans repaid		(490 509)	(593 149)	-	(412 168)
Lease payments		(588 859)	(327 389)	(461 840)	(233 066)
Net cash (used in) / provided by financing activities		**(985 313)**	**6 784 443**	**(367 785)**	**7 059 747**
Foreign exchange differences		**(35 617)**	**17 478**	**-**	**-**
Net cash flows (to) / from discontinued operations	17	**(1 108 174)**	**1 121 843**	**-**	**-**
Net change in cash and cash equivalents		**363 536**	**2 325 063**	**220 635**	**1 035 720**
Cash and cash equivalents at the beginning of reporting period		2 674 540	349 477	1 096 175	60 455
Cash and cash equivalents at the end of reporting period	10	**3 038 076**	**2 674 540**	**1 316 810**	**1 096 175**

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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 fibreglass and fibreglass 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.

On 14 January 2020, the Supervisory Council of the GROUP's Parent Company endorsed signing a letter of intent on selling of all business assets of Valmiera Glass USA Corporation, as well as transferring all employees, customer, supply, lease and other executory contracts of the company to Saint-Gobain Adfors America, Inc. The letter of intent was signed on 21 January 2020, and the asset purchase agreement was signed on 2 March 2020. The United States Bankruptcy Court for the Northern District of Georgia approved the asset purchase agreement on 2 June 2020, and the management of the GROUP commenced Valmiera Glass USA Corporation liquidation process. The company's liquidation plan was submitted for the Bankruptcy Court's approval on 10 September 2020, and the court approved it on 4 December 2020. For the purposes of these financial statements, Valmiera Glass USA Corporation is treated as discontinued operations in 2020 in accordance with the requirements of IFRS 5 Non-current assets held for sale and discontinued operations.

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.

I. Standards issued or amended that affected financial year

A number of new amendments are effective from 1 January 2020 but they do not have a material effect on the GROUP's and GROUP's Parent Company's consolidated financial statements:

- **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),

In addition, as of 1 June 2020:

- **Amendments to IFRS 16 Leases** - COVID-19-Related Rent Concessions – are effective. They do not have a material effect on the GROUP's and GROUP's Parent Company's consolidated financial statements.

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 IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases**

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), effective as of 1 January 2021,

- **Amendments to IAS 37 Provisions, Contingent Liabilities** - Onerous contracts – Cost of Fulfilling a Contract, effective as of 1 January 2022. The amendments specify, which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The GROUP and the GROUP's Parent Company has determined that all onerous contracts existing at 31 December 2020 will be completed before the amendments become effective,
- **Amendments to IAS 16 Property, Plant and Equipment** - Proceeds before Intended Use, effective as of 1 January 2022,
- **Amendments to IFRS 3 Business Combinations** - Reference to Conceptual Framework, effective as of 1 January 2022,

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 2020 (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 2023,
- **Amendments to IAS 1 Presentation of Financial Statements** - Classification of liabilities as current or non-current, effective as of 1 January 2023,
- **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.

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 recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items are recognized 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 recognized in other comprehensive income and accumulated in equity as Foreign currency translation reserve, relevant part of which is allocated to non-controlling interest.

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:

	31.12.20.	**31.12.19.**
GBP	0.89903	0.8508
RUB	91.46710	69.95630
SEK	10.0343	10.44680
CHF	1.08020	1.08540
USD	1.2271	1.1234

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.

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

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 to 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 recognized 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 derecognized. 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 derecognized 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 recognized 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 labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in selling and distribution.

If necessary, allowance is made for obsolete, slow moving and defective stock. 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 recognizes 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	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. 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. Under the GROUP's standard contract terms, customers have a right of return within 6 months.	Revenue is recognised when the goods are delivered in accordance with the sales agreement Incoterms. The GROUP recognises revenue when or as the performance obligation is satisfied, net of the amount of cash discount expected to be taken. 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

	The customers have a right of refund, early payment discounts and volume bonuses. Please see more details below. The sales contracts do not contain significant financing components.	revenue when or as the performance obligation is satisfied, net of the amount of cash discount expected to be taken. 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. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated. 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,	Revenues are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on

	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. The service contracts do not contain significant financing components.	the basis of the actual service provided as a proportion of the total amount of services to be provided.

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 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 line items Personnel Expenses, Finance costs and Finance 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 is 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 a period of time 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.

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.

Core estimates and judgements:

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.

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.

The GROUP recognizes write down to net realizable value for all inventory items with no movement for more than 1 year.

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

Other estimates and judgements:

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.

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 whether particular subsequent event is adjusting or not – please refer to Note 6 and 32.

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

Judgement regarding subsidiary Valmiera Glass USA Corporation classification as Discontinued operations in accordance with the requirements of IFRS 5 Non-current assets held for sale and discontinued operations – please refer to Note 1.

4. INTANGIBLE ASSETS

GROUP

	Software licenses, patents, trademarks and other rights EUR	Software in acquisition process EUR	TOTAL EUR
COST			
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**
Additions	582 839	48 700	631 539
Disposals	(123 280)	-	(123 280)
31.12.20.	**2 279 834**	**133 588**	**2 413 422**
ACCUMULATED AMORTISATION AND IMPAIRMENT			
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**
Charged	190 537	-	190 537
Amortization of disposals (-)	(123 280)	-	(123 280)
31.12.20.	**884 808**	**-**	**884 808**
Carrying value			
31.12.19.	**1 002 724**	**84 888**	**1 087 612**
31.12.20.	**1 395 026**	**133 588**	**1 528 614**

GROUP's Parent Company

	Software licenses, patents, trademarks and other rights EUR	Software in acquisition process EUR	TOTAL EUR
COST			
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**
Additions	582 839	48 700	631 539
Disposals	(18 813)		(18 813)
31.12.20.	**2 279 833**	**133 588**	**2 413 421**
ACCUMULATED DEPRECIATION			
31.12.18.	**575 384**	**-**	**575 384**
Charged	137 699	-	137 699
31.12.19.	**713 083**	**-**	**713 083**
Charged	190 537	-	190 537
Amortization of disposals (-)	(18 813)	-	(18 813)
31.12.20.	**884 807**		**884 807**
Carrying value			
31.12.19.	**1 002 724**	**84 888**	**1 087 612**
31.12.20.	**1 395 026**	**133 588**	**1 528 614**

5. INVESTMENTS IN SUBSIDIARIES AND GOODWILL

The GROUP's Parent Company is a shareholder in the following companies:	31.12.20. EUR	31.12.19. 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 (2020: EUR 3 644 348, 2019: EUR 3 850 810) 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 an 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 5-year compound annual growth rate (CAGR) is 12.45% (2019: 1.6%), while the estimated annual long-term growth rate, which is applied to project future cash flows after the fifth year, is 2% p.a. (2019: 2%). The management of Valmiera Glass UK Limited anticipates that COVID-19 pandemic will continue to negatively affect sales performance and financial results of the subsidiary in 2021, and the high CAGR indicator is mainly related to the expected V-shape recovery of sales during 2022 and 2023. EBTIDA margin forecast for 2021 approximates only 6.6%. Overall, in the 5-year period from 2021 through 2025, weighted average EBITDA margin forecast is 12.2% (2019: 9.8%). If compared to estimates of previous year, EBITDA levels are planned to be lower in 2025 by 7% reflective of year 2020-2021 COVID-19 pandemic effects on the industry and revised medium term sales growth forecasts. The estimated future cash flows are discounted to their present value using a pre-tax discount rate of 8.3% (2019: 12.0%), 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 2020, and no impairment is recognized. The calculation of value-in-use is most sensitive to the assumptions of net sales growth rate, EBITDA margin, and discount rate. 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:

	2020 EUR	2019 EUR
Total assets as at 31 December	16 024 672	17 975 424
Net assets (equity) as at 31 December	10 198 148	9 951 114
Net profit / (loss) for the year	490 586	(2 531 623)

In 2019, Valmiera Glass UK Limited changed the estimates used to recognize inventory write down to net realizable value. The total effect of this change in estimates on the result for year 2019 amounted 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 adjustments, the adjusted net result of Valmiera Glass UK would amount to net profit of GBP 1 676 063 (EUR 1 909 456) in 2019.

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 recognized impairment allowances in full amount of the carrying amount of investment in the subsidiary during 2018. Until 31 December 2020, the management assessment has not changed.

Valmiera Glass Trading USA Corporation was dissolved on 11 February 2021.

P-D Valmiera Glass USA Corporation

In April 2018, the P-D Valmiera Glass USA Corporation started fibreglass 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 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 28 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 Parent company. On 10 June 2019 LBBW Bank demanded the Parent 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 GROUP's Parent 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. 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.

As of 17 June 2019, P-D Valmiera Glass USA Corporation was 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 were subject to the Court's approval in order to protect the interests of the secured creditors. In addition, the Court appointed a Committee of Unsecured Creditors, which represented and protected the interests of unsecured creditors.

The Subsidiary remained 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 remained 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 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.

On 10 September 2020, P-D Valmiera Glass USA Corporation filed its Plan of Liquidation for approval of the Unites States Bankruptcy Court, which confirmed the plan on 4 December 2020. Taking into account the intention to liquidate the US subsidiary, the GROUP's Parent Company's management assessment of the recoverability of the investment in US Subsidiary has not changed in 2020.

P-D Valmiera Glass USA Corporation was dissolved on 15 February 2021.

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

	2020 **EUR**	**2019** **EUR**
Total assets as at 31 December	997 663	19 917 488
Equity as at 31 December	0	(101 785 058)
Net profit / (loss) for the year	100 109 730	(6 368 511)
Net profit attributable to the Owners of the Parent	52 262 505	*(3 324 695)*
Net profit attributable to non-controlling interest	*47 847 225*	*(3 043 816)*

	2020 **EUR**	**2019** **EUR**
NCI percentage	**47.79%**	**47.79%**
Current assets	997 663	19 917 488
Non-current liabilities	-	(7 097 307)
Current liabilities	(997 663)	(114 605 239)
Net assets	-	(101 785 058)
Net assets attributable to NCI	-	9 518 568
Revenue	3 644 435	23 244 629
Profit	100 109 730	(6 368 511)
Total comprehensive income	**100 109 730**	**(6 368 511)**
Profit allocated to NCI	47 847 225	(3 043 816)
Cash flows from operating activities	982 243	(3 569 572)
Cash flows from investment activities	15 321 310	(307 310)
Cash flows from financing activities	(17 388 477)	5 001 832
Foreign exchange differences	(23 249)	(3 107)
Net increase (decrease) in cash and cash equivalents	**(1 108 173)**	**1 121 843**

In 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 loss of USD 24 629 548 (EUR 22 000 490).

In 2020, according to the approved Plan of Liquidation, mutual claims and liabilities of the Subsidiary, it shareholders and other related parties were released, and the Subsidiary recognized debt forgiveness income in the amount of USD 142 142 646 (EUR 124 446 372). Excluding the effect of the adjustment, the adjusted net result of the Subsidiary would be loss of USD 26 378 093 (EUR 23 094 110). Given previous accumulated liabilities of P-D Valmiera Glass USA Corporation to other components of the Group, including the Parent Company, the profit of the year driven largely by derecognition of liabilities did not result in positive profit or loss impact on the Group result attributable to Parent Company shareholders.

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							
31.12.18.	**376 885**	**90 919 528**	**180 504 735**	**6 405 970**	**433 023**	**501 664**	**279 141 805**
Exchange differences	-	1 196 750	1 836 143	78 545	(35)	1 292	3 112 695
Additions	-	262 540	2 140 650	5 547 538	410 253	190 643	8 551 624
Disposals	-	-	(2 488 910)	(744 827)	(67 275)	(220 659)	(3 521 671)
Reclassified from Intangible assets (note 4)	-	-	-	-	80 316	-	80 316
31.12.19.	**376 885**	**92 378 818**	**181 992 618**	**11 287 226**	**856 282**	**472 940**	**287 364 769**
Exchange differences	-	(1 125 768)	(1 513 922)	(83 619)	(167)	-	(2 723 476)
Reclassifications	-	-	4 729 870	(4 729 870)	-	-	-
Additions	-	198 957	1 150 554	389 310	462 453	179 770	2 381 044
Disposals	-	(58 878 866)	(51 120 066)	(1 253 350)	(9 938)	-	(111 262 220)
31.12.20.	**376 885**	**32 573 141**	**135 239 054**	**5 609 697**	**1 308 630**	**652 710**	**175 760 117**
ACCUMULATED DEPRECIATION							
31.12.18.	**-**	**80 363 293**	**135 580 595**	**5 539 968**	**-**	**-**	**221 483 856**
Exchange differences	-	1 161 350	1 447 154	73 334	-	-	2 681 838
Charge for the year	-	1 284 141	7 629 952	880 648	-	-	9 794 741
Charge for the year discontinued operations			127 914				127 914
Disposals	-	-	(1 216 881)	(619 098)	-	-	(1 835 979)
Increase in impairment allowances	-	-	-	-	-	440 920	440 920
Release of impairment based on asset purchase agreement	-	(8 901 451)	(6 620 760)	(109 768)	-	-	(15 631 979)
31.12.19.	**-**	**73 907 333**	**136 947 974**	**5 765 084**	**-**	**440 920**	**217 061 311**
Exchange differences		(945 596)	(1 329 832)	(76 671)	-	-	(2 352 099)
Reclassifications	-	-	(68 588)	68 588	-	-	-
Charge for the year	-	1 270 499	6 727 071	304 415	-	-	8 301 985
Disposals	-	(50 119 559)	(44 190 779)	(1 180 328)	-	-	(95 490 666)
31.12.20.	**-**	**24 112 677**	**98 085 846**	**4 881 088**	**-**	**440 920**	**127 520 531**
NET CARRYING AMOUNT							
31.12.19.	**376 885**	**18 471 485**	**45 044 644**	**5 522 142**	**856 282**	**32 020**	**70 303 458**
31.12.20.	**376 885**	**8 460 464**	**37 153 208**	**728 609**	**1 308 630**	**211 790**	**48 239 586**

The GROUP has pledged all its property as a security for borrowings, see Note 12 (a)

Until 5 June 2020, 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. On 5 June 2020, 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.

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 2020 amounted to EUR 28 611 725 (2019: EUR 21 592 321).

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

GROUP	Land and buildings EUR	Equipment and machinery EUR	Motor vehicles EUR	Total EUR
01.01.20.	**219 810**	**1 001 055**	**138 428**	**1 359 293**
Additions	27 959	155 677	132 230	315 866
Reclassification to Property, plant and equipment.	-	(23 879)	(568)	(24 447)
Disposals	-	(780)	(17 695)	(18 475)
Depreciation charge	(51 149)	(318 398)	(93 434)	(462 981)
31.12.20.	**196 620**	**813 675**	**158 961**	**1 169 256**

Property, plant and equipment of P-D Valmiera Glass USA Corporation

On 2 March 2020, the US 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 2 June 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 reversed the previously recognized impairment allowances in the amount of USD 17 500 000 (EUR 15 631 979).

On 14 January 2020, the Supervisory Council of the GROUP's Parent Company endorsed signing a letter of intent on selling of all business assets of Valmiera Glass USA Corporation, as well as transferring all employees, customer, supply, lease and other executory contracts of the company to Saint-Gobain Adfors America, Inc. The letter of intent was signed on 21 January 2020, and the asset purchase agreement was signed on 2 March 2020. The asset purchase agreement was completed on 2 June 2020.

In 2020 the US Subsidiary was classified as discontinued operations, and its property, plant and equipment were treated as assets held for sale and not depreciated. The net carrying amount of the property, plant and equipment (USD 17 500 000) sold was netted against the sales proceeds of USD 17 500 000, and the net gain from the US Subsidiary's fixed asset sale in 2020 approximated nil.

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**

As at 31 December 2020, the US Subsidiary possessed no property, plant and equipment.

GROUP's Parent Company

	Land	Buildings	Equipment and machinery	Other fixed assets	Construction in progress	Advance payments for fixed assets	TOTAL
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
HISTORICAL COST							
31.12.18.	**376 885**	**28 907 874**	**118 901 312**	**4 344 187**	**433 023**	**444 920**	**153 408 201**
Reclassified from intangible assets	-	-	-	-	80 316	-	80 316
Additions	-	258 367	7 783 866	84 980	332 840	28 020	8 488 073
Disposals	-	-	(3 205 661)	(8 939)	-	-	(3 214 600)
Transfers	-	-	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**
Additions		198 957	764 383	346 038	462 452	179 770	1 951 600
Disposals		(69 606)	(1 338 009)	(353 140)			(1 760 755)
31.12.20.	**376 885**	**29 295 592**	**122 940 529**	**4 413 126**	**1 308 631**	**652 710**	**158 987 473**
ACCUMULATED DEPRECIATION							
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**
Charge for the year	-	1 230 498	6 424 380	277 137	-		7 932 015
Disposals	-	(68 793)	(899 285)	(342 434)	-		(1 310 512)
31.12.20.	**-**	**21 395 558**	**87 185 997**	**3 801 616**	**-**	**440 920**	**112 824 091**
NET CARRYING AMOUNT							
31.12.19.	**376 885**	**8 932 388**	**41 853 253**	**553 315**	**846 179**	**32 020**	**52 594 040**
31.12.20.	**376 885**	**7 900 034**	**35 754 532**	**611 510**	**1 308 631**	**211 790**	**46 163 382**

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

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 2020 amounted to EUR 15 767 909 (2019: EUR 17 363 628).

During 2020, the GROUP's Parent Company recognized precious metal plate disposals with the carrying amount of EUR 317 721 as at the disposal date. The disposals are result of technical depletion of precious metals during production process.

Equipment and machinery contain precious metal plates that are used in production, with the net carrying amount of EUR 12 181 083 as at 31 December 2020 (2019: EUR 12 674 440). According to the metal prices quoted in London Stock Exchange as at 31 December 2020, the market price of the precious metal stock of the GROUP's Parent Company was EUR 32 374 285 (2019: EUR 20 889 579). In 2020, the average annual technical depletion rate of the plates was 3.0% (2019: 4.7%).

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

Group's Parent Company	Land and buildings EUR	Equipment and machinery EUR	Motor vehicles EUR	Total EUR
01.01.19.	**199 849**	**1 191 339**	**100 534**	**1 491 722**
Additions	48 471	124 980	71 459	244 910
Disposals	-	(19 259)	-	(19 259)
Depreciation charge	(24 975)	(458 021)	(33 565)	(516 561)
01.01.20.	**223 345**	**839 039**	**138 428**	**1 200 812**
Additions	24 424	-	-	24 424
Reclassification to Property, plant and equipment	-	(24 424)	(90)	(24 514)
Disposals	-	(780)	(17 695)	(18 475)
Depreciation charge	(51 149)	(244 393)	(38 239)	(333 781)
31.12.20.	**196 620**	**569 442**	**82 404**	**848 466**

7. INVENTORIES

	GROUP		GROUP's Parent Company	
	31.12.20.	**31.12.19. restated**	**31.12.20.**	**31.12.19., restated**
	EUR	**EUR**	**EUR**	**EUR**
Raw materials	7 945 909	10 938 040	6 164 791	6 573 491
Write downs to net realizable value (raw materials)	(2 540 642)	(4 511 728)	(1 910 024)	(2 000 147)
Work in progress	3 876 007	4 326 165	3 230 366	3 652 335
Finished goods	13 593 916	13 886 791	8 767 614	8 366 030
Write downs to net realizable value (finished goods)	(3 669 700)	(859 035)	(1 663 889)	(763 022)
Advance payments for inventories	1 015 974	809 197	885 299	640 099
Write downs to net realizable value (advance payments for inventories)	(30 670)	(25 970)	(30 670)	(25 970)
Total	**20 190 794**	**24 563 460**	**15 443 487**	**16 442 816**

During 2020, the GROUP's parent Company recognized additional EUR 1 113 036 allowances for obsolete and slow-moving inventory. Valmiera Glass UK Ltd recognized reversal regarding allowances for slow moving inventory in amount of EUR 382 621. Changes in the write downs are
included in profit and loss statement item Other operating expenses (please see Note 22).

Change in allowances for inventory:

	GROUP EUR	GROUP's Parent Company EUR
Allowance as of 31 December 2018	**3 275 129**	**3 275 129**
Additional allowances recognized	4 357 322	1 338 271
Disposal of obsolete inventory	(1 850 232)	(1 850 232)
Allowance as of 31 December 2019	**5 782 219**	**2 763 168**
Additional allowances recognized	1 113 036	1 113 036
Release of allowance previously recognized	(382 621)	-
Disposal of obsolete inventory	(302 292)	(302 292)
Allowance as of 31 December 2020	**6 210 342**	**3 573 912**

The GROUP recognizes general 100% write down for inventory items with no movement in the period longer than 1 year. The GROUP estimates the to net realizable value of goods for sale and unfinished production – if the carrying amount exceeds the net realizable value, the GROUP recognizes additional specific allowances to reduce the carrying amount of such inventory items to their net realizable value. In addition, the GROUP recognizes specific allowances to write down the waste fiber stock to the net realizable value of 0.01 EUR/kg.

8. TRADE RECEIVABLES

	GROUP		GROUP's Parent Company	
	31.12.20.	**31.12.19.**	**31.12.20.**	**31.12.19.**
	EUR	**EUR**	**EUR**	**EUR**
Trade receivables	5 838 333	7 085 510	4 136 360	3 760 579
Allowances for doubtful receivables	(326 125)	(1 198 990)	(326 125)	(330 179)
Total	**5 512 208**	**5 886 520**	**3 810 235**	**3 430 400**

Age of receivables that are past due but not impaired:				
Days past due				
0-60 days	5 263 554	6 197 621	3 608 298	3 364 631
61-90 days	61 307	18 538	54 152	13 817
Over 90 days	147 134	207 859	147 785	57 604
Total	**5 471 995**	**6 424 018**	**3 810 235**	**3 436 052**

Change in allowance for doubtful trade and other receivables:

	GROUP	GROUP's Parent Company
	EUR	**EUR**
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**
Charge for the year	(4 054)	(4 054)
Amounts written off	(868 811)	-
Allowance as of 31 December 2020	**326 125**	**326 125**

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 on the expected credit loss matrix refer to Note 29.

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. During 2020, the US subsidiary wrote off its trade receivables and also reversed allowances in the amount of EUR 868 811.

9. OTHER ASSETS

	GROUP		GROUP's Parent Company	
	31.12.20.	31.12.19.	31.12.20.	31.12.19.
	EUR	EUR	EUR	EUR
Non-current:				
Legal protection process costs	-	148 395	-	148 396
Total non-current	**-**	**148 395**	**-**	**148 396**
Current				
VAT overpayment	838 964	430 647	805 240	317 828
CIT overpayment	389 278	458 998	-	-
Deferred insurance expenses	209 713	442 729	209 713	337 870
Legal protection process costs	193 155	197 457	193 155	197 457
Other deferred expenses	163 231	364 668	150 711	169 776
Funds in escrow account	74 248	356 461	-	-
Other receivables	27 892	330 684	18 189	20 927
Total current	**1 896 481**	**2 581 644**	**1 377 008**	**1 043 858**

10. CASH AND CASH EQUIVALENTS

	GROUP		GROUP's Parent Company	
	31.12.20.	31.12.19.	31.12.20.	31.12.19.
	EUR	EUR	EUR	EUR
Cash in bank	3 036 199	2 674 540	1 314 933	846 175
Cash in transit	1 877	-	1 877	250 000
Total	**3 038 076**	**2 674 540**	**1 316 810**	**1 096 175**

11. EQUITY

Share Capital

The GROUP's Parent Company's paid-up share capital on 31 December 2020 consists of 23 903 205 (2019: 23 903 205) publicly listed bearer shares, all with equal rights. The share capital is EUR 33 464 487 (2019: EUR 33 464 487).

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 2020, and 2019 the shareholders of the the GROUP's Parent Company, in accordance with the records maintained by the Latvian Central Depository, are as follows:

	31.12.20.	31.12.19.
Corvalis GmbH	0%	7.98%
P-D Glaseeiden GmbH Oschatz	26.07%	26.07%
Preiss – Daimler Beatrix	17.47%	9.49%
P-D Composites Handels-und Service GmbH	22.82%	22.82%
P-D Management-Industries-Technologies GmbH	23.93%	23.93%
Other	9.71%	9.71%
	100.00%	**100.00%**

As at 31 December 2020, the GROUP was ultimately controlled by Heinz-Jürgen Preiss-Daimler and Beatrix Preiss-Daimler.

Other reserves

	GROUP		GROUP's Parent Company	
	31.12.20.	31.12.19.	31.12.20.	31.12.19.
	EUR	EUR	EUR	EUR
Accumulated actuarial differences (Note 14)	(3 351 066)	(3 676 884)	-	-
Other reserves	546 709	546 709	546 709	546 709
Total	**(2 804 357)**	**(3 130 175)**	**546 709**	**546 709**

12. LOANS AND BORROWINGS

	GROUP		GROUP's Parent Company	
	31.12.20.	31.12.19.	31.12.20.	31.12.19.
	EUR	EUR	EUR	EUR
Non-current:				
Borrowings from credit institutions	-	50 514 156	-	50 514 156
Borrowings from subsidiaries (Note 28)	-	-	2 672 589	4 372 589
Borrowings from other related parties (Note 28(b))	100 000	12 627 244	100 000	10 966 240
Lease liabilities	716 229	895 410	495 839	771 522
Lease liabilities from related parties (Note 12(b), 28(c))	55 411	102 156	55 411	102 156
Other borrowings	-	5 436 303	-	-
Total non-current	**871 640**	**69 575 269**	**3 323 839**	**66 726 663**
Current:				
Borrowings from credit institutions	83 660 780	41 678 940	83 660 780	41 094 704
Borrowings from subsidiaries (Note 28)	-	-	1 700 000	-
Borrowings from other related parties (Note 28(b))	11 306 416	-	11 306 416	-
Lease liabilities	430 533	462 389	337 722	386 041
Lease liabilities from related parties (Note 12(b), 28(c))	68 554	74 572	68 554	74 572
Other borrowings	-	1 044 660	-	-
Total current	**95 466 283**	**43 260 561**	**97 073 472**	**41 555 317**
Total	**96 337 923**	**112 835 830**	**100 397 311**	**108 281 980**

Movement of loans and borrowings:

2020

GROUP	31.12.19. EUR	Cash flows		Non-cash			31.12.20. EUR
		Received	Paid	Debt forgiveness USA	New operating lease contracts	Accrued interest	
Borrowings from credit institutions	**92 193 096**	94 057	(15 390 548)*	(71 300)	-	6 835 475***	**83 660 780**
Borrowings from other related parties	**12 627 244**	-	-	(1 661 004)	-	440 176	**11 406 416**
Lease liabilities	**1 534 527**	-	(631 850)	-	330 970	37 080	**1 270 727**
Other borrowings	**6 480 963**	-	-	(6 480 963)**	-	-	**-**
Total	**112 835 830**	**94 057**	**(16 022 398)**	**(8 213 267)**	**330 970**	**7 312 731**	**96 337 923**

GROUP's Parent Company	31.12.19. EUR	Cash flows		Non-cash			31.12.20. EUR
		Received	Paid	Debt forgiveness SEB and Danske	New operating lease contracts	Accrued interest	
Borrowings from credit institutions	**91 608 860**	94 056	(4 234 934)	(10 623 852)*	-	6 816 650***	**83 660 780**
Borrowings from subsidiaries	**4 372 589**	-	(135 164)	-	-	135 164	**4 372 589**
Borrowings from other related parties	**10 966 240**	-	-	-	-	440 176	**11 406 416**
Lease liabilities	**1 334 291**	-	(461 840)	-	56 569	28 506	**957 526**
Total	**108 281 980**	**94 056**	**(4 831 938)**	**(10 623 852)**	**56 569**	**7 420 496**	**100 397 311**

* The indebtedness of the GROUP's Parent Company to its lenders SEB Banka (hereinafter – SEB) and Danske Bank (hereinafter – Danske) (hereinafter both called together – the Lenders) was partially secured by the commercial pledge of the assets of P-D Valmiera Glass USA Corporation. Thus, the Lenders – among other creditors - received disbursements based on the liquidation plan of P-D Valmiera Glass USA Corporation approved by the United States Bankruptcy Court for the Northern District of Georgia on 4 December 2020. The indebtedness of the GROUP's Parent Company to the Lenders was reduced accordingly (please see Note 17). In the separate financial statements of the Company, the expected amount of such disbursements is disclosed as the recoverable amount of the Company's receivables from P-D Valmiera Glass USA Corporation (please see Note 28(d)).

** According to the approved liquidation plan of P-D Valmiera Glass USA Corporation, P-D Valmiera Glass USA Corporation was released from its liability to repay USD 6 000 000 (EUR 5 340 928) loan of a minority shareholder John Post. In addition, on 5 June 2020 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. The total amount of loans of the United States City of Dublin and County of Lawrence Development Authority as at 5 June 2020 amounted to USD 1 280 714 (EUR 1 140 035).

*** Contain provisions for bank Restructuring fee - please see Note 12(a)

2019

GROUP	31.12.18. EUR	Cash flows		Non-cash			31.12.19. EUR
		Received	Paid	IFRS 16 adoption	Other	Accrued interest	
Borrowings from credit institutions	**85 200 704**	1 104 981	(4 222 715)	-	6 094 441	4 015 685***	**92 193 096**
Borrowings from other related parties	**5 838 887**	6 600 000	-	-	(1 344)	189 701	**12 627 244**
Lease liabilities	**585 213**	-	(849 240)	1 476 288	283 678	38 678	**1 534 527**
Other borrowings	**1 305 053**	5 165 479	-	-	10 431	-	**6 480 963**
Total	**92 929 857**	**12 870 460**	**(5 072 135)**	**1 476 288**	**6 387 206**	**4 244 154**	**112 835 830**

GROUP's Parent Company	31.12.18. EUR	Cash flows		Non-cash			31.12.19. EUR
		Received	Paid	IFRS 16 adoption	Other	Accrued interest	
Borrowings from credit institutions	**82 586 285**	1 104 981	(3 880 275)	-	7 782 184	4 015 685***	**91 608 860**
Borrowings from subsidiaries	**4 372 589**	-	(134 815)	-	-	134 815	**4 372 589**
Borrowings from other related parties	**4 176 539**	6 600 000	-	-	-	189 701	**10 966 240**
Lease liabilities	**96 692**	-	(265 536)	1 193 285	277 380	32 470	**1 334 291**
Total	**91 232 105**	**7 704 981**	**(4 280 626)**	**1 193 285**	**8 059 564**	**4 372 671**	**108 281 980**

*** Contain provisions for bank Restructuring fee - please see Note 12(a)

12(a) Borrowings from credit institutions

	GROUP		GROUP's Parent Company	
	31.12.20. EUR	**31.12.19. EUR**	**31.12.20. EUR**	**31.12.19. EUR**
Non-current part:				
Loan due within 2 to 5 years	-	50 514 156	-	50 514 156
Loan due after more than 5 years	-	-	-	-
Total non-current part	**-**	**50 514 156**	**-**	**50 514 156**
Current part:				
Credit line	-	512 936	-	-
Loan	83 660 780	41 166 004	83 660 780	41 094 704
Total current part	**83 660 780**	**41 678 940**	**83 660 780**	**41 094 704**
Total	**83 660 780**	**92 193 096**	**83 660 780**	**91 608 860**

The GROUP's Parent Company

On 16 September 2019, the GROUP's Parent Company and SEB and Danske (hereinafter - 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 repayable in two phases – EUR 35 000 000 until 31 March 2020 and the remaining principal on the date, which is 30 days after the LPP completion date (30 September 2021 according to the approved LPP plan). According to 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 GROUP Parent Company's 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.

According to the agreement, 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.

The GROUP's Parent Company was unable to repay the principal indebtedness and attract EUR 40 000 000 financing according to the agreement, and amendments to the Forbearance and Settlement agreement were signed to release the GROUP's Parent Company from these obligations on 24 April 2020. The final repayment date was not amended and remained 30 days after the LPP completion date (30 September 2021 according to the approved LPP plan). In consideration, the Restructuring fee was set in the amount of EUR 4 800 000 with option to be reduced by EUR 800 000, if the company's gross leverage on 30 June 2021 and thereafter was below 3.5. However, considering the effective shareholder structure, financing agreements and financial forecasts as at 31 December 2020, the GROUP's Parent Company's would not be able to achieve the gross leverage ratio below 3.5 until 30 June 2021 and achieve reduction of the Restructuring fee. In addition, the GROUP's Parent Company undertook to secure up to EUR 10 000 000 working capital and capital investment financing until 30 November 2020.

According to the liquidation plan of P-D Valmiera Glass USA Corporation approved by the US Bankruptcy Court on 4 December 2020, funds of the dissolved company were distributed among its third-party creditors, including AS SEB Banka and AS Danske Bank. The disbursements reduced the principal amount of the Group's Parent Company's indebtedness towards these creditors, In December 2020, the indebtedness of the GROUP's Parent Company to SEB Banka and Danske Bank was reduced by the US subsidiary's bankruptcy proceeds in the amount of EUR 10 623 852 (please see Note 28(d)).

On 9 December 2020, the GROUP's Parent Company, the Lenders and DUKE I S.A.R.L. (hereinafter – DUKE I) signed a number of financing and security agreements, to take effect and enter into legal force, when all conditions precedent to the completion of the share purchase agreement between DUKE I and the majority shareholders of the GROUP's Parent company had been fulfilled or waived and title to the shares had been transferred to DUKE I. According to these agreements:

- SEB shall provide a long-term loan facility of EUR 45 575 443 with the final repayment date on 27 April 2026. The loan facility would be used to repay the existing SEB loan facilities effective on 31 December 2020, and finance capital investment projects of the GROUP's Parent Company. The loan principal is repayable starting with the 36th month after the agreement date. The loan is secured with commercial pledge of all assets of the GROUP and mortgages of the properties of the GROUP's Parent company. The loan interest rate is 3M EURIBOR + 1.5-2.5% p.a. depending on fulfillment of certain financial covenants,
- SEB shall provide 10 million EUR overdraft facility with the repayment date being the date falling 5 years from the date of the first drawdown of the overdraft. The loan is secured with commercial pledge of all assets of the GROUP and mortgages of the properties of the GROUP's Parent company. The loan interest rate is 3M EURIBOR + 1.5% p.a.,
- SEB shall extend EUR 870 000 guarantee facility until 7 December 2021. The guarantee facility is secured with commercial pledge of all assets of the GROUP and mortgages of the properties of the GROUP's Parent company,
- the GROUP's Parent Company's borrowings from Danske in the amount of EUR 45 568 799 shall be assigned to DUKE I. Repayment of the loan is subordinated to repayment of bank loans, and the final loan repayment date is the date falling 5 years from the date of the first drawdown of the loan. The loan is secured with commercial pledge of all assets of the GROUP and mortgages of the properties of the GROUP's Parent company. The loan interest rate is 4.5% p.a.,

- DUKE I shall provide EUR 5 000 000 unsecured loan. Repayment of the loan is subordinated to repayment of bank loans, and the final loan repayment date is the date falling 5 years from the date of the first drawdown of the loan. The loan interest rate is 10% p.a.
- the GROUP's Parent Company's obligation to pay EUR 4 800 000 Restructuring fee to SEB and Danske shall be waived,

The above agreements entered into legal force on 18 February 2021, when the share purchase agreement between DUKE I and the majority shareholders of the GROUP's Parent company was executed and title to the shares transferred to DUKE I (please see Note 31, Subsequent events). Therefore, the management of the Group considers it a non-adjusting post-balance sheet event not affecting the financial results of year 2020 and financial position as at 31 December 2020.

Valmiera Glass UK Ltd

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 2020, Valmiera Glass UK Ltd had not used the loan facility (2019: GBP 436 406 (EUR 512 936).

The GROUP

As at 31 December 2019 and 2020, the indebtedness of the GROUP's Parent Company and Valmiera Glass UK Ltd. 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 2 411 503 (2019: EUR 2 539 133).

12(b) Lease liabilities

	GROUP		GROUP's Parent Company	
	31.12.20.	**31.12.19.**	**31.12.20.**	**31.12.19.**
	EUR	**EUR**	**EUR**	**EUR**
Non-current (up to five years)	503 544	997 566	551 250	873 678
Current	767 183	536 961	406 276	460 613
Total	**1 270 727**	**1 534 527**	**957 526**	**1 334 291**

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:

2020

	GROUP	GROUP's Parent Company
	EUR	**EUR**
Lease liabilities 01.01.20.	**1 534 527**	**1 334 291**
Additions	330 970	56 568
Accretion of interest	37 080	28 507
Payments	(631 850)	(461 840)
31.12.20.	**1 270 727**	**957 526**

2019

	GROUP	GROUP's Parent Company
	EUR	**EUR**
Lease liabilities 01.01.19.	**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**	**1 334 991**

The following are the amounts recognized in profit or loss:

2020

	GROUP	GROUP's Parent Company
	2020	**2020**
	EUR	**EUR**
Depreciation expense of right-of-use assets	462 981	333 781
Interest expense on lease liabilities	37 080	28 507
Total	**500 061**	**362 288**

2019

	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
Total	**415 520**	**309 339**

The interest rate for the leases is variable 3-month EURIBOR and LIBOR and fixed rate 2.26%-2.75%.

12(c) Other borrowings

	GROUP		GROUP's Parent Company	
	31.12.20.	**31.12.19.**	**31.12.20.**	**31.12.19.**
	EUR	**EUR**	**EUR**	**EUR**
Non-current	-	5 436 303	-	-
Current	-	1 044 660	-	-
Total	**-**	**6 480 963**	-	-

According to the approved liquidation plan of P-D Valmiera Glass USA Corporation, P-D Valmiera Glass USA Corporation was released from its liability to repay USD 6 000 000 (EUR 5 436 303) loan of a minority shareholder John Post. In addition, on 5 June 2020 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. The total amount of loans of the United States City of Dublin and County of Lawrence Development Authority as at 5 June 2020 amounted to USD 1 280 714 (EUR 1 044 660).

13. TRADE AND OTHER PAYABLES

	GROUP		GROUP's Parent Company	
	31.12.20.	31.12.19.	31.12.20.	31.12.19.
	EUR	EUR	EUR	EUR
Non-current:				
Trade payables	-	4 932 232	-	4 932 233
Payables to subsidiaries (Note 28)	-	-	-	367 410
Taxes and social security contributions	879 047	-	879 047	-
Other payables	1 178 379	1 848 172	1 178 379	1 848 172
Total trade and other payables, non-current	**2 057 426**	**6 780 404**	**2 057 426**	**7 147 815**
Current:				
Trade payables	7 932 763	20 433 751	7 723 067	11 331 949
Payables to subsidiaries (Note 28)	-	-	320 806	578 971
Payables to other related parties (Note 28)	4 159 502	4 170 857	4 159 502	948 782
Taxes and social security contributions	2 422 081	1 934 596	2 368 823	1 754 665
Accrued liabilities	2 282 172	3 867 545	2 276 937	3 056 207
Other payables	2 291 669	2 313 441	1 879 281	1 639 609
Total trade and other payables, current	**19 088 187**	**32 720 190**	**18 728 416**	**19 310 183**

13(a) Taxes and social security contributions

	GROUP		GROUP's Parent Company	
	31.12.20.	31.12.19.	31.12.20.	31.12.19.
	EUR	EUR	EUR	EUR
Republic of Latvia (Company)				
Natural resource tax	7 426	7 176	7 426	7 176
Social security contributions*	2 317 595	1 174 869	2 304 638	1 174 869
Personal income tax*	853 998	568 513	866 957	568 513
Enterprise risk duty	428	433	428	433
Corporate income tax	68 421	11 504	68 421	3 674
United Kingdom:				
Corporate income tax	-	143 915	-	-
Personal income tax and Social security contributions	53 260	28 186	-	-
Total	**3 301 128**	**1 934 596**	**3 247 870**	**1 754 665**

During years 2019 and 2020 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 2020, the total amount of deferred tax payments amounted to EUR 1 919 389 (1 675 697 EUR).

13(b) Accrued liabilities

	GROUP		GROUP's Parent Company	
	31.12.20. EUR	31.12.19. restated EUR	31.12.20. EUR	31.12.19. restated EUR
Accrual for vacations	1 128 096	1 298 507	1 128 096	1 298 507
Accruals for remuneration of management	69 242	80 161	69 242	80 161
Accruals for employee bonuses	699 220	854 480	699 220	854 480
Accruals for client bonuses	385 614	654 395	380 379	654 395
Other	-	980 002	-	168 664
Total	**2 282 172**	**3 867 545**	**2 276 937**	**3 056 207**

13(c) Other payables

	GROUP		GROUP's Parent Company	
	31.12.20. EUR	31.12.19. EUR	31.12.20. EUR	31.12.19. EUR
Non-current:				
LBBW Bank	1 178 379	1 848 172	1 178 379	1 848 172
Total	**1 178 379**	**1 848 172**	**1 178 379**	**1 848 172**
Current:				
Salary	1 033 588	1 412 527	998 404	952 579
LBBW Bank	672 469	675 688	669 793	675 688
Other	585 612	225 226	211 084	11 342
Total	**2 291 669**	**2 313 441**	**1 879 281**	**1 639 609**

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:

	31.12.20. EUR	31.12.19. EUR
Shares/equity	1 947 655	6 218 900
Corporate bonds	15 021 745	10 010 797
Index-linked assets	2 065 560	2 733 311
Cash and cash equivalents	448 261	288 705
Total pension plan assets	**19 483 221**	**19 251 713**
Present value of pension plan liabilities	(20 928 111)	(20 615 663)
Subsequent liabilities recognition	(2 302 482)	(3 475 025)
Total pension plan liabilities	**(23 230 593)**	**(24 090 688)**
Net pension plan liabilities	**(3 747 372)**	**(4 838 975)**
Current portion	(772 524)	(997 559)
Non-current portion	(2 974 848)	(3 841 416)

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.

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.

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 2020. 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 2020 and 2019 were:

% p.a.	**2020**	**2019**
	%	**%**
Discount rate	1.20	1.90
Future increases in deferred pensions	2.45	2.15
Rate of increase in pension payments – RPI (max 5%)	3.05	3.10
Rate of increase in pension payments – CPI (max 3%)	2.15	1.95

Mortality assumptions

The assumed life expectations on retirement at age 65 are:

	2020	**2019**
	Years	**Years**
Retiring today		
- Males	21.90	21.80
- Females	24.20	24.00

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 2021 is estimated to be GBP 850 000 (EUR 999 060). The duration of the defined benefit obligation is 14 years.

	2020	**2019**
	EUR	**EUR**
0.25% pa decrease in discount rate	795 302	758 110
0.25% pa increase in inflation and related assumptions	111 231	110 484
1 year increase in life expectancy	1 159 027	1 149 506

Movements in the fair value of plan assets:

	2020	2019
	EUR	EUR
At 1 January	19 251 713	15 713 202
Currency translation difference	(1 018 352)	778 755
Interest income	343 936	458 392
Return on plan assets (excl. interest)	1 596 044	2 019 276
Benefits paid	(1 128 470)	(716 972)
Contributions by the employer*	438 350	999 060
At 31 December	**19 483 221**	**19 251 713**

* In 2020, the UK subsidiary agreed to temporarily reduce the amount of employer's contributions due to impact of COVID-19 on the operations and cash flows of the company. As of 2021, the employer's contributions are increased to compensate the reduction of 2020.

Movements in the present value of defined benefit obligation:

	2020	2019
	EUR	EUR
At 1 January	(20 615 663)	(18 253 161)
Currency translation difference	1 098 140	(914 453)
Benefits paid	1 128 470	716 972
Actuarial gains and losses	(2 174 890)	(1 646 685)
Interest cost	(364 168)	(518 336)
At 31 December	**(20 928 111)**	**(20 615 663)**

Amounts recognized in other comprehensive income:

	2020	2019
	EUR	EUR
Actuarial gains and losses	2 174 890	1 563 619
Return on plan assets (excl. interest)	(1 596 044)	(2 019 276)
Change in the effect of the asset ceiling	(1 064 403)	554 772
Remeasurement of defined benefit obligation	**(485 557)**	**99 115**

15. DEFERRED INCOME

	GROUP		GROUP's Parent Company	
	31.12.20.	31.12.19.	31.12.20.	31.12.19.
	EUR	EUR	EUR	EUR
EU and other grants	1 556 794	1 937 579	1 556 794	1 937 579
Total non-current	**1 556 794**	**1 937 579**	**1 556 794**	**1 937 579**
EU and other grants	380 785	380 785	380 785	380 785
USA grant	-	2 165 055	-	-
Total current	**380 785**	**2 545 840**	**380 785**	**380 785**
Total	**1 937 579**	**4 483 419**	**1 937 579**	**2 318 364**

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 2020 and 2019, the GROUP's Parent Company has complied with covenants of the agreements concluded between the GROUP's Parent Company and providers of financing.

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. 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).

The obligations of P-D Valmiera Glass USA Corporation under the Memorandum of understanding with the United States City of Dublin and County of Lawrence Development Authority were secured with tangible fixed assets of P-D Valmiera Glass USA Corporation.

On 5 June 2020 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) and agreed waiver of remaining outstanding liabilities in the amount of 1 185 885 EUR thereby reaching full settlement with the United States City of Dublin and County of Lawrence Development Authority.

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), classified as discontinued operations as of 1 January 2020.

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.

16(a) Net sales

	Latvia	United Kingdom	Intra-segment eliminations continuing operations	Total continuing operations	United States of America	Intra-segment eliminations discontinued operations	Total discontinued operations
	2020	2020	2020	2020	2020	2020	2020
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Sales	83 206 544	16 310 550	(3 677 364)	95 839 730	2 241 354	-	2 241 354
Other operating income	1 127 275	47 708	(273 468)	901 516	125 770 658	(93 301 004)	32 469 654
Segment operating expenses	(80 047 079)	(16 127 033)	4 624 838	(91 549 275)	(21 353 316)	367 125	(20 986 191)
Operating profit/(loss)	**4 286 740**	**231 225**	**674 006**	**5 191 971**	**106 658 696**	**(92 933 879)**	**13 724 817**
Interest income	11 785	386 010	(140 240)	257 555	7 398	-	7 398
Interest expenses	(7 687 750)	(118 299)	190 526	(7 615 523)	(6 556 364)	1 984 303	(4 572 061)
Profit/(loss) before taxation	**(3 389 225)**	**498 936**	**724 292**	**(2 165 997)**	**100 109 730**	**(90 949 576)**	**9 160 154**
Income tax expense	(85 928)	(8 351)	-	(94 279)	-	-	-
Profit /(loss)for the year	**(3 475 153)**	**490 585**	**724 292**	**(2 260 276)**	**100 109 730**	**(90 949 576)**	**9 160 154**

Statement of financial position

	Latvia	United Kingdom	Intra-segment eliminations continuing operations	Total continuing operations	United States of America	Intrasegment eliminations discontinued operations	Total discontinued operations
	2020	2020	2020	2020	2020	2020	2020
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
ASSETS							
Segment Assets	84 791 488	18 826 565	(19 354 543)	84 263 510	997 663	997 663	997 663
TOTAL ASSETS	**84 791 488**	**18 826 565**	**(19 354 543)**	**84 263 510**	**997 663**	**997 663**	**997 663**
LIABILITIES AND EQUITY							
Segment liabilities and equity	84 791 488	18 826 565	(19 354 543)	84 263 510	997 663	997 663	997 663
TOTAL EQUITY AND LIABILITIES	**84 791 488**	**18 826 565**	**(19 354 543)**	**84 263 510**	**997 663**	**997 663**	**997 663**

Other information

	Latvia	United Kingdom	Intra-segment eliminations continuing operations	Total continuing operations	United States of America	Intrasegment eliminations discontinued operations	Total discontinued operations
	2020	2020	2020	2020	2020	2020	2020
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Acquisition of tangible and intangible fixed assets	2 583 139	429 443	-	**3 012 582**	-	-	-
Depreciation and amortization	8 122 552	369 969	-	**8 492 521**	-	-	-

Statement of comprehensive income

	Latvia	United Kingdom	Intra-segment eliminations continuing operations	Total continuing operations	United States of America	Intra-segment eliminations discontinued operations	Total discontinued operations
	2019	**2019**	**2019**	**2019**	**2019**	**2019**	**2019**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Sales	88 693 367	23 343 107	(12 871 699)	99 164 775	22 496 989	(2 178 389)	20 318 600
Other operating income	1 863 750	43 690	(747 983)	1 159 457	747 640	(18 598)	729 042
Segment operating expenses	(85 033 747)	(22 695 292)	5 784 680	(101 944 359)	(27 266 723)	5 785 795	(21 480 928)
Operating profit/(loss)	**5 523 370**	**691 505**	**(7 835 002)**	**(1 620 127)**	**(4 022 094)**	**3 588 808**	**(433 286)**
Interest income	9 070	177 267	(141 528)	44 809	1 090 077	-	1 090 077
Interest expenses	(5 918 898)	(564 359)	906 208	(5 577 049)	(3 436 494)	3 092 006	(344 488)
Profit/(loss) before taxation	**(386 458)**	**304 413**	**(7 070 322)**	**(7 152 367)**	**(6 368 511)**	**6 680 814**	**312 303**
Income tax expense	(11 504)	33 718	(27 707)	(5 493)	-	-	-
Profit /(loss)for the year	**(397 962)**	**338 131**	**(7 098 029)**	**(7 157 860)**	**(6 368 511)**	**6 680 814**	**312 303**

	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	(28 003 963)	111 622 420
TOTAL ASSETS	**17 975 424**	**19 917 488**	**101 733 471**	**(28 003 963)**	**111 622 420**
LIABILITIES AND EQUITY					
Segment liabilities and equity	17 975 424	19 917 488	101 733 471	(28 003 963)	111 622 420
TOTAL EQUITY AND LIABILITIES	**17 975 424**	**19 917 488**	**101 733 471**	**(28 003 963)**	**111 622 420**

Other information

	Latvia	United Kingdom	Intra-segment eliminations	Total continuing operations	United States of America	Intra-segment eliminations discontinued operations	Total discontinued operations
	2019	**2019**	**2019**	**2019**	**2019**	**2019**	**2019**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Acquisition of tangible and intangible fixed assets	10 021 814	333 509	-	**10 355 323**	307 310	-	307 310
Depreciation and amortization	9 596 363	336 047	-	**9 932 410**	127 944	-	127 944

16(b) Net sales by geography

	GROUP		GROUP's Parent Company	
	2020	**2019 ***	**2020**	**2019**
	EUR	**EUR**	**EUR**	**EUR**

EU	69 803 698	81 652 233	59 561 412	69 704 072
North America	9 852 610	4 861 892	9 277 967	8 567 198
CIS	2 274 282	2 238 839	2 274 282	2 238 839
Other	13 909 140	10 411 811	12 092 883	8 183 258
Total	**95 839 730**	**99 164 775**	**83 206 544**	**88 693 367**

16(c) Net sales by product type

	GROUP		GROUP's Parent Company	
	2020	**2019 ***	**2020**	**2019**
	EUR	**EUR**	**EUR**	**EUR**
Glass fibre fabrics	64 363 118	67 241 138	51 729 932	56 954 163
Glass fibre non-woven products	31 476 612	31 923 637	31 476 612	31 739 204
Total	**95 839 730**	**99 164 775**	**83 206 544**	**88 693 367**

* Comparative information is re-presented due to Discontinued operations. Refer to Note 17.

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 2020 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. Discontinued operations

	2020	**2019**
	EUR	**EUR**
Revenue	3 565 640	39 152 362
Gain on derecognition of financial liabilities**	135 070 223	
*Elimination of inter segment items**	*(103 924 856)*	*(2 196 987)*
External revenue	374 711 007	36 955 375
Expenses	(27 902 281)	(45 520 872)
Elimination of inter segment expenses	*2 351 428*	*8 877 800*
External expenses	(25 550 853)	(36 643 072)
Results from operating activities	**9 160 154**	**312 303**
Corporate income tax	-	-
Profit / (loss) from discontinued operations, net of tax	**9 160 154**	**312 303**

Cash flows from (used in) discontinued operations

	2020	**2019**
	EUR	**EUR**
Net cash used in operating activities	982 243	(3 569 572)
Net cash from / (to) investing activities	15 321 310	(307 310)
Net cash (to) / from financing activities	(17 388 477)	5 001 832
Foreign exchange differences	(23 249)	(3 107)
Net cash flows for the year	**(1 108 173)**	**1 121 843**

* In accordance with the approved liquidation plan, the company was released from the liabilities to repay its loans and borrowings and trade payables to its shareholders in the amount of USD 118 750 698 (EUR 103 924 856) and other creditors in the amount of USD 23 377 603 (EUR 20 467 172).

** The indebtedness of the GROUP's Parent Company to its lenders SEB Banka and Danske Bank was partially secured by the commercial pledge of the assets of P-D Valmiera Glass USA Corporation. In accordance with the approved liquidation plan, the lenders received disbursements from P-D Valmiera Glass USA Corporation in the total amount of EUR 10 623 852, and the indebtedness of the GROUP's Parent Company to the lenders was reduced accordingly. This one-off revenue item was triggered by the liquidation of P-D Valmiera Glass USA Corporation, and the management of the GROUP's Parent Company elected to attribute the debt forgiveness income to the discontinued operations.

18. OTHER OPERATING INCOME

	GROUP		GROUP's Parent Company	
	2020	2019 *	2020	2019
	EUR	EUR	EUR	EUR
Sale of raw materials	44 073	283 785	44 073	283 785
Profit from sales of fixed assets	10 006	84 154	2 700	84 154
Income from rent of premises	7 683	42 902	7 683	42 902
Income from EU funding	380 785	381 539	380 785	381 539
Management services	-	-	240 000	800 000
Other	458 968	367 077	452 034	271 370
Total	**901 515**	**1 159 457**	**1 127 275**	**1 863 750**

* Comparative information is re-presented due to Discontinued operations. Refer to Note 17.

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

19. RAW MATERIALS AND CONSUMABLES

	GROUP		GROUP's Parent Company	
	2020	2019 *	2020	2019
	EUR	EUR	EUR	EUR
Raw materials and other costs	25 959 395	30 950 625	21 631 715	28 017 063
Natural gas	4 058 171	4 412 017	3 751 771	4 412 017
Electricity	6 129 945	6 286 080	5 716 500	5 379 132
Oxygen	787 100	756 374	787 100	867 319
Precious metal plates processing costs	955 544	867 319	955 534	756 374
Other	123 666	358 832	122 504	117 132
Total	**38 013 821**	**43 631 247**	**32 965 124**	**39 549 037**

* Comparative information is re-presented due to Discontinued operations. Refer to Note 17.

20. PERSONNEL EXPENSES

	GROUP		GROUP's Parent Company	
	2020	2019 *	2020	2019
	EUR	EUR	EUR	EUR
Salaries	19 640 332	19 837 463	16 147 689	14 783 854
State social security contributions	4 790 256	4 556 391	4 356 147	4 171 349

Illness and vacation expenses	2 186 991	2 585 894	2 186 991	2 536 259
Employee insurance	198 678	101 318	156 012	101 318
Bonuses	446 798	591 938	443 594	591 938
Other	691 283	429 022	616 323	255 763
Total	**27 954 338**	**28 102 026**	**23 906 756**	**22 440 481**
Average number of employees	1 285	1 307	1 159	1 120

* Comparative information is re-presented due to Discontinued operations. Refer to Note 17.

21. DEPRECIATION AND AMORTIZATION

	GROUP		GROUP's Parent Company	
	2020	**2019***	**2020**	**2019**
	EUR	**EUR**	**EUR**	**EUR**
Fixed asset depreciation based on straight line method	7 611 253	8 879 019	7 339 899	8 639 497
Depreciation of precious metal plates based on production volume	258 245	541 836	258 245	541 836
Intangible asset amortization	190 537	137 699	190 537	137 699
Right-of-use assets depreciation	432 486	373 856	333 871	277 331
Total	**8 492 521**	**9 932 410**	**8 122 552**	**9 596 363**

* Comparative information is re-presented due to Discontinued operations. Refer to Note 17.

Please also see Notes 4 and 6.

22. OTHER OPERATING EXPENSES

	GROUP		GROUP's Parent Company	
	2020	2019 *	2020	2019
	EUR	EUR	EUR	EUR
Logistics and transportation	5 425 859	5 125 374	4 888 123	5 509 685
Cleaning and maintenance	3 245 816	2 544 696	2 707 355	2 297 157
Professional services	1 584 801	1 298 948	1 201 860	1 028 994
Waste removal	1 101 868	1 116 196	990 226	1 007 202
Write-down to net realizable value for inventories (note 7)	730 415	1 338 271	1 113 036	1 338 271
Work safety	627 031	469 894	577 842	469 894
Insurance	363 680	381 725	258 848	254 973
Inventory write off	282 634	-	282 634	
Property tax	261 082	259 894	75 495	88 700
Rent	227 787	520 870	165 282	233 597
PR & Marketing	193 916	488 038	193 912	433 678
Business trips	178 569	195 888	90 771	195 888
Training and development	123 582	183 839	123 582	151 061
Postage and communication	120 806	163 711	83 529	127 519
Loss from disposal of property, plant and equipment	114 732	1 397 729	114 732	1 397 729
Office expenses	80 580	38 026	19 174	16 500
Research and development	33 835	220 358	6 832	151 385
Events and non-business expense	33 330	72 894	30 518	31 974
Nature resource tax	28 728	29 050	28 728	29 050
Impairment allowance for property, plant and equipment (Note 6)	-	440 920	-	440 920
Other	122 929	1 423 113	103 729	885 008
Total	**14 881 980**	**17 709 434**	**13 056 208**	**16 089 185**

* Comparative information is re-presented due to Discontinued operations. Refer to Note 17.

Non-audit services (advisory) received from the auditors of the financial statements in 2020 amounted to EUR 13 300 (2019: EUR 0). Total value of audit services provided to the GROUP by auditors of the GROUP's Parent Company in 2020 amounted to EUR 100 000 (2019: EUR 118 669).

23. FINANCE INCOME

	GROUP		GROUP's Parent Company	
	2020	2019 *	2020	2019
	EUR	EUR	EUR	EUR
Interest income	-	55	-	-
Foreign currency exchange gain	242 142	35 684	-	-
Other	15 413	9 070	11 785	9 070
Total	**257 555**	**44 809**	**11 785**	**9 070**

* Comparative information is re-presented due to Discontinued operations. Refer to Note 17.

24. FINANCE COST

	GROUP		GROUP's Parent Company	
	2020	2019*	2020	2019
	EUR	EUR	EUR	EUR
Interest expenses on liabilities carried at amortized cost	7 312 731	4 244 154	7 420 497	4 372 671
Loss from foreign currency exchange rate fluctuations	-	-	63 330	381 789
Fair value change in derivatives	-	399 317	-	399 317
Fines and penalties	95 901	87 607	95 901	87 607
Interest expenses related to retirement benefit	83 174	59 944	-	-
Other	123 717	786 027	108 022	677 514
Total	**7 615 523**	**5 577 049**	**7 687 750**	**5 918 898**

* Comparative information is re-presented due to Discontinued operations. Refer to Note 17.

25. CORPORATE INCOME AND DEFERRED TAX

25(a) Income tax charges

	GROUP		GROUP's Parent Company	
	2020	2019*	2020	2019
	EUR	EUR	EUR	EUR
Corporate income tax and deferred tax recognized in profit or loss:				
Current tax	85 928	62 276	85 928	11 504
Deferred tax	8 351	(56 783)	-	-
Total recognized in profit or loss	**94 279**	**5 493**	**85 928**	**11 504**
Deferred tax recognized in OCI:				
Deferred tax on retirement benefit revaluation	(159 739)	(30 919)	-	-
Changes in deferred tax recognized in OCI	**(159 739)**	**(30 919)**	-	-
Total	**(65 460)**	**(25 426)**	**85 928**	**11 504**

* Comparative information is re-presented due to Discontinued operations. Refer to Note 17.

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

	GROUP from continuing operations		GROUP's Parent Company	
	2020	2019*	2020	2019
	EUR	EUR	EUR	EUR
Profit (Loss) before tax from continuing operations	(2 165 997)	(7 152 366)	(3 389 255)	(386 458)
Tax effect of tax rate in United Kingdom 19%	(98 555)	(482 847)	-	-
Tax effect of non-deductible items	4 276	477 354	(85 928)	(11 504)
Corporate income tax and deferred tax	**(94 279)**	**(5 493)**	**(85 928)**	**(11 504)**
Effective tax rate	**(4.35%)**	**(0.08%)**	**(2.54%)**	**(2.98%)**

* Comparative information is re-presented due to Discontinued operations. Refer to Note 17.

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).

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

	GROUP	
	31.12.20. EUR	31.12.19. EUR
Temporary difference on depreciation of fixed assets	519 315	540 025
Total deferred tax liabilities	**519 315**	**540 025**
Temporary difference on retirement benefit	(712 001)	(919 405)
Total deferred tax assets	**(712 001)**	**(919 405)**
Net deferred tax (asset) / liability	**(192 686)**	**(379 380)**
Presented in statement of financial position		
Deferred tax asset, net	**192 686**	**379 380**

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

GROUP

	Temporary difference originated on:		
	Fixed assets EUR	Pension liabilities EUR	TOTAL 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)**
Impact of currency fluctuation	(12 359)	47 665	35 306
Charge to profit and loss	(8 351)	-	(8 351)
Charges to OCI	-	159 739	159 739
31.12.20.	**519 315**	**(712 001)**	**(192 686)**

26. EARNINGS AND DIVIDEND PER SHARE

	GROUP		GROUP's Parent Company	
	2020 EUR	2019* EUR	2020 EUR	2019 EUR
(Loss)/ profit for the year from continuing operations	(40 947 347)	(3 801 741)	(3 475 153)	(397 962)
Average number of shares outstanding	23 903 205	23 903 205	23 903 205	23 903 205
Profit (losses) per share	**(1.7130)**	**(0.1590)**	**(0.1454)**	**(0.0166)**
Dividends paid	-	-	-	-
Dividends per share	-	-	-	-

* Comparative information is re-presented due to Discontinued operations. Refer to Note 17.

In years 2020 and 2019 no dividends were paid to the shareholders of the GROUP's Parent Company.

In the period from 2016 through 2020, the GROUP's Parent Company has not issued dilutive securities, which would dilute the GROUP's Parent Company's earnings per share.

27. MANAGEMENT REMUNERATION

	GROUP		GROUP's Parent Company	
	2020 EUR	2019* EUR	2020 EUR	2019 EUR
Members of the Council:				
Compensation	87 168	288 000	87 168	288 000
Social security payments	3 708	4 475	3 708	4 475
Members of the Board:				
Compensation	710 745	1 258 038	520 534	651 483
Social security payments	149 947	217 311	125 396	146 503
Contribution to defined benefit scheme	5 493	6 779	-	-
Total	**957 061**	**1 774 603**	**736 806**	**1 090 461**

* Comparative information is re-presented due to Discontinued operations. Refer to Note 17.

In 2020 and 2019 the GROUP and the GROUP's Parent Company have not granted or received any loans from the members of Council, Board or other management.

28. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

28(a) Loans to related companies

	31.12.20. EUR	31.12.19. EUR
GROUP's Parent Company		
P-D Valmiera Glass USA Corporation	77 126 861	80 048 156
Impairment allowance	(77 126 861)	(80 048 156)
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 77 126 861 (2019: 80 048 156) is recognized as at 31 December 2020 and as at 31 December 2019 in the separate financial statements of the GROUP's Parent Company.

28(b) Borrowings from related companies

	Interest rate	31.12.20. EUR	31.12.19. EUR
GROUP			
Private persons	4%	100 000	3 837 505
Entities controlled by the parties controlling the GROUP	4%	-	8 789 739
Long term borrowings total		**100 000**	**12 627 244**
Private persons	4%	2 967 905	-
Entities controlled by the parties controlling the GROUP	4%	8 338 511	
Short term borrowings total		**11 306 416**	**-**
GROUP's Parent Company			
Private persons	4%	100 000	2 950 175
Entities controlled by the parties controlling the GROUP	4%	-	8 016 065
Subsidiaries	2.5%-4%	2 672 589	4 372 589
Long term borrowings total		**2 772 589**	**15 338 829**
Private persons	4%	2 967 905	-
Entities controlled by the parties controlling the GROUP	4%	8 338 511	-
Subsidiaries	2.5%-4%	1 700 000	-
Short term borrowings total		**13 006 416**	**-**

28(c) Lease liabilities to related companies

	31.12.20. EUR	31.12.19. EUR
GROUP		
Entities controlled by the parties controlling the GROUP	55 411	102 156
Non-current lease liabilities total	**55 411**	**102 156**
Entities controlled by the parties controlling the GROUP	68 554	74 572
Current lease liabilities total	**68 554**	**74 572**
GROUP's Parent Company		
Entities controlled by the parties controlling the GROUP's Parent Company	55 411	102 156
Non-current lease liabilities total	**55 411**	**102 156**
Entities controlled by the parties controlling the GROUP's Parent Company	68 554	74 572
Current lease liabilities total	**68 554**	**74 572**

28(d) Receivables from and payables to related parties

GROUP	31.12.20. Receivables EUR	31.12.20. Payables EUR	31.12.19. Receivables EUR	31.12.19. Payables EUR
Controlling parties				
P-D Glasseiden GmbH Oschatz	651 554	3 438 550	25 511	2 806 948
P-D Management Industries-Technologies GmbH	-	112 917	917	192 361
Jurgen Preiss-Daimler	-	-	-	-
Beatrix Preiss Daimler	-	-	-	-
Entities controlled by the parties controlling the GROUP				
P-D Preiss –Daimler Consulting	-	10 710	-	-
P-D MIT	-	-	-	-
P-D Consulting	-	-	-	85 647
S.Jugel Consulting, SIA	-	-	-	-
P-D Industriegesellschaft GmbH Bratendorf	242 207	108 034	115 653	329 205
P-D Industriegesellschaft Wetro	-	13 936	-	-
P-D Interglas Technologies GmbH	-	-	-	-
P-D Refractories GmbH	-	327 007	-	353 195
P-D Refractories CZ a.s		114 242	-	290 846
P-D Tatneft-Alabuga Steklovolokno	124 740	-	2 244	-
Preiss-Daimler FibreGlass AB	-	21 716	-	-
aNa-Consulting	-	12 390	-	-
P-D Refractories Feuerfestwerke Wet	-	-	-	104 199
P-D Consulting USA LLC	-	-	2 276	8 456
Total	**1 018 501**	**4 159 502**	**146 601**	**4 170 857**

GROUP's Parent Company	31.12.20. Receivables EUR	31.12.20. Payables EUR	31.12.19. Receivables EUR	31.12.19. Payables EUR
Controlling parties				
P-D Glasseiden Oschatz GmbH	651 554	3 438 550	-	44 951
P-D Management Industries –Technologies	-	112 917	-	-
Jurgen Preiss-Daimler	-	-	-	-
Beatrix Preiss Daimler	-	-	-	-
Entities controlled by the parties controlling the GROUP's Parent Company				
P-D Preiss –Daimler Consulting	-	10 710	-	-
Jürgen Preiss-Daimler Consulting	-	-	-	2 853
P-D Tatneft Fiberglas Alabuga	-	-	-	-
P-D Industriegesellschaft GmbH Bratendorf	242 207	108 034	64 728	152 738
S.Jugel Consulting, SIA	-	-	-	-
P-D Industriegesellschaft Wetro GmbH	-	13 936	-	-
P-D Refractories GmbH	-	327 007	-	104 199
P-D Refractories CZ a.s		114 242	-	353 195
P-D Tatneft-Alabuga Steklovolokno	124 740	-	2 245	290 846
P-D Industriegesellschaft Wetro	-	-	-	-
Preiss-Daimler FibreGlass AB	-	21 716	-	-
aNa-Consulting	-	12 390	-	-
Total other related parties	**1 018 501**	**4 159 502**	**66 973**	**948 782**
Subsidiaries				
Valmiera Glass UK Limited	510 312	320 806	526 028	175 663
P-D Valmiera Glass USA Corporation	5 245 564	-	15 961 586	403 308
Impairment allowances for receivables from P-D Valmiera Glass USA Corporation	(4 622 425)	-	(3 664 413)	-
Total subsidiaries	**1 133 451**	**320 806**	**12 823 201**	**578 971**
Total	**2 151 952**	**4 480 308**	**12 890 174**	**1 527 753**

As at 31 December 2018, the GROUP's Parent Company had recognized 100% impairment allowances for its receivables and claims from P-D Valmiera Glass USA Corporation (hereinafter – US Subsidiary).

On 14 January 2020, the GROUP's Parent Company's Supervisory Council endorsed dissolution of the operations of the US subsidiary, and sale of its property, plant, equipment and inventory to Saint-Gobain Adfors America, Inc for the total price of USD 18.4 million (approximately EUR 16.4 million). As the result of the planned dissolution of the US subsidiary, a fraction of the funds of P-D Valmiera Glass USA Corporation would be paid out to AS SEB Banka and AS Danske Bank, whose loans to the GROUP's Parent Company were secured with assets of P-D Valmiera Glass USA Corporation (please see Note 12(a) Loans and Borrowings). According to the agreements between the GROUP's Parent Company and the banks, such disbursements would reduce the GROUP's Parent Company's indebtedness to the banks. For the purposes of year 2019 financial statements, the decision was treated as an adjusting subsequent event. According to the estimates valid on 31 December 2019, the recoverable amount of the debts of the US subsidiary amounted to USD 13 814 644 (EUR 12 297 173) - the GROUP's Parent Company reduced the previously recognized impairment allowances on the debts of the US subsidiary accordingly.

On 4 December 2020, the liquidation plan of P-D Valmiera Glass USA Corporation was approved by the US Bankruptcy Court. According to the liquidation plan, in December 2020 funds of the dissolved company were distributed among its third-party creditors. During 2020, AS SEB Banka and AS Danske Bank received such bankruptcy proceeds in the amount of EUR 10 623 852, which reduced the Group's Parent Company's indebtedness to AS SEB Banka and AS Danske Bank, as well as the recoverable amount of the debts of the US subsidiary to the Group's Parent Company.

It is estimated that during 2021 AS SEB Banka and AS Danske Bank will receive additional US subsidiary's bankruptcy proceeds in the amount of EUR 623 139, which the GROUP's Parent Company recognizes as the recoverable amount of the debts of the US subsidiary as at 31 December 2020.

In 2020, the GROUP's Parent Company increased impairment allowances against the debts of the US subsidiary by EUR 958 012 (including EUR 92 170 effect of year 2020 EUR/USD exchange rate fluctuations on the carrying amount of the debts of the US subsidiary).

28(e) Transactions with related parties

GROUP	2020 EUR	2019* EUR
Sale of goods	2 193 762	2 190 741
Services provided	-	8 852
Purchase of fixed and intangible assets	-	(664 457)
Purchase of goods	(532 461)	(1 119 670)
Interest expenses	(440 801)	(300 625)
Services received	(369 211)	(578 969)
Loans received	-	7 300 000

GROUP's Parent Company	2020 EUR	2019 EUR
Subsidiaries		
Sale of goods	3 190 941	10 081 743
Purchase of goods	1 123 945	(3 483 185)
Services provided	240 000	4 624 992
Services received	-	(500 800)
Sale/ (purchase) of fixed and intangible assets	-	9 413
Interest expenses	(135 165)	(152 296)
Interest income	-	-
Change in bad debt allowances	(13 553 857)	3 853 146
Other related parties		
Sale of goods	1 703 196	2 190 741
Purchase of goods	(532 461)	(1 119 670)
Services provided	-	8 852
Purchase of fixed and intangible assets	-	(664 457)
Services received	(369 211)	(578 969)
Interest expenses	(440 801)	(300 625)
Loans received	-	7 300 000

* Comparative information is re-presented due to Discontinued operations. Refer to Note 17.

29. 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

As at 31 December 2020 GROUP does not have loans with variable EURIBOR and LIBOR interest rate from credit institutions, and it is not exposed to risks related changes in interest rates. In 2019 all 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).

GROUP **Interest rate sensitivity analysis**	**31.12.2020**		**31.12.2019**	
Currency	% rate increase	Impact on statement of profit or loss	% rate increase	Impact on statement of profit or loss
EUR	+1,0	-	+1,0	-
USD	+1,0	-	+1,0	-
GBP	+1,0	-	+1,0	(11 392)

GROUP's Parent Company **Interest rate sensitivity analysis**	**31.12.2020**		**31.12.2019**	
Currency	% rate increase	Impact on statement of profit or loss	% rate increase	Impact on statement of profit or loss
EUR	+1,0	-	+1,0	-
USD	+1,0	-	+1,0	-
GBP	+1,0	-	+1,0	-

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 9% of total sales in 2020 resulted from contracts denominated in USD (2019: 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

Sensitivity analysis of financial assets and liabilities exposed to currency risk:

GROUP

31.12.2020	**EUR**	**USD**	**Total**
Trade and other receivables	1 139 399	2 996 571	4 135 970
Cash and cash equivalents	885 045	214 166	1 099 211
Borrowings and finance lease obligations	(73 076)	-	(73 076)
Trade and other payables	-	(2 157 705)	(2 157 705)
Total net financial assets	**1 951 368**	**1 053 032**	**3 004 400**
% from net assets	**(5)%**	**(3)%**	**(8)%**

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%**

	31.12.2020		**31.12.2019**	
Currency	Exchange rate fluctuation	Impact on statement of profit or loss	Exchange rate fluctuation	Impact on statement of profit or loss
	%	**EUR**	**%**	**EUR**
USD	+10%	105 303	+10%	74 166
USD	-10%	(105 303)	-10%	(74 166)
EUR	+10%	195 137	+10%	(4 686 513)
EUR	-10%	(195 137)	-10%	4 686 513

Sensitivity analysis of financial assets and liabilities exposed to currency risk:

GROUP's Parent Company

31.12.2020	**USD**	**Total**
Trade and other receivables	2 921 948	2 921 948
Cash and cash equivalents	24 450	24 450
Trade and other payables	(2 157 705)	(2 157 705)
Total net financial assets	**788 693**	**788 693**
% from net assets	**(2)%**	**(2)%**

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
Borrowings and finance lease	(3 324 381)	(3 324 381)
Trade and other payables	808 215	808 215
Total net financial assets	**4 099 550**	**4 099 550**
% from net assets	**(2)%**	**(2)%**

	31.12.2020		31.12.2019	
Currency	Exchange rate fluctuation	Impact on statement of profit or loss	Exchange rate fluctuation	Impact on statement of profit or loss
	%	EUR	%	EUR
USD	+10%	78 869	+10%	80 822
USD	-10%	(78 869)	-10%	(80 822)

To reduce potential adverse effects of USD and EUR currency fluctuations, the GROUP uses derivative financial instruments for significant transactions. As at 31 December 2020 and 2019 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 2020, the impairment loss on trade and other receivables and contract assets arising from contracts with customers recognized in profit or loss of the GROUP resulted in reversal in the amount of EUR 4 054 (2019: increase of 330 179). The GROUP's Parent Company recognized additional individual allowances for receivables from subsidiary Valmiera Glass USA Corporation in the amount of EUR 962 280 (2019: reversal of EUR -3 853 146).

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 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	31.12.2020	31.12.2019
Europe	5 009 751	3 109 375
North America	572 699	1 648 909
CIS countries	317 786	310 211
Other	916 212	964 626
Total	**6 816 448**	**6 033 121**

GROUP's Parent Company	31.12.2020	31.12.2019
Europe	3 911 145	2 337 980
North America	1 148 379	12 930 327
CIS countries	317 876	230 562
Other	910 737	821 705
Total	**6 288 137**	**16 320 574**

Expected credit loss assessment for all customers which are not individually assessed as at 31 December 2020

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 for each entity of the group.

Credit loss associated with receivables from Valmiera Glass USA Corporation is not related to the ordinary course of the business of the GROUP, and both the GROUP's Parent Company and subsidiary Valmiera Glass UK Ltd., have excluded Valmiera Glass USA Corporation from this assessment.

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 2020.

EUR **31 December 2020** **GROUP**	**Loss rate**	**Gross carrying amount**	**Loss allowance**	**Impaired or not**
Not due - 30 days past due	0.08%-1.33%	4 932 912	21 847	No
31 - 60 days past due	0.94%-2.83%	370 855	7 584	No
61 - 90 days past due	1.28%-10.92%	61 307	1 477	No
91 - 180 days past due	1.51%-14.39%	63 036	959	No
180 - 360 days past due	1.93%-19.60%	84 098	1 621	No
Above 360 days past due	23.80%-100%	326 125	326 125	Yes
Total		**5 838 333**	**359 613**	

EUR **31 December 2020** **GROUP's Parent Company**	**Average loss rate**	**Gross carrying amount**	**Loss allowance**	**Impaired or not**
Not due - 30 days past due	0.08%	3 453 704	2 764	No
31 - 60 days past due	0.94%	154 594	1 457	No
61 - 90 days past due	1.28%	54 152	695	No
91 - 180 days past due	1.51%	63 687	959	No
180 - 360 days past due	1.93%	84 098	1 621	No
Above 360 days past due	100%	326 125	326 125	Yes
Total		**4 136 360**	**333 621**	

Loss rates are based on actual credit loss experience in years 2019 and 2020. 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 2020 and 2019, 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**	
	2020 **EUR**	**2019** **EUR**	**2020** **EUR**	**2019** **EUR**
Allowances for trade accounts receivable (please see Note 8)	326 125	1 198 990	326 125	330 179
Allowances for loans to subsidiaries (please see Note 26)	-	-	77 126 861	80 048 156
Allowances for trade and other receivables from subsidiaries (please see Note 28)	-	-	4 622 425	3 664 413
Total	**326 125**	**1 198 990**	**82 075 411**	**84 042 748**

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	2020 EUR	2019* EUR
Balance at 1 January	1 198 990	95 803
Charge for the year	(4 054)	1 134 619
Amounts written off	(868 811)	-
Effect of movements in exchange rates	-	(31 432)
Balance at 31 December	**326 125**	**1 198 990**
GROUP's Parent Company		
Balance at 1 January	84 042 748	83 824 777
Charge for the year	958 012	234 376
Net remeasurement of loss allowance	-	(3 853 147)
Effect of movement in exchange rates	2 925 349	3 836 741
Balance at 31 December	**82 075 411**	**84 042 748**

* Comparative information is re-presented due to Discontinued operations. Refer to Note 17.

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 28 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.

	31.12.2020	01.01.2020
North America	77 126 861	80 048 156
Total	**77 126 861**	**80 048 156**

As at 31 December 2020 and 2019, 100% impairment allowances for the above loan amount are recognized (please see Note 28).

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 2020, the GROUP's companies have not issued any guarantees.

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, trade payables.

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.

As disclosed in Note 12(a), on 9 December 2020, the GROUP's Parent Company concluded a number of agreements to extend the loan repayment terms, and attract additional working capital and investment financing.

Repayment terms of financial liabilities are following:

GROUP

31.12.2020	**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	346 745	94 610 908	515 818	349 734	6 088	**95 829 293**
Interest payables	2 131 312	1 077 032	-	-	-	**3 208 344**
Trade accounts payable and other liabilities	17 244 976	1 149 164	606 912	-	-	**19 001 052**
Total EUR	**19 723 033**	**96 837 104**	**1 122 730**	**349 734**	**6 088**	**118 038 689**

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 payable	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**

GROUP's Parent Company

31.12.2020	**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	294 458	96 258 622	3 109 964	213 875	-	**99 876 919**
Interest payable	2 197 312	1 737 032	132 000	-	-	**4 066 344**
Trade accounts payable and other liabilities	17 267 314	1 149 164	606 912	-	-	**19 023 390**
Total EUR	**19 759 084**	**99 144 818**	**3 848 876**	**213 875**	**-**	**122 966 653**

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**

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**	
	31.12.2020 EUR	**31.12.2019 EUR**	**31.12.2020 EUR**	**31.12.2019 EUR**
Loans and borrowings	96 337 923	112 835 830	100 397 311	108 281 980
Cash and cash equivalents	(3 038 076)	(2 674 540)	(1 316 810)	(1 096 175)
Net debt	**93 299 847**	**110 161 290**	**99 080 501**	**107 185 105**
Equity	**(40 594 060)**	**(51 818 870)**	**(40 582 491)**	**(37 107 344)**
Debt to equity	**-230%**	**-213%**	**-244%**	**-289%**

In both years 2019 and 2020, 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 order to improve the GROUP's Parent Company's and GROUP's capital structure, in 2019 the GROUP has attracted additional loan financing, and hired an M&A advisor to attract additional equity investment and sell the shares or assets of P-D Valmiera Glass USA Corporation.

On 28 October 2020, the GROUP's Parent Company's majority shareholders and DUKE I S.a.r.l. concluded a Share Sale and Purchase Agreement to become effective when certain conditions have been fulfilled (please also see Note 31).

30. 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 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.

Until the date of publishing of these financial statements the GROUP has received no additional legal claims of J.ARON & COMPANY.

The GROUP companies have no other contingent liabilities.

31. SUBSEQUENT EVENTS

1. The GROUP's Parent Company's both subsidiaries in the United States of America P-D VALMIERA GLASS USA Corp. and VALMIERA GLASS USA Trading Corp. were dissolved on 15 February 2021 and 11 February 2021, respectively.

2. On 28 October 2020 the GROUP's Parent Company's controlling shareholders and Duke I S.à r.l. signed a share sale and purchase agreement on sale and purchase of 83.14% of the GROUP's Parent Company's shares (please see Note 12). To complete the agreement, a number of conditions precedent had to be fulfilled. On 18 February 2021 the conditions had been fulfilled, and the share sale and purchase agreement was completed - the GROUP's Parent Company's controlling shareholders sold 19 872 715 shares for EUR 0.5483 per share and the total purchase price of EUR 10 896 209.63 to Duke I S.à r.l.

The GROUP's Parent Company's shareholders with over 5% of the total capital as at 31 December 2020 and 18 February 2021:

	% of total shares on **31 December 2020**	% of total shares on **18 February 2021**
P-D Glasseiden GmbH Oschatz	26.07%	0%
P-D Management Industries-Technologies GmbH	23.93%	10.5%
P-D Composites Handels-und Service GmbH	22.82%	0%
Beatrix Preiss-Daimler	17.47%	0%
Duke I S.à r.l.	NA	83.14%

As part of the share sales and purchase agreement, a number of other agreements between the GROUP's Parent Company, Duke I and the GROUP's Parent Company's Lenders SEB Banka and Danske Bank were concluded as disclosed in Note 12(a). These agreements took effect and entered into legal force upon the share sales and purchase agreement completion date of 18 February 2021.

In addition, on 18 February 2021, the GROUP's Parent Company's unsecured liabilities to Mrs. Beatrix Preiss-Daimler, P-D Management Industries-Technologies GmbH, P-D Glasseiden GmbH Oschatz, P-D Refractories GmbH, P-D Industriegesellschaft mbH, PD Industriegesellschaft mbH Wetro, P-D Refractories Wetro, P-D Refractories CZ a.s., aNa-Consulting, b-Consulting and S. Jugel Consulting SIA totalling EUR 15 001 589 were assigned to Duke I S.à r.l.

3. As disclosed in Note 12(a) *Borrowings from credit institutions* On 9 December 2020, the GROUP's Parent Company, the Lenders and DUKE I S.A.R.L. signed a number of financing and security agreements, to take effect and enter into legal force, when all conditions precedent to the completion of the share purchase agreement between DUKE I and the majority shareholders of the GROUP's Parent company had been fulfilled or waived and title to the shares had been transferred to DUKE I. These agreements entered into legal force on 18 February 2021.

4. On 26 February 2021, the Management Board of the GROUP's Parent Company called up and announced an extraordinary general meeting of shareholders of the GROUP's Parent Company on 29 March 2021. The following shareholder decisions have been made during the meeting:

- To exclude all bearer shares of GROUP's Parent Company from JSC "Nasdaq Riga" Baltic Second list,

- To elect new Council for the next three-year period with the term of office beginning on 29 March 2021: Mr. Ian Jeffrey Burgess, Mr. Peter John Bentley, Mr. Alvaro Luis Esteban Belzuz, Mr. Stefan Alexander Preiss-Daimler and Mr. Andris Oskars Brutāns.

During the Council meeting on 29 March 2021, Mr. Peter John Bentley was elected as the Chairman of the Council and Mr Ian Jeffrey Burgess was elected in the position of the Deputy-Chairman of the Council

32. GOING CONCERN

In 2019, the GROUP's Parent 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.

On 17 June 2019 P-D Valmiera Glass USA Corporation filed a voluntary petition for relief under Chapter 11 in the United States Bankruptcy Court for the Northern District of Georgia. 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.

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

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 and LPP plan 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.

Amendments to the LPP plan were approved by the court on 19 May 2020, and waived the requirements to secure EUR 40 000 000 financing and settle liabilities to the secured creditors in the amount of EUR 35 000 000 until 31 March 2020, as well as to perform repayments of the principal indebtedness to the secured creditors in the amount of EUR 500 000 monthly as of 1 January 2020. However, according to the amended LPP plan, the GROUP's Parent Company was required to attract up to EUR 10 000 000 equity and / or loan financing until 30 November 2020.

Due to extended negotiations of the Company's share sale and purchase agreement (please see Note 31 and the related financing facilities (please see Note 12(a)), the Company could not meet the requirement to attract up to EUR 10 000 000 equity and / or loan financing until 30 November 2020, and the LPP plan was amended accordingly. The last amendments of the LPP plan were approved by the court on 7 January 2021, and the obligation to attract EUR 10 000 000 financing was revoked. In addition, entering into new financing arrangements as disclosed in Note 12(a) was permitted.

During 2020, the Company has had satisfactory operating results and cash flows, and both the Company and its UK subsidiary have managed to settle their current unsecured liabilities according to the agreed payment terms.

Until the date of signing of these financial statements the Company has fulfilled its liabilities according to the amended LPP plan and Forbearance agreement.

As at 31 December 2020, the GROUP Parent Company's shareholder's equity is negative in the amount of EUR 40 582 497, and its current liabilities exceed the carrying amount of current assets by EUR 94 336 434.

On 18 February 2021 the share sale and purchase agreement between GROUP's Parent Company's controlling shareholders and Duke I S.à r.l. on sale and purchase of 83.14% of the GROUP's Parent Company's shares was completed. On the same date, the GROUP's Parent Company restructured its short-term obligations into long-term borrowings, reduced its weighted average borrowing costs and attracted additional long-term financing facilities in the total amount of EUR 26.2 million, including an overdraft facility of up to EUR 10 million (please also see Note 31 and Note 12(a)). The new financing facilities substantially mitigate the potential risks associated with the term-structure of assets and liabilities of the GROUP's Parent Company, and the uncertain economic environment in the presence of COVID-19 pandemic. As at the date of publishing of these financial statements, the GROUP's Parent Company's equity is still negative. However, the Company's current assets exceed its current liabilities.

In the 1st quarter of 2021, the GROUP's Parent Company's unaudited net sales and net result amounted to 24.8 million EUR and 3.4 million EUR, respectively. Compared to the respective period of the preceding year, the Company's net sales decreased by 6%, which indicate that COVID-19 pandemic impact on the operations and financial results of the GROUP's Parent Company in 2021 is not overwhelming. Based on the available information, the management of the GROUP's Parent Company expects complete sales volume recovery to the pre-COVID levels in the second half of 2021.

Compared to the GROUP's Parent Company, the UK subsidiary's operations and financial results of 2020 were affected by COVID-19 pandemic more severely. Nevertheless, even though the 1st quarter's unaudited net sales were 20% lower than in the last year's comparative period, during the first months of 2021 the UK's subsidiary observes gradual recovery of order book volume, sales and profitability. The company's unaudited operating cash flows were positive, and the GROUP's management expects sales volume and profitability recovery to pre-COVID level by the end of 2022.

The United Kingdom (UK) departed from the European Union (EU) on 31 December 2020. During the 1st quarter of 2021, BREXIT did not affect the volume of the GROUP's UK subsidiary's sales to customers in the EU. The UK's subsidiary is a niche manufacturer of specialty glass fiber fabrics with limited alternative product offering, and the management does not expect significant impact of BREXIT on the business operations and financial results of the UK subsidiary also in the future.

Having considered the facts and circumstances laid out in the preceding paragraphs which may raise doubts about the Group's and Company's ability to continue as a going concern, management have prepared these consolidated and separate financial statements on the going concern basis, and are of the view that there is no material uncertainty related to 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 (collectively, "the Group") set out on pages 14 to 79 of the accompanying separate and consolidated Annual Report. The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020,
- 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 matter 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, 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 full access to the subsidiary's financial information that would enable us to obtain sufficient and appropriate audit evidence in respect of that financial information as at the current and prior annual reporting dates and for the years then ended. As a result, we were unable to determine whether any adjustments were necessary in respect of the the multiple elements making up the consolidated statements of financial position, comprehensive income, changes in equity and the consolidated cash flow statement of the Group as at and for the years ended 31 December 2020 and 31 December 2019. This matter also caused us to disclaim our audit opinion on the Group's prior year consolidated financial statements.

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 matter 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 25 November 2020 to audit the consolidated financial statements of the Group as at and for the year ended 31 December 2020. Our total uninterrupted period of engagement is 3 years, covering the periods ending 31 December 2018 to 31 December 2020.

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.

KPMG Baltics AS

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Rainers Vilāns

Rainers Vilāns
Partner pp. KPMG Baltics AS
Latvian Sworn Auditor
Certificate No. 200
Riga, Latvia

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Independent Auditors' Report

To the shareholders' of AS Valmieras Stikla Šķiedra

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 AS Valmieras Stikla Šķiedra ("the Company") set out on pages 14 to 79 of the accompanying separate and consolidated Annual Report, which comprise:

- the separate statement of financial position as at 31 December 2020,
- 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 on the corresponding figures as at and for the year ended 31 December 2019 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 unconsolidated financial position of AS Valmieras Stikla Šķiedra as at 31 December 2020, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Qualified Opinion

During 2019, the Company recognized a EUR 12 297 173 reversal of the impairment losses recognized in the preceding year, which related to loans to and receivables from its subsidiary, P-D Valmiera Glass USA Corporation. In our view, the reversal, in full or in part, related to the year ended 31 December 2018, which caused us to qualify our audit opinion on the separate financial statements for the year ended 31 December 2019 dated 23 October 2020. 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 and to the net loss for the year then ended. Our opinion on the current year's separate financial statements is also modified because of the effects of this matter on the comparability of the current period's figures and the corresponding figures.

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.

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 matter described in the *Basis for Qualified Opinion* section, 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 2020: EUR 83 206 544 (2019: EUR 88 693 367).

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

The Company manufactures and sells fibreglass 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 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.

Our response

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

— Updating understanding of the Company's revenue recognition policy and assessing the policy's continued compliance with relevant provisions of the financial reporting standards;

— Assessing the design, implementation and operating effectiveness of selected internal controls within the revenue recognition 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.

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

— For a sample of trade accounts receivable outstanding as at 31 December 2020, 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, including reversal of revenue after year-end, 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.

Going concern

Key audit matter

The Company incurred a net loss of EUR 3 475 153 for the year ended 31 December 2020, and, as of that date, its current liabilities exceeded current assets by EUR 94 336 434. Also, it reported negative net assets of EUR 40 582 497.

As discussed in Note 32:

— the Company has been adversely affected by developments relating to the COVID-19 outbreak, which resulted in decreased revenue and gross profit for the year ended 31 December 2020;

— Legal protection proceedings ("LPP") were initiated in Latvia in respect of the Company in 2019, with subsequent amendments in 2020. The Company's operating results and cash flows are highly dependent on its ability to attract additional financing and negotiate debt restructuring with the lenders, as well as on the outcome of the Company's shareholder structure change.

The Company's going concern assessment was based on cash flow forecasts, which in the Management Board's view support the assertion that the Company will have sufficient resources to continue for a period of at least 12 months from the

Our response

Our procedures in this area included, among others:

— Understanding the Company's business planning process and testing the design and implementation of selected internal controls over the assessment of the Company's ability to continue as a going concern, including those over the preparation and validation of cash flow forecasts used in the assessment;

— Inspecting the Management Board's assessment of the going concern basis of accounting, including their evaluation of the business/operating and liquidity risks arising from the COVID-19 outbreak, and plans for further actions in response to the risks identified. As part of the procedure we also made corroborating inquiries of the Company's CEO and Finance Director;

— Independently evaluating the reasonableness and feasibility of the plans for future actions in order to alleviate liquidity issues, by reference to the preceding procedure as well as by performing the following:

- challenging the key assumptions used in the determination of the forecast financial reporting date. The preparation of these forecasts incorporated a number of assumptions and significant judgment under a number of scenarios, including those considered by the Management Board to be severe but plausible. As part of the assessment, the Company also considered a number of actions aimed at alleviating the potential disruption to its business and liquidity position. These included, among other things, the fact that, on 18 February 2021, the Company restructured its short-term debt and attracted additional financing in the total amount of EUR 26.2 million, to be primarily utilized to finance the necessary investments in the maintenance and development of its manufacturing capacity, and for working capital financing.

The Management Board concluded that the range of possible outcomes considered at arriving at its going concern judgment does not give rise to material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Note 32 further explains how the judgment was formed.

The Company's use of the going concern basis of accounting is a key audit matter due to the associated extent of uncertainty, and consequently, high level of judgment required in evaluating the Management Board's plans for future actions and their financial impact.

information under various scenarios. This primarily included challenging forecast sales volumes, selling prices, cost of sales and related margins based on our understanding of the Company's activities;

- inspecting documents supporting closing of the share purchase transaction that resulted in the new majority shareholder for the Company. We further inspected agreements for restructuring current liabilities with the new shareholder and the banks in the period subsequent to the reporting date;
- performing an analysis of the going concern conclusion's sensitivity to changes in the aforementioned key assumptions adopted in the going concern assessment, and considering whether there were any indicators of management bias in the assessment;

— Considering whether any additional relevant facts or information have become available since the date on which the Company made its assessment;

— Evaluating the appropriateness of the Company's disclosures in respect of the going concern assessment and any related uncertainties in the separate financial statements against the requirements of the financial reporting standards.

Impairment of the investment in subsidiary

Key audit matter

The Company's assets include an investment in its subsidiary, Valmiera Glass UK Limited, in the amount of EUR 13 000 000 as at 31 December 2020 and 2019.

As described in Note 5, in the current year, the Company identified impairment indicators in respect of the said investment, carried at cost less impairment. The indicators included significant adverse effects that the COVID-19 pandemic had on the subsidiary's operations which resulted in

Our response

Our audit approach included the following procedures:

— Assessing the Company's impairment testing method and model against the requirements of the relevant financial reporting standards, market practice and for internal consistency;

— Evaluating the design and implementation of selected controls over the impairment assessment process, including those over the identification of indicators of impairment, decreased revenue and lower than forecasted profits.

In the wake of the above, as at 31 December 2020, the Company tested the investment for impairment. As part of the test, the Company determined the investment's recoverable amount based on its value in use estimated under the discounted cash flow method. Based on the test, no impairment loss was recognized.

Determination of the recoverable amount requires making a number of complex assumptions and judgments, including those relating to discount rates used and future cash flows, with key assumptions made about the discount rate applied, expected levels of sales, output and operating costs of the subsidiary as well as foreign exchange rates.

Due to the above, assessment of this investment for impairment required our significant judgment and increased attention in the course of our audit. As a consequence, we consider this area to be our key audit matter.

determination of cash generating units ("CGU"), and validation of the model's key assumptions and outcome;

— Evaluating the quality of the Company's forecasting by comparing historical projections with actual outcomes;

— Assessing the appropriateness of asset grouping into CGUs, based on our understanding of the Company's operations and business units;

— Evaluating relevance and reliability of key data sources used in estimating the investment's recoverable amount;

— Challenging the key assumptions and judgments used in the impairment model, including:

  - assumptions in respect of discount rates and foreign exchange rates, among other things, by reference to publicly available market sources, and
  - assumptions in respect of expected sales, output and operating costs, by reference to the Company's internal evidence, including approved budgets (which we independently assessed for reasonableness considering market conditions);

— Assessing susceptibility of the impairment model and the resulting impairment conclusion to management bias, by challenging the Company's analysis of the model's sensitivity to changes in key underlying assumptions;

— Assessing the accuracy and completeness of the Company's disclosures related to the assumptions and significant judgements used in estimating recoverable amount of its investment in the subsidiary.

Reporting on Other Information

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

- General information about the Group and the Company, as set out on page 4 of the accompanying Annual Report,
- the Management Report, as set out on pages 5 to 12 of the accompanying Annual Report,
- the Statement on Management Responsibility, as set out on page 13 of the accompanying Annual Report,
- the Statement of Corporate Governance and Non-financial Statement, which the Company has prepared as integral parts of Sustainability Report and plans to file with "Nasdaq Riga" together with Consolidated and Separate Annual Report.
- Remuneration Report, which the Company has prepared as separate report and plans to place on its website https://www.valmiera-glass.com.

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 in the appropriate annual reporting period for a reversal of impairment losses in respect of loans to and receivables from its subsidiary. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Management Report 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 of the separate financial statements, 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 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 Company's parent company.

We report that the Company has prepared Non-financial Statement as integral part of the Sustainability report, but the Company has not included the Non-financial Statement in the Management Report or included as a separate element of Consolidated and Separate Annual Report.

Furthermore, in accordance with the 'Law on Audit Services' of the Republic of Latvia our responsibility is to consider whether the Remuneration Report includes the information required in section 59.4 of the 'Financial Instruments Market Law' of the Republic of Latvia, and whether material misstatements have been identified in the Remuneration Report in relation to the financial information disclosed in the Annual Report.

In our opinion, the Remuneration Report includes the information required in section 59.4 of the 'Financial Instruments Market Law' of the Republic of Latvia, and no material misstatements have been identified in the Remuneration Report in relation to the financial information disclosed in the Annual Report.

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 IFRSs as adopted by the European Union 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 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 annual shareholders' meeting held on 25 November 2020 to audit the separate financial statements of AS Valmieras Stikla Šķiedra for the year ended 31 December 2020. Our total uninterrupted period of engagement is 3 years, covering the periods ending 31 December 2018 to 31 December 2020.

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 in addition to the audit, which have not been disclosed in the Management Report or in the separate financial statements of the Company.

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Rainers Vilāns

Rainers Vilāns
Partner pp. KPMG Baltics AS
Latvian Sworn Auditor
Certificate No. 200
Riga, Latvia

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