

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year 2017

**Prepared in accordance with International
Financial Reporting Standards as adopted by the European Union and
include Independent Auditors' Report***

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



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AS VALMIERAS STIKLA ŠĶIEDRA
GENERAL INFORMATION ABOUT THE COMPANY AND THE GROUP

Parent company name	VALMIERAS STIKLA ŠĶIEDRA
Legal form	Joint Stock Company (AS)
Registration number, place and date	4000 3031 676 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 (100%) Sherborne, Dorset DT9 3RB United Kingdom P-D Valmiera Glass USA Corp. (67%) 168 Willie Paulk Parkway, Dublin, GA 31021, United States of America Valmiera Glass USA Trading Corp. (100%) 168 Willie Paulk Parkway, Dublin, GA 31021, United States of America
The board	Chairman of the Board: Andre Heinz Schwiontek Members of the Board: Dainis Šēnbergs (till 31 July 2017) Stefan Jügel Doloresa Volkopa
The council	Chairman of the Council: Heinz-Jürgen Preiss-Daimler Members of the Council: Hans Peter Cordts Frank Wilhelm Behrends Andris Oskars Brutāns Jöran Pfuhl
Reporting year	1 January 2017 – 31 December 2017
Prior reporting year	1 January 2016 – 31 December 2016
Auditors and their address	Deloitte Audits Latvia SIA Licence No. 43 4a Grēdu Street, Riga, LV-1019, Latvia

GENERAL INFORMATION

VALMIERAS STIKLA ŠĶIEDRA, AS and its subsidiaries (hereinafter – VALMIERA GLASS GROUP or the GROUP) is one of the leading glass fibre manufacturers in Europe, with more than 50 years of experience in the production of glass fibre. VALMIERA GLASS GROUP's core business areas are glass fibre research, glass fibre product development, production and trade.

During the reporting period VALMIERA GLASS GROUP consisted of the parent company VALMIERAS STIKLA ŠĶIEDRA, AS and its subsidiaries VALMIERA GLASS UK Ltd. in the United Kingdom, P-D VALMIERA GLASS USA Corp. and VALMIERA GLASS USA Trading Corp. in the United States of America.

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

The GROUP's holding company 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 and SiO₂-glass with a temperature resistance of 1000+°C. The glass fibre production of VALMIERAS STIKLA ŠĶIEDRA, AS is used for further processing, in technical (electrical, thermal and acoustic) insulation materials and as finished materials in mechanical engineering, construction, and elsewhere.

The subsidiary VALMIERA GLASS UK Ltd. produces glass fibre products for the aviation industry, thermal insulation applications and architecture, and the subsidiary P-D VALMIERA GLASS USA Corp. manufactures glass fibre and specific glass fibre products mainly as a raw material for the manufacturing of other glass fibre products.

The holding company's VALMIERAS STIKLA ŠĶIEDRA, AS shareholders Corvalis GmbH and P-D Composites Handels-und Service GmbH concluded a Share Purchase Contract during the reporting period, where Corvalis GmbH will sell owned shares to P-D Composites Handels-und Service GmbH in certain period of time.

On February 26, 2018 by the decision of the Financial and Capital Market Commission of February 20, 2018, holding company's VALMIERAS STIKLA ŠĶIEDRA, AS shareholders Heinz-Jürgen Preiss-Daimler and Beatrix Preiss-Daimler made a mandatory bid's offer. After the mandatory bid, Beatrix Preiss-Daimler owns 9% of holding company's shares.

MARKETS

In 2017, products manufactured by VALMIERAS STIKLA ŠĶIEDRA AS, the parent company of the GROUP, were exported to 46 countries across the world with the share of exports reaching 97%. The GROUP continued to strengthen its position on the global glass fibre market in all key sales markets. The key sales markets of the GROUP have remained the same: countries of the European Union (70%), North America (10%), CIS (4%) and other export countries (16%).

Across product segments, sales volumes increased for E-glass fibre raw materials and technical fabrics with thermal resistance of 600+°C, as well as for the high-content SiO₂ glass fibre products with thermal resistance of 1000+°C. In 2017, the sales of these products increased on average by 20 % compared to 2016. In other product segments, the sales volumes are considered as stable.

EMPLOYEES

On 31 December 2017 the VALMIERA GLASS GROUP employed 1426 employees, of which the number of employees employed by AS VALMIERAS STIKLA ŠĶIEDRA was 1084. The subsidiary company VALMIERA GLASS UK Ltd. employed 134 employees and the subsidiary in USA - P-D VALMIERA GLASS USA Corp. had on 31 December 2017 already 238 employees.

INVESTMENTS

The focus of investments in 2017 was on the construction of the US investment. As of 31 December 2017, EUR 75.2 million were invested in plant II USA. The Latvian site and the plant in the UK had to

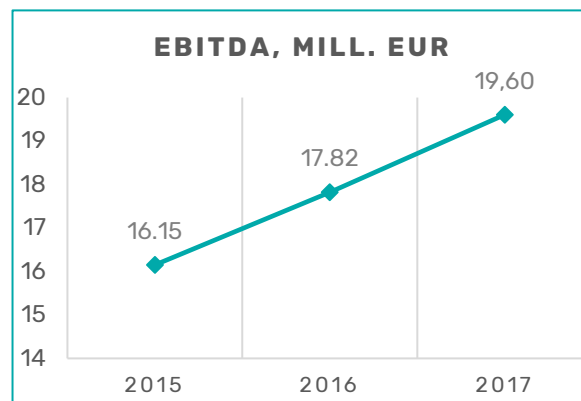
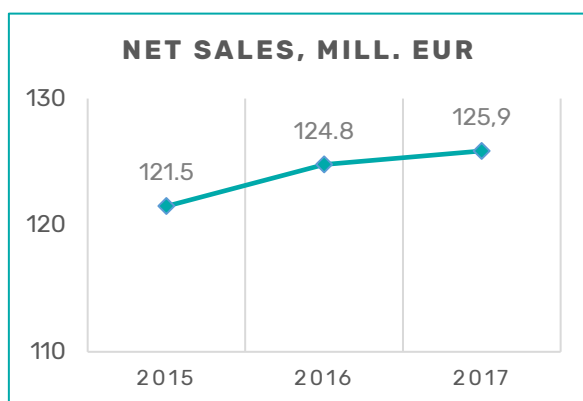
withstand this, so they only carried out maintenance investments on a small scale. Due to problems with the import of equipment, the plant in the USA was started in January 2018 with a delay of approx. 6 weeks. The plant is currently being ramped up. Planned performance is likely to hit in the beginning of the third quarter of 2018, with a 12-week delay.

QUALITY MANAGEMENT

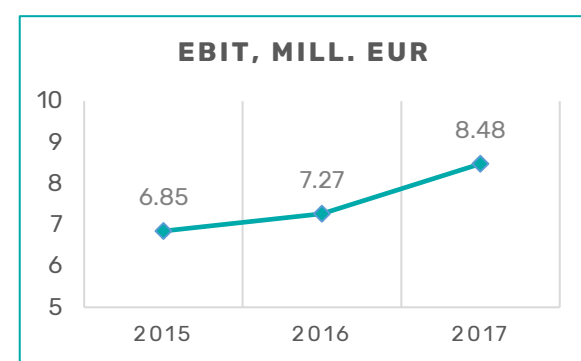
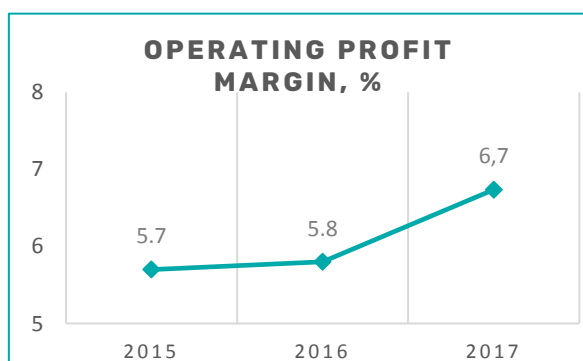
All the companies of the VALMIERA GLASS GROUP operate in accordance with the Quality Management System Standard ISO 9001:2015. VALMIERAS STIKLA ŠĶIEDRA AS, the parent company of VALMIERA GLASS GROUP, is certified in accordance with the requirements of the Energy Management Standard ISO 50001 and the Environment Management Standard ISO 14001:2004.

FINANCIAL RESULTS

The consolidated net sales of the GROUP in the year 2017 has reached EUR 125.9 Million. Compared to the sales of the GROUP in the year 2016 it has increased by EUR 1.1 Million, as a result of the lack of availability of purchased materials and the late reach of the planned capacity of the melting furnaces in the financial year. In general, the demand situation was such that the planned turnover could be achieved if the production goals were also achieved.

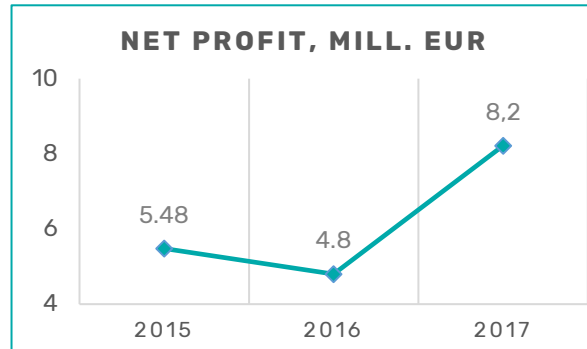
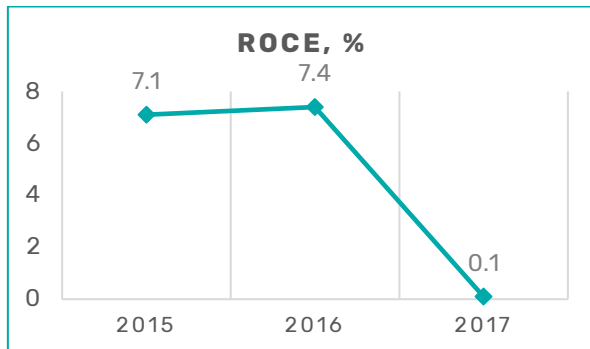


The consolidated operating profit (EBITDA) was EUR 19.6 Million and that is EUR 1.78 Million or 9% more than in the year 2016. The EBITDA margin increased as well to 15.5% from 14% last year. The earnings before interest and taxes (EBIT) reached EUR 8.48 Million and that is EUR 1.2 Million higher than in the year 2016.



The consolidated operating profit margin ratio in the year 2017 was 6.7 %, as a sign of the strong market situation and a result of the cost-saving programs and efficiency program. Consolidated Pre-tax profit reached EUR 8.6 Million in 2017 marking a strong growth of EUR 3.8 million from EUR 4.7 million in 2016.

The consolidated return on capital (ROCE) in the year 2017 was 0.1%, due to the classification of the credit facilities as current liabilities at the time of 31st of December by the auditors'. The consolidated net profit of the GROUP in the year 2017 was EUR 8.2 million, or EUR 3.4 million higher compared to the audited net profit of the GROUP in the year 2016. This result was achieved through the excellent sales conditions and the associated higher average prices. The higher output of furnaces and the consistent management of costs also made a significant contribution.



Nevertheless, the budgets could not be fully achieved. The main reasons for this were the material shortage in purchasing and the failure to meet the planned melt quantities due to technical problems, which were partly caused by external influences.

Due to continued strong demand in the fiberglass market and availability of the new capacity in the US, the Company expects a strong increase in sales to EUR 162.4 million in 2018. The plant was started in January 2018 and produced after the first initial difficulties since middle of March sellable goods. The installed capacities of 50,000 tons are to be fully utilized by the end of the year.

Taking into account the start-up costs in the first half of 2018, EBITDA will increase to EUR 23.6 million. Due to the borrowing to finance the investment of EUR 55 million and the associated financing costs, the net profit in 2018 will temporarily narrow to EUR 4.7 million. Only with full use of capacity in the following years will the high investment be reflected in an acceptable net result.

STOCK MARKET

The shares of VALMIERAS STIKLA ŠĶIEDRA, AS have been listed on the Nasdaq Riga Secondary List since 24 February 1997.

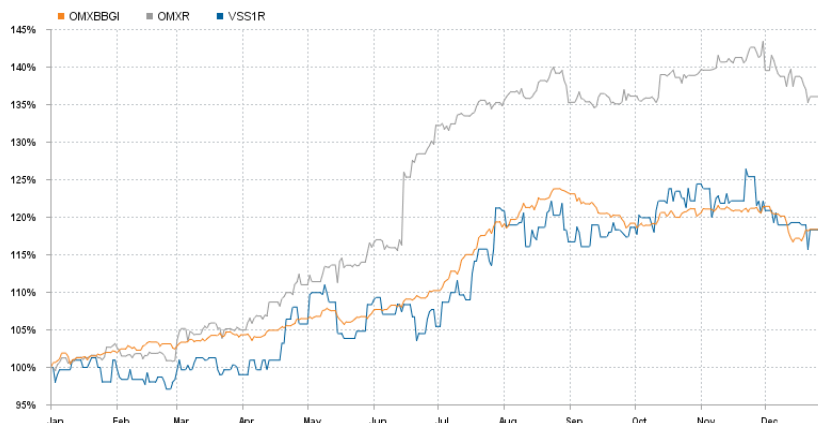
VALMIERAS STIKLA ŠĶIEDRA, AS
share price development in the
year 2017 (data of Nasdaq Riga):



During the year of 2017, the share price grew by 18.97%. In the reporting period, the share price fluctuated between EUR 2.92 (lowest share price) and EUR 3.93 (highest share price). In this period, the weighted average share price was EUR 3.50.

The number of shares traded during the year of 2017 exceeded 311 thousand, and the turnover of shares of VALMIERAS STIKLA ŠĶIEDRA, AS reached EUR 1.09 million. During the reporting period, 1003 transactions were made with shares of VALMIERAS STIKLA ŠĶIEDRA, AS.

VALMIERAS STIKLA ŠĶIEDRA, AS
share price in the year 2017 in
comparison with OMX Baltic
Benchmark GI and OMX Riga
index (data Nasdaq Riga):



The accompanying notes on pages 14 to 38 are an integral part of these financial statements.

The financial statements were signed on 23 April 2018 on the Company's behalf by:

Andre Heinz Schwiontek
Member of the Board

Stefan Jugel
Member of the Board

AS VALMIERAS STIKLA ŠĶIEDRA
STATEMENT OF MANAGEMENT RESPONSIBILITIES

The management of AS VALMIERAS STIKLA ŠĶIEDRA (further referred to as “the Company”) is responsible for the preparation of the financial statements of the Company and its subsidiaries (further referred to as “the Group”).

The financial statements are prepared in accordance with the source documents and present fairly the financial position of the Company and the Group as of 31 December 2017 and the results of their operations and cash flows for the year then ended. The management confirms that appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements. The management also confirms that the requirements of International Financial Reporting Standards as adopted by the EU have been complied with and that the financial statements have been prepared on a going concern basis.

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

23 April 2018

On the Company’s behalf by:

Andre Heinz Schwiontek
Member of the Board

Stefan Jugel
Member of the Board

AS VALMIERAS STIKLA ŠĶIEDRA
STATEMENT OF FINANCIAL POSITION OF THE GROUP AND THE COMPANY
AT 31 DECEMBER 2017

	Notes	Group		Company	
		31.12.17. EUR	31.12.16. EUR	31.12.17. EUR	31.12.16. EUR
ASSETS					
NON-CURRENT ASSETS					
Intangible assets					
Software, licences, patents, trade marks, similar rights	4	973 318	869 605	891 188	869 605
Software in acquisition process	4	14 700	-	14 700	-
Goodwill	5	3 692 694	3 826 612	-	-
Total intangible assets		4 680 712	4 696 217	905 888	869 605
Property, plant and equipment					
Land and buildings	6	15 761 318	17 243 174	11 281 645	11 986 984
Equipment and machinery	6	54 939 092	60 432 169	49 845 789	54 185 137
Other fixed assets	6	1 035 040	1 158 916	794 236	842 693
Construction in progress	6	69 258 750	5 952 882	204 798	4 271 168
Advance payments for fixed assets		13 163 704	348 704	449 975	290 994
Total property, plant and equipment		154 157 903	85 135 845	62 576 443	71 576 976
Non-current financial investments					
Investments in subsidiaries	5	-	-	29 974 974	15 502 974
Loans to subsidiaries	33	-	-	30 358 012	3 798 620
Receivables from related companies	33	-	-	-	3 123 773
Deferred expenses	11	206 831	235 322	-	-
Total non-current financial investments		206 831	235 322	60 332 986	22 425 367
Deferred tax asset	30	1 185 747	1 923 581	-	-
Total non-current assets		160 231 193	91 990 965	123 815 317	94 871 948
CURRENT ASSETS					
Inventories					
Raw materials	7	9 114 716	10 480 108	7 482 361	8 880 818
Work in progress		5 110 754	5 101 281	4 662 723	4 656 039
Finished goods	8	12 702 827	17 095 254	5 557 952	9 195 641
Advance payments for inventories		177 455	300 805	131 574	181 681
Total inventories		27 105 752	32 977 448	17 834 610	22 914 179
Debtors					
Trade receivables	9	11 948 523	10 118 616	6 008 184	4 835 448
Receivables from subsidiaries	33	-	-	23 649 592	5 270 730
Amounts due from related parties	33	337 091	971 131	319 336	971 136
Other receivables	10	4 311 953	1 057 173	4 129 619	667 024
Deferred expenses	11	777 887	788 516	391 117	732 506
Total debtors		17 375 454	12 935 436	34 497 848	12 476 844
Cash and cash equivalents	12	2 633 591	2 958 952	304 401	161 062
Total current assets		47 114 797	48 871 836	52 636 858	35 552 085
TOTAL ASSETS		207 345 990	140 862 800	176 452 173	130 424 033

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Andre Heinz Schwiontek
Chairman of the Board

Stefan Jügel
Member of the Board

AS VALMIERAS STIKLA ŠĶIEDRA
STATEMENT OF FINANCIAL POSITION OF THE GROUP AND THE COMPANY
AT 31 December 2017

	Notes	Group		Company	
		31.12.17. EUR	31.12.16. EUR	31.12.17. EUR	31.12.16. EUR
LIABILITIES AND EQUITY					
SHAREHOLDERS' EQUITY					
Share capital	13	33 464 487	33 464 487	33 464 487	33 464 487
Foreign currency translation reserve		(3 084 475)	(257 191)	-	-
Other reserves		(3 145 849)	(3 418 157)	546 709	546 709
Retained earnings					
Profit brought forward		24 044 472	19 237 518	21 334 538	18 894 565
Profit for the current reporting year		8 216 113	4 806 954	5 415 207	2 439 974
Total equity attributable to owners of the parent		59 494 748	53 833 610	60 760 941	55 345 735
Non-controlling interest		7 642 772	1 056 658	-	-
Total equity		67 137 520	54 890 268	60 760 941	55 345 735
LIABILITIES					
Non-current liabilities					
Borrowings from credit institutions	14	370 748	25 928 430	-	25 928 430
Borrowings from subsidiaries	33	-	-	2 316 705	2 700 000
Borrowings from other related parties	33	2 850 884	-	2 850 884	-
Finance lease	15	9 817	65 907	9 817	65 907
Finance lease from related parties	33	86 875	164 000	86 875	164 000
Other borrowings	16	1 245 965	1 620 204	-	-
Deferred tax liabilities	30	676 831	2 917 078	-	2 620 915
Defined benefit obligation	20	5 282 734	6 713 542	-	-
Deferred income	21	4 218 087	4 727 469	2 699 149	3 079 934
Derivative	34	137 543	431 006	137 543	431 006
Total non-current liabilities		14 879 483	42 567 636	8 100 973	34 990 192
Current liabilities					
Borrowings from credit institutions	14	83 336 950	23 534 569	82 819 969	23 138 575
Finance lease	15	56 453	68 804	56 453	68 804
Finance lease from related parties	33	95 460	111 000	95 460	111 000
Other borrowings	16	178 080	202 610	-	-
Advance payments from customers		323 468	121 902	260 612	107 340
Trade payables		33 123 510	12 933 845	17 596 365	11 648 562
Payables to subsidiaries	33	-	-	1 189 782	816 630
Payables to other related parties	33	1 499 342	814 585	1 046 045	812 297
Taxes and social security contributions	17	2 251 251	1 081 115	1 923 249	771 688
Other accounts payable	18	946 851	1 001 015	799 088	812 590
Accrued liabilities	19	2 073 179	2 104 964	1 422 452	1 419 836
Defined benefit obligation	20	958 038	992 782	-	-
Deferred income	21	486 406	437 705	380 784	380 784
Total current liabilities		125 328 988	43 404 896	107 590 259	40 088 106
Total liabilities		140 208 471	85 972 532	115 691 232	75 078 298
Total equity and liabilities		207 345 990	140 862 800	176 452 173	130 424 033

The accompanying notes on pages 14 to 38 are an integral part of these financial statements.

The financial statements were signed on 23 April 2018 on the Company's behalf by:

Andre Heinz Schwiontek
Chairman of the Board

Stefan Jügel
Member of the Board

AS VALMIERAS STIKLA ŠĶIEDRA
**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME OF THE GROUP AND THE COMPANY
FOR THE YEAR 2017**

	Notes	Group		Company	
		2017 EUR	2016 EUR	2017 EUR	2016 EUR
Sales	22	125 863 712	124 813 876	104 038 817	101 413 172
Change in inventories		(1 562 780)	3 513 231	(3 455 709)	2 062 749
Costs capitalized to non-current assets	6	2 089 341	373 928	31 478	262 351
Other operating income	23	1 888 490	1 061 603	1 741 537	2 076 879
Raw materials and consumables	24	(62 292 671)	(67 309 367)	(53 132 089)	(58 150 885)
Personnel expenses	25	(28 395 270)	(26 682 389)	(20 046 966)	(19 640 817)
Depreciation and amortization	26	(11 124 339)	(10 548 173)	(10 153 882)	(9 321 099)
Other operating expenses	27	(17 986 763)	(17 952 462)	(13 994 376)	(14 503 842)
Profit from operations		8 479 718	7 270 247	5 028 811	4 198 508
Interest and similar income	28	320 541	735 380	311 216	832 929
Interest and similar expenses	29	(1 533 639)	(1 609 794)	(2 545 735)	(1 321 463)
Profit before tax		7 266 620	6 395 833	2 794 292	3 709 974
Corporate income tax	30	1 374 462	(1 626 580)	2 620 915	(1 270 000)
Profit for the year		8 641 082	4 769 253	5 415 207	2 439 974
<i>Attributable to:</i>					
Non-controlling interest		424 969	(37 701)	-	-
Owners of the Parent		8 216 113	4 806 954	5 415 207	2 439 974
Earnings per share	31	0,3437	0,2011	0,2265	0,1021
Other comprehensive income					
Remeasurement of defined benefit obligation	20	340 385	(3 084 349)	-	-
<i>Deferred income tax relating to defined benefit obligation</i>	30	-	617 924	-	-
Exchange differences on translating foreign operations		(2 827 284)	(2 199 820)	-	-
Other comprehensive income for the year, attributable to owners of the Parent		(2 554 976)	(4 666 245)	-	-
Exchange differences on translating foreign operations attributable to non-controlling interest		(1 258 745)	12 319	-	-
Total other comprehensive income		(3 813 721)	(4 653 926)		
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4 827 361	115 327	5 415 207	2 439 974

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Stefan Jügel
Member of the Board

AS VALMIERAS STIKLA ŠĶIEDRA
STATEMENT OF CHANGES IN EQUITY OF THE GROUP AND THE COMPANY
FOR THE YEAR 2017

Group

	Share capital	Revaluation reserve	Other reserve	Retained earnings	Total	Non-controlling interest	Total equity
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
31.12.15.	33 464 487	1 942 629	(951 732)	20 737 699	55 193 083	-	55 193 083
Current year profit	-	-	-	4 806 954	4 806 954	(37 701)	4 769 253
Sale of non-controlling interest	-	-	-	145 482	145 482	1 082 040	1 227 522
Payment of dividends	-	-	-	(1 645 663)	(1 645 663)	-	(1 645 663)
Other comprehensive income:							
Remeasurement of defined benefit obligation	-	-	(3 084 349)	-	(3 084 349)	-	(3 084 349)
Deferred income tax relating to defined benefit obligation	-	-	617 924	-	617 924	-	617 924
Exchange differences on translating foreign operations	-	(2 199 820)	-	-	(2 199 820)	12 319	(2 187 501)
31.12.16.	33 464 487	(257 191)	(3 418 157)	24 044 472	53 833 611	1 056 658	54 890 269
Current year profit	-	-	-	8 216 112	8 216 112	424 969	8 641 081
Contributions from non-controlling interest	-	-	-	-	-	7 419 890	7 419 890
Other comprehensive income:							
Remeasurement of defined benefit obligation	-	-	340 385	-	340 385	-	340 385
Deferred income tax relating to defined benefit obligation	-	-	(68 077)	-	(68 077)	-	(68 077)
Exchange differences on translating foreign operations	-	(2 827 284)	-	-	(2 827 284)	(1 258 745)	(4 086 029)
31.12.17.	33 464 487	(3 084 475)	(3 145 849)	32 260 584	59 494 747	7 642 772	67 137 520

Company

	Akciju kapitāls	Pārējās rezerves	Nesadalītā peļņa	Kopā
	EUR	EUR	EUR	EUR
31.12.15.	33 464 487	546 709	20 540 227	54 551 423
Payment of dividends	-	-	(1 645 663)	(1 645 663)
Current year profit	-	-	2 439 974	2 439 974
31.12.16.	33 464 487	546 709	21 334 538	55 345 735
Current year profit	-	-	5 415 207	5 415 207
31.12.17.	33 464 487	546 709	26 749 745	60 760 942

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Stefan Jugel
Member of the Board

AS VALMIERAS STIKLA ŠĶIEDRA
STATEMENT OF CASH FLOWS OF THE GROUP AND THE COMPANY
FOR THE YEAR 2017

	Notes	Group		Company	
		2017 EUR	2016 EUR	2017 EUR	2016 EUR
Cash flows from operating activities					
Profit before tax		7 266 620	6 395 833	2 794 292	3 709 974
<i>Adjustments:</i>					
Change in fair value of derivative	28	(293 463)	(333 500)	(293 463)	(333 500)
Depreciation and amortization	26	11 124 339	10 548 173	10 153 882	9 321 099
Profit from disposal of fixed assets		-	-	(55 354)	-
Loss from investing in related parties sales	5	-	-	-	30 992
Interest expenses	29	1 359 917	1 394 575	1 311 934	1 290 471
Interest income	28	(27 077)	(121 902)	(17 753)	(111 875)
Income on EU grants	23	(923 355)	(687 124)	(396 361)	(477 194)
Changes in working capital:					
(Increase) / decrease in inventories		5 871 696	(2 215 293)	5 079 569	(2 026 925)
(Decrease) / Increase in accounts receivable		(4 093 943)	732 679	(14 269 837)	(129 583)
Increase in accounts payable		6 686 681	(1 590 287)	6 946 096	1 280 592
Cash provided by operating activities		26 971 415	14 123 154	11 253 005	12 554 051
Cash flows from investing activities					
Purchase of fixed and intangible assets		(70 634 723)	(13 646 505)	(1 541 350)	(11 811 278)
Investments in share capital of subsidiaries		-	-	(14 472 000)	-
Loans to related parties		-	-	(30 358 012)	-
Income from sales of fixed assets		-	-	512 142	-
Income from sales of investment in related party shares		-	1 186 159	-	1 186 159
Received interest		27 077	121 902	17 753	111 875
Net cash used in investing activities		(70 607 646)	(12 338 444)	(45 841 467)	(10 513 244)
Cash flows from financing activities					
Income from non-controlling interest contribution		7 419 890	-	-	-
Dividends paid		-	(1 645 663)	-	(1 645 663)
Loans received		52 700 214	7 714 386	42 263 848	7 617 121
Loans paid		(11 467 480)	(8 807 618)	(10 458 226)	(9 278 448)
Change in credit line		(4 535 919)	2 738 509	4 414 931	2 342 515
Finance lease paid		(161 106)	(116 313)	(161 106)	(116 313)
Paid interest expenses		(1 494 125)	(1 394 575)	(1 343 223)	(1 290 471)
Received EU and state grants		849 396	1 485 312	15 576	429 740
Net cash (used in) / provided by financing activities		43 310 870	(25 962)	34 731 800	(1 941 519)
Net change in cash and cash equivalents		(325 361)	1 758 748	143 338	99 288
Cash and cash equivalents at the beginning of reporting period		2 958 952	1 200 204	161 062	61 774
Cash and cash equivalents at the end of reporting period	12	2 633 591	2 958 952	304 400	161 062

The accompanying notes on pages 14 to 38 are an integral part of these financial statements.

The financial statements were signed on 23 April 2018 on the Company's behalf by:

Andre Heinz Schwiontek
Chairman of the Board

Stefan Jügel
Member of the Board

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 and its 100% owned subsidiaries Valmiera Glass UK (previously – P-D Integrlas Technologies Ltd.), Valmiera Glass USA Corporation and Valmiera Glass USA Trading Corporation. The principal activity of the Group is production and trade of fibreglass and fibreglass products.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENT

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (the EU) and their interpretations. The standards are issued by the International Accounting Standards Board (IASB) and their interpretations by the International Financial Reporting Interpretations Committee (IFRIC). The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values.

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

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IAS 7 “Statement of Cash Flows” - Disclosure Initiative** – adopted by EU on 6 November 2017 (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 12 “Income Taxes” - Recognition of Deferred Tax Assets for Unrealised Losses** – adopted by EU on 6 November 2017 (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IFRS 12 due to “Improvements to IFRSs (cycle 2014 - 2016)” resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording** – adopted by the EU on 7 February 2018 (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017),

The adoption of these amendments to the existing standards has not led to any material changes in the Group’s financial statements.

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

At the date of authorisation of these financial statements, the following new standards issued by IASB and adopted by the EU are not yet effective:

- **IFRS 9 “Financial Instruments”** – adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 15 “Revenue from Contracts with Customers” and amendments to IFRS 15 “Effective date of IFRS 15”** – adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 16 “Leases”** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 2 “Share-based Payment” - Classification and Measurement of Share-based Payment Transactions** – adopted by the EU on 27 February 2018 (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 4 “Insurance Contracts” - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts** – adopted by the EU on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 “Financial Instruments” is applied first time),
- **Amendments to IFRS 15 “Revenue from Contracts with Customers” - Clarifications to IFRS 15 Revenue from Contracts with Customers** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IAS 40 “Investment Property” - Transfers of Investment Property** – adopted by the EU on 14 March 2018 (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 1 and IAS 28 due to “Improvements to IFRSs (cycle 2014 -2016)” resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording** – adopted by the EU on 7 February 2018 (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),
- **IFRIC 22 “Foreign Currency Transactions and Advance Consideration”** – adopted by the EU on 28 March 2018 (effective for annual periods beginning on or after 1 January 2018).

The Group has elected not to adopt these new standards and amendments to existing standards in advance of their effective dates. The Group is in the process of assessment of potential impact of the adoption of IFRS 15 and IFRS 16 on the financial statements of the Group in the period of initial application.

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, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as of the date of publication of financial statements:

- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 17 “Insurance Contracts”** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments** (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IAS 19 “Employee Benefits” - Plan Amendment, Curtailment or Settlement** (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 28 “Investments in Associates and Joint Ventures” - Long-term Interests in Associates and Joint Ventures** (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to various standards due to “Improvements to IFRSs (cycle 2015 -2017)” resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording** (effective for annual periods beginning on or after 1 January 2019).
- **IFRIC 23 “Uncertainty over Income Tax Treatments” (effective for annual periods beginning on or after 1 January 2019).**

The Group anticipates that the adoption of these new standards, amendments to the existing standards and new interpretations will have no material impact on the financial statements of the Group in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

According to the Group’s estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to IAS 39: “Financial Instruments: Recognition and Measurement” would not significantly impact the financial statements, if applied as at the balance sheet date.

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 Company’s functional and presentation currency. The functional currencies of subsidiaries are GBP and USD.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group’s foreign subsidiaries are translated into EUR using exchange rate prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognised in other comprehensive income and accumulated in equity as Foreign currency translation reserves.

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:

	31.12.2017	31.12.2016
GBP	0.88723	0.85618
RUB	69.3920	64.3000
SEK	9.84380	9.5525
CHF	1.1702	1.0739
USD	1.1993	1.0541

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 Company and to the non-controlling interests. Total comprehensive income is attributed to the owners of the Company 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.

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 Company.

Business combinations

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

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

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

Investments in subsidiaries

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

Intangible assets

Goodwill

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

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

Other intangible assets

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

Tangible fixed assets

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

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

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

Land is not depreciated.

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

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

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

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

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

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

Inventories

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

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

Revenue recognition

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

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

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

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

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

Segment information

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

Retirement benefit costs

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

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

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

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

Financial assets

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

Loans and receivables

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

Impairment of loans and receivables

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

Interest rate swaps are contracts in which a series of interest rate flows in a single currency are exchanged over a prescribed period. Interest rate swaps involve the exchange of fixed and floating interest payments. The notional amount on which the Foreign exchange contracts (forwards) are contracts for the future receipt or delivery of foreign currency at previously agreed-upon terms.

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

Borrowings and trade payables

Borrowings and trade payables are initially measured at fair value, net of transaction costs.

Loans and trade payables are subsequently measured at amortized cost using the effective interest rate method.

The effective interest rate method provides financial liabilities calculating the amortized cost and interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or a shorter period.

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 announced in 2017, starting from 1 January 2018 corporate income tax will be 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 has increased from the 15% to 20%.

In accordance with International Accounting Standard No 12 "Income Taxes" 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, in the deferred tax assets and liabilities related to operations in Latvia are released to income statement for 2017.

Leases

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

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

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

Borrowing costs

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

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

Cash and cash equivalents

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

Government grants

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

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

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

Use of estimates and critical accounting judgments

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

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

Recoverable amount of goodwill

Goodwill is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. Determining whether goodwill is impaired requires the management to estimate the future cash flows expected to arise from the cash-generating unit. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Useful lives of property, plant and equipment

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

The carrying amounts of property, plant and equipment

The Group's management reviews the carrying amounts of property, plant and equipment and assesses whenever indications exist that the assets' recoverable amounts are lower than their carrying amounts. The Group's management calculates and records an impairment loss on property, plant and equipment based on the estimates related to the expected future use, planned liquidation or sale of the assets. Taking into consideration the Group's planned level of activities and the estimated market value of the assets, the Group's management considers that no significant adjustments to the carrying values of property, plant and equipment are necessary as of 31 December 2016.

Recoverability of deferred tax assets on tax loss carried forward

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

Net realisable value of inventories

The Group's management evaluates the net realisable value of inventories based upon the expected sales prices and selling costs and assesses the physical condition of inventories during the annual stock count. If the net realisable value of inventories is lower than the cost of inventories, allowance is recorded. The Group's management has evaluated the net realisable value of inventories and considers that it is not necessary to make an additional significant allowance as of 31 December 2017.

Allowance for doubtful trade receivables

The Group's management evaluates the carrying amount of trade receivables on individual basis and assesses their recoverability, making an allowance for doubtful trade receivables, if necessary. The Group's management has evaluated the trade receivables and considers that allowances provided are sufficient to cover the impairment loss as of 31 December 2017.

Defined benefit pension plans

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

AS VALMIERAS STIKLA ŠĶIEDRA
NOTES TO THE FINANCIAL STATEMENTS OF THE GROUP AND THE COMPANY
FOR THE YEAR 2017

4. INTANGIBLE ASSETS

Group

	Software licenses, patents, trademarks and other rights	Software in acquisition process	Total
	EUR	EUR	EUR
COST			
31.12.15.	965 829	107 912	1 073 741
Additions	247 015	-	247 015
Disposed	(107 399)	-	(107 399)
Transfers	107 912	(107 912)	-
31.12.16.	1 213 357	-	1 213 357
Additions	87 567	147 489	235 056
Disposed	(18 356)	-	(18 356)
Transfers	132 789	(132 789)	-
31.12.17.	1 415 357	14 700	1 430 057
ACCUMULATED DEPRECIATION			
31.12.15.	363 554	-	363 554
Charged	87 597	-	87 597
Disposed	(107 399)	-	(107 399)
31.12.16.	343 752	-	343 752
Charged	116 643	-	116 643
Disposed	(18 356)	-	(18 356)
31.12.17.	442 039	-	442 039
Carrying value			
31.12.16.	869 605	-	869 605
31.12.17.	973 318	14 700	988 018

5. INVESTMENTS IN SUBSIDIARIES AND GOODWILL

The Company is the sole shareholder in the following companies:

	31.12.2017 EUR	31.12.2016 EUR
Valmiera Glass UK Limited (100%)	13 000 000	13 000 000
P-D Valmiera Glass USA Corporation (67%)	16 959 079	2 487 079
Valmiera Glass	15 895	15 895
Total	29 974 974	15 502 974

The Company established subsidiaries Valmiera Glass USA Corporation and Valmiera Glass Trading USA Corporation on 9 April 2014. On 31 March, 2015 the Company invested additional US \$ 4 000 000 (EUR 3 688 335) in the share capital of the subsidiary Valmiera Glass USA Corporation.

The Company signed agreement with related party P-D management Industries-Technologies GmbH on 9 April 2016 for sale of 33% of Valmiera Glass USA Corp. shares for total amount of USD 1 326 600 (EUR 1 186 157). As a result, the name of subsidiary in USA was changed P-D Valmiera Glass USA Corp. As during the sale of interest the Group did not lose the control of subsidiary, in consolidated financial statements the result was recognised directly in equity, according with IFRS requirements.

On 10 February 2017 the Company invested additional USD 15 373 606 (EUR 14 472 000) in the share capital of the subsidiary Valmiera Glass USA Corporation, EUR 7 128 000 was contributed by the non-controlling investor in proportion with the shares held by them.

The Company acquired 100% of shares of subsidiary Valmiera Glass UK Limited (formerly named P-D Interglas Technologies Limited) from related party on 4 October 2013. Cost of acquisition amounted to EUR 13 000 000.

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

Valmiera Glass UK Ltd acquisition resulted in the recognition of goodwill of GBP 3 276 269 (EUR 3 826 612) in 2017 (2016: EUR 3 826 612) as acquisition costs essentially include the anticipated benefits of the business combination, revenue growth and future market growth. These and other benefits arising from the acquisition were not recognized as separate assets because they did not meet identifiable intangible assets recognition criteria.

The management has made assessment of the recoverable amount of the investment in the subsidiary and goodwill based on future cash flow projections in accordance with approved budget and applying discount rate of 8%. Cash flows after budgeted period are extrapolated with fixed rate 2% per annum. No impairment has been identified based on these calculations. Most significant assumptions used in this calculation are related to planned subsidiary's revenue, profitability and discount rate.

6. TANGIBLE FIXED ASSETS

Group	Land	Buildings	Equipment and machinery	Other fixed assets	Construction in progress	Total
	EUR	EUR	EUR	EUR	EUR	EUR
HISTORICAL COST						
31.12.15.	375 685	35 775 320	129 997 974	5 853 332	4 998 127	177 000 438
Impact of currency fluctuation	-	(469 522)	(2 004 925)	(190 902)	79 656	(2 585 693)
Additions	1 200	21 514	-	-	16 761 340	16 784 054
Disposals	-	(35 641)	(9 165 244)	(364 710)	-	(9 565 595)
Transfers	-	1 364 030	14 092 647	429 564	(15 886 241)	-
31.12.16.	376 885	36 655 701	132 920 452	5 727 283	5 952 882	181 633 203
Impact of currency fluctuation	-	(593 051)	(671 053)	(127 161)	(134 936)	(1 526 202)
Additions	-	3 311	63 147	132 056	68 901 035	69 099 550
Disposals	-	(27 074)	(1 149 945)	(373 792)	-	(1 550 811)
Transfers	-	545 574	4 624 661	289 996	(5 460 231)	-
31.12.17.	376 885	36 584 461	135 787 262	5 648 382	69 258 750	247 655 741
ACCUMULATED DEPRECIATION						
31.12.15.	-	18 754 531	74 693 223	4 676 441	-	98 124 195
Impact of currency fluctuations	-	(486 452)	(1 825 915)	(176 473)	-	(2 488 840)
Charge for the year	-	1 556 974	8 487 288	429 818	-	10 474 080
Disposals	-	(35 641)	(8 866 314)	(361 420)	-	(9 263 375)
31.12.16.	-	19 789 412	72 488 282	4 568 367	-	96 846 061
Impact of currency fluctuations	-	(50 934)	(85 499)	(21 108)	-	(157 541)
Charge for the year	-	1 488 624	9 091 800	432 709	-	11 013 132
Disposals	-	(27 074)	(646 413)	(366 624)	-	(1 040 111)
31.12.17.	-	21 200 028	80 848 170	4 613 343	-	106 661 542
NET CARRYING AMOUNT						
31.12.16.	376 885	16 866 289	60 432 170	1 158 917	5 952 882	84 787 142
31.12.17.	376 885	15 384 433	54 939 092	1 035 040	69 258 750	140 994 199

Company	Land	Buildings	Equipment and machinery	Other fixed assets	Construction in progress	Total
		EUR	EUR	EUR	EUR	EUR
HISTORICAL COST						
31.12.15.	375 685	26 856 410	109 952 940	4 242 700	5 009 280	146 437 015
Additions	1 200	-	-	-	14 849 746	14 850 946
Disposals	-	(35 641)	(8 306 685)	(364 710)	-	(8 707 036)
Transfers	-	1 310 086	13 937 667	340 105	(15 587 858)	-
31.12.16.	376 885	28 130 855	115 583 922	4 218 095	4 271 168	152 580 925
Additions	-	-	-	-	1 393 861	1 393 861
Disposals	-	(27 074)	(1 273 341)	(373 792)	-	(1 674 207)
Transfers	-	545 574	4 624 661	289 996	(5 460 231)	-
31.12.17.	376 885	28 649 355	118 935 242	4 134 299	204 798	152 300 579
ACCUMULATED DEPRECIATION						
31.12.15.	-	15 300 183	61 809 935	3 401 369	-	80 511 486
Charge for the year	-	1 256 214	7 641 835	335 453	-	9 233 502
Disposals	-	(35 641)	(8 052 984)	(361 420)	-	(8 450 045)
31.12.16.	-	16 520 756	61 398 785	3 375 402	-	81 294 943
Charge for the year	-	1 250 913	8 460 477	331 285	-	10 042 675
Disposals	-	(27 074)	(769 809)	(366 624)	-	(1 163 507)
31.12.17.	-	17 744 595	69 089 453	3 340 063	-	90 174 111
NET CARRYING AMOUNT						
31.12.16.	376 885	11 610 099	54 185 137	842 693	4 271 168	71 285 982
31.12.17.	376 885	10 904 760	49 845 789	794 236	204 798	62 126 467

The Company has pledged all its property as a security for borrowings, see Note 14.

A number of fixed assets that have been fully depreciated are still used in operations. The total acquisition cost of these assets as at 31 December 2017 amounted to EUR 15 304 311 (2016: EUR 18 700 346).

Equipment and machinery includes precious metal plates that are used in production, with net carrying amount as of 31 December 2017 of EUR 7 968 466 (2016: EUR 8 409 333). According to the metal prices quoted in London Stock Exchange as at 31 December 2017 the market price of the precious metals was EUR 9 633 823 (2016: EUR 11 715 475). The average technical depletion of the plates in 2017 was 5.2 % (2016: 3.2 %).

The additions to property, plant and equipment include capitalised direct expenses related with development of fixed assets. The total amount of expenses capitalised to property, plant and equipment was EUR 2 089 341 during 2017 (2016: EUR 373 929).

The addition to property include capitalized interest costs on loans received for specific asset acquisition. The total amount of expenses capitalized in 2017 was EUR 770 840. In 2016 the Group did not incur borrowing costs that meet the criteria for capitalization.

	Group		Company	
	31.12.17.	31.12.16.	31.12.17.	31.12.16.
	EUR	EUR	EUR	EUR
7. RAW MATERIALS				
Raw materials	9 361 286	10 656 849	7 728 930	9 057 559
Allowance for slow moving inventories	(246 569)	(176 741)	(246 569)	(176 741)
Total	9 114 716	10 480 108	7 482 361	8 880 818
8. FINISHED GOODS				
Finished goods	12 863 982	17 313 657	5 719 107	9 347 078
Allowance for excess of net realizable value over cost	(161 155)	(218 403)	(161 155)	(151 437)
Total	12 702 827	17 095 254	5 557 952	9 195 641
	Group	Company		
	EUR	EUR		
Allowances 31 December 2015	243 778	70 082		
Net change	(25 375)	81 355		
Allowances 31 December 2016	218 403	151 437		
Net change	(57 248)	9 718		
Allowances 31 December 2017	161 155	161 155		
9. TRADE RECEIVABLES				
Trade receivables	12 261 509	10 643 452	6 014 910	4 973 973
Allowances for doubtful receivables	(312 986)	(524 836)	(6 726)	(138 525)
Total	11 948 523	10 118 616	6 008 184	4 835 448
Age of receivables that are past due but not impaired:				
Days past due				
61-90 days	18 210	239 129	-	46 015
Over 90 days	103 227	309 435	103 227	69 201
Total	121 437	548 564	103 227	115 216
10. OTHER RECEIVABLES				
VAT overpayment	970 895	420 288	970 895	404 516
State and EU grants for implemented projects	40 578	339 442	-	72 864
Other receivables	3 324 595	323 789	3 182 839	215 990
Allowance for doubtful receivables	(24 116)	(26 346)	(24 116)	(26 346)
Total	4 311 953	1 057 173	4 129 619	667 024
Change in allowance for doubtful trade and other receivables:	Group	Company		
	EUR	EUR		
Allowance as of 31 December 2015	497 167	166 210		
Decrease due to collection (see Note 23)	(1 339)	(1 339)		
Additional allowance provided (see Note 27)	55 354	-		
Allowance as of 31 December 2016	551 182	164 871		
Decrease due to collection (see Note 23)	(8 357)	(2 230)		
Write off of Non-Recoverable Debts	(205 723)	(131 799)		
Allowance as of 31 December 2017	337 102	30 842		

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11. DEFERRED EXPENSES	Group		Company	
	31.12.17. EUR	31.12.16. EUR	31.12.17. EUR	31.12.16. EUR
Precious metal plates reprocessing expenses	192 226	176 604	192 226	176 604
Insurance expenses	297 237	77 530	131 498	50 030
Commission short term part	981	333 334	981	333 334
Other deferred expenses	287 443	201 048	66 413	172 538
Total	777 887	788 516	391 117	732 506
Other deferred expenses	206 831	235 322	-	-
Total	206 831	235 322	-	-
12. CASH AND CASH EQUIVALENTS	31.12.17.	31.12.16.	31.12.17.	31.12.16.
Cash in bank	2 633 591	2 958 952	304 401	161 062
Total	2 633 591	2 958 952	304 401	161 062

13. SHARE CAPITAL

The Company's paid-up share capital on 31 December 2017 and 2016 consists of 11,494,250 publicly listed bearer shares and 12,408,955 private placement ordinary shares with equal rights. The share capital is 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 33,464,487. Positive difference arising from the denomination in amount of EUR 546,709 was transferred to reserves of the Company.

As of 31 December 2017 and 2016 the shareholders of the Parent company, in accordance with the records maintained by the Latvian Central Depository, are as follows:

	31.12.17.	31.12.16.
Corvalis GmbH (previously Vitruhan International GmbH)	24,52%	36,19%
P-D Glaseeiden GmbH Oschatz	26,07%	26,07%
Preiss – Daimler Beatrix	7,40%	5,36%
P-D Composites Handels-und Service GmbH	6,28%	-
P-D Management-Industries-Technologies GmbH	23,93%	23,93%
Other	11,80%	8,26%
	100,00%	100,00%

The Group is ultimately controlled by Heinz-Jürgen Preiss-Daimler and Beatrix Preiss-Daimler. Corvalis GmbH has a significant influence over the Company. The ultimate beneficial owner of Corvalis GmbH is Hans Peter Cordts.

14. BORROWINGS FROM CREDIT INSTITUTIONS	Group		Company	
	31.12.17. EUR	31.12.16. EUR	31.12.17. EUR	31.12.16. EUR
Non-current part:				
Loan due within 2 to 5 years	-	25 928 430	-	25 928 430
Loan due after more than 5 years	-	-	-	-
Total non-current part	0	25 928 430	-	25 928 430
Current part:				
Credit line	17 836 749	13 300 830	17 319 767	12 904 836
Loan	65 870 950	10 233 739	65 870 950	10 233 739
Total current part	83 707 699	23 534 569	83 190 717	23 138 575
Total	83 707 699	49 462 999	83 190 717	49 067 005

As of 31 December 2017 the Group did not meet Net Debt to EBITDA financial covenant of a loan agreement as of 31 December 2017. The long term portion of the loan of EUR 56 mln was reclassified to short term based on IFRS guidance due to the technical breach. The breach arose due to late finalization of consolidated numbers by the Group and actual EBITDA numbers being lower than expected. The lender did not request accelerated repayment and provided a waiver in February 2018. Management has improved its monitoring procedures to ensure that such circumstances do not recur.

Annual interest rate for loans and credit line in EUR is 1.3%-3.45% + 3M EURIBOR, in USD - 2.2%-3.45% + 3M LIBOR.

The Group has signed interest rate swap contracts for certain loans. As of 31 December 2017, the fair value of interest swap agreement amounts to a liabilities of EUR 137 543 (2016: liabilities EUR 431 006), which is presented as Derivative financial instrument in these financial statements.

The credit lines are secured by the inventories of the Company with the carrying amount as of 31 December 2017 of EUR 17 813 531 (2016: EUR 22 732 498).

As of 31 December 2017 the amount of available and not yet withdrawn credit lines was EUR 680 233 (2016: EUR 95 164) and EUR 610 121 (GBP 541 318) (2016: EUR 771 985 (GBP 660 958)).

The loans are secured by all assets of the Company.

15. FINANCE LEASE	Group		Company	
	31.12.17. EUR	31.12.16. EUR	31.12.17. EUR	31.12.16. EUR
Non-current	9 817	65 907	9 817	65 907
Current	56 453	68 807	56 453	68 804
Total	66 270	134 714	66 270	134 711

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

Net carrying amount of fixed assets purchased based on finance lease agreements as of 31 December 2017 amounted to EUR 115 348 (2016: EUR 206 737).

16. OTHER BORROWINGS	31.12.17. EUR	31.12.16. EUR	31.12.17. EUR	31.12.16. EUR
Non-current	1 245 965	1 620 204	-	-
Current	178 080	202 610	-	-
Total	1 424 045	1 822 814	-	-

In July, 2014 the Group signed a memorandum of cooperation ("MOU") with the United States Dublin City and Lawrence County Development Agency ("the Agency"), with which the Agency undertook to provide certain support, if Group located its manufacturing facility in Lawrence area. Within MOU, the Agency has issued to the Company a loan at an interest rate of 1% per annum and a maturity of 7 years.

In January, 2016 the Group signed new memorandum of cooperation with Agency, with which the Agency undertook to provide further support, if the Group will make additional investment in its manufacturing facility in Lawrence area besides MOU specified investments in 2014. Within new MOU terms, the Agency has issued to P-D Valmiera Glass USA Corp. loan with interest rate 1% in year with maturity date 10 years.

17. TAXES AND SOCIAL SECURITY CONTRIBUTIONS

	31.12.17. EUR	31.12.16. EUR	31.12.17. EUR	31.12.16. EUR
Republic of Latvia (Company)				
Natural resource tax	8 190	7 843	8 190	7 843
Social security contributions	1 240 808	479 761	1 240 808	479 761
Personal income tax	673 859	283 676	673 859	283 676
Enterprise risk duty	392	409	392	409
United Kingdom:				
Other taxes	190 819	295 047	-	-
United States of America				
Corporate income tax	70 866	-	-	-
Personal income tax and Social security contributions	66 318	14 378	-	-
Total	2 251 251	1 081 114	1 923 249	771 689

18. OTHER ACCOUNTS PAYABLE	31.12.17. EUR	31.12.16. EUR	31.12.17. EUR	31.12.16. EUR
Salary	794 736	833 980	794 736	800 583
Other	152 115	167 035	4 351	12 007
Total	946 851	1 001 015	799 088	812 590

19. ACCRUED LIABILITIES	31.12.17. EUR	31.12.16. EUR	31.12.17. EUR	31.12.16. EUR
Accrual for vacations	422 654	393 875	186 275	229 338
Accruals for remuneration of management	412 242	411 881	412 242	411 880
Accruals for client bonuses	758 111	712 794	758 111	712 794
Other	480 172	586 414	65 824	65 824
Total	2 073 179	2 104 964	1 422 452	1 419 836

20. RETIREMENT 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 scheme is an HMRC registered pension scheme and is subject to standard UK pensions and tax law. Details of the benefits provided by the Scheme are set out in the Trust Deed and Rules dated 12 April 1999 (as amended).

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.

At each scheme funding assessment the present value of the contributions detailed in the current recovery plan is compared with any shortfall revealed. 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 2013, a recovery plan was agreed between the Trustees and the Employer to meet the shortfall over the period ending 31 August 2025. The contributions payable under this recovery plan are £850,000 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 2017. 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 2017 and 2016 were:

% p.a.	2017	2016
% per Year	% per Year	% per Year
Discount rate	2,40	2,60
Rate of increase in retirement benefit payment		
Fixed	2,30	2,50
RPI (max 5%)	3,25	3,40
CPI (max 5%)	2,05	2,15

Discount rate

IAS19 requires that the discount rate should reflect the current rate of return available on AA rated corporate bonds of appropriate currency and term.

For the purpose of deriving the discount rate, zero coupon yield curve data has been used as provided to Capita Employee Benefits by Markit Indices Limited based on the constituents of the iBoxx £ Corporates AA index. As of 31 December 2017 discount rate of 2.40% p.a. has been calculated (31 December 2016: 2.60% p.a.).

The assumed life expectations on retirement at age 65 are:

	2017	2016
	Years	Years
Retiring today		
- Males	22,3	22,4
- Females	24,2	24,1
Retiring in 20 years		
- Males	23,7	24,5
- Females	25,7	26,4

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The amounts included in the statement of financial position arising from the company's obligations in respect of defined benefit plans are as follows:

	2017 EUR	2016 EUR
Present value of defined benefit obligations	19 070 590	19 968 931
Fair value of plan assets	16 348 636	15 417 318
Deficit in scheme	(2 721 955)	(4 551 613)
Recognition of the committed liability to make future contributions	(3 518 817)	(3 154 710)
Liability recognised in statement of financial position	(6 240 772)	(7 706 323)

Movements in the present value of defined benefit obligations:

	2017 EUR	2016 EUR
At 1 January 2017	19 270 088	18 406 176
Benefits paid	(757 414)	(816 417)
Actuarial gains and losses	66 499	1 713 424
Interest cost	491 417	665 747
At 31 December 2017	19 070 590	19 968 931

The defined benefit obligations arise from plans which are wholly or partly funded.

Movements in the fair value of plan assets:

	2017 EUR	2016 EUR
At 1 January 2017	14 877 766	12 952 883
Interest income	388 851	482 375
Return on plan assets	881 395	1 805 695
Benefits paid	(757 414)	(816 417)
Contributions by the employer	958 038	992 781
At 31 December 2017	16 348 636	15 417 318

Sensitivity of the net obligation to changes in assumptions

The sensitivity analysis shows the impact on the defined benefit obligation if the assumptions were changed as shown (assuming all other assumptions remain constant).

The total employer contributions to the scheme in 2017 is estimated to be €850,000. The duration of the defined benefit obligation is 17 years.

	2017 EUR	2016 EUR
0.5% decrease in discount rate	20 542 588	1 167 978
0.25% increase in inflation and related assumptions	19 177 665	20 103 249

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

	31.12.17.	31.12.16.
	EUR	EUR
Shares/equity	5 827 125	5 279 264
Corporate bonds	8 219 966	7 539 302
Index-linked assets	2 210 250	2 223 831
Cash and cash equivalents	91 295	374 921
Total pension plan assets	16 348 636	15 417 318
Present value of pension plan liabilities	(19 070 590)	(19 968 932)
Subsequent liabilities recognition	(3 518 817)	(3 154 710)
Net pension plan liabilities	(6 240 772)	(7 706 324)
Current portion	958 038	992 782
Non-current portion	5 282 734	6 713 542

Changes in the value of Pension Plan which were recognized during the reporting period:

	31.12.17.	31.12.16.
	EUR	EUR
Changes recognized as Reserves	340 385	(3 084 349)
Interest costs recognized in statement of profit and loss	(102 566)	(183 373)
Total	237 819	(3 267 722)

21. DEFERRED INCOME

	Group		Company	
	31.12.17.	31.12.16.	31.12.17.	31.12.16.
	EUR	EUR	EUR	EUR
EU grants	2 699 149	3 079 934	2 699 149	3 079 934
USA grants	1 518 937	1 647 535	-	-
Total non-current	4 218 087	4 727 469	2 699 149	3 079 934
EU grants	380 784	380 784	380 784	380 784
USA grant	105 622	56 921	-	-
Total current	486 406	437 705	380 784	380 784
Total	4 704 492	5 165 174	3 079 933	3 460 718

In July 2014 the Group entered into a Memorandum of Understanding („MOU”) with the City of Dublin and County of Laurens Development Authority (USA), whereby the Authority agreed to provide certain inducements if the Group locates its manufacturing facility in Laurens County. As of 31 December 2015 the Group had received grant in amount of USD 900 000 (EUR 826 674) for the financing of the facility. Based on grant terms, the Group shall ensure creation of 150 jobs in USA facility and investment of USD 20 000 000 until 31 December 2019. If the requirements for the grant will not be fulfilled, the grant shall be refunded.

In January 2016 the Group signed additional agreement, whereby the Agency undertook to ensure support, if the Group, within Phase I, in established manufacturing facility till 31 December 2022 will make additional investment in amount of USD 90 000 000 and will make 425 new full time work places (Phase II).

Till 31 December 2017 the Group, within Phase I, had received support payment in amount of USD 1 900 000 (EUR 1 758 934) and, within Phase II, USD 1 000 000 for factory construction and expanding financing. If the financing terms will not be met, support payment will have to be repaid.

As of 31 December 2017 the Group has invested in the Dublin plant in USD 10.7 million and created 238 jobs.

As of 31 December 2017 and 2016 the Group has complied with the requirements of the agreements related to EU financing.

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22. SALES AND BUSINESS SEGMENTS

Based on the type of its products the Group may be divided into two main business divisions – glass fibre fabrics and non-woven products. Those divisions serve as the basis to report the primary segments of the Group – business segments.

Group

Statement of comprehensive income

EUR	Glass fibre fabrics		Glass fibre non-woven products		Total	
	2017	2016	2017	2016	2017	2016
Sales	75 639 788	77 888 788	50 223 924	46 925 088	125 863 712	124 813 876
Segment operating expenses	(53 870 317)	(59 709 901)	(30 111 540)	(36 520 190)	(83 981 856)	(96 233 091)
Unallocated expenses					(33 402 137)	(21 310 537)
Operating profit	21 769 472	18 178 887	20 112 384	10 404 898	8 479 719	7 270 247
Interest income					320 541	735 380
Interest expenses					(1 533 639)	(1 609 794)
Profit before taxation					7 266 620	6 395 833
Income tax expense					1 374 462	(1 626 580)
Profit for the year					8 641 082	4 769 253

Statement of financial position
31.12.2017

EUR	Glass fibre fabrics		Glass fibre non-woven products		Total	
Assets						
Segment assets		41 406 387		130 417 967		171 824 353
Unallocated assets						35 521 637
Total assets						207 345 990
Equity and liabilities						
Segment liabilities		14 918 737		82 276 119		97 194 857
Unallocated liabilities and equity						110 125 338
Total equity and liabilities						207 320 195

Other information

2017, EUR	Glass fibre fabrics		Glass fibre non-woven products		Other	Total
Acquisition of fixed and intangible assets		1 723 530		58 492	71 383 898	73 165 919
Depreciation and amortization		2 072 873		1 066 015	7 874 245	11 013 132

Company

Statement of comprehensive income

EUR	Glass fibre fabrics		Glass fibre non-woven products		Total	
	2017	2016	2017	2016	2017	2016
Sales	60 305 980	61 319 089	43 732 837	40 094 083	104 038 817	101 413 172
Segment operating expenses	(41 141 030)	(45 726 953)	(24 466 839)	(30 174 174)	(65 607 870)	(75 901 127)
Unallocated expenses					(33 402 137)	(21 313 537)
Operating profit	19 164 950	15 592 136	19 265 998	9 919 909	5 028 811	4 198 508
Interest income					311 216	832 929
Interest expenses					(2 545 735)	(1 290 471)
Loss from investment sale					-	(30 992)
Profit before taxation					2 794 292	3 709 974
Income tax expense					2 620 915	(1 270 000)
Profit for the year					5 415 207	2 439 974

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Statement of financial position
31.12.2017

EUR	Glass fibre fabrics	Glass fibre non-woven products	Total
Assets			
Segment assets	35 485 754	104 538 939	140 024 693
Unallocated assets			36 427 480
Total assets			176 452 173
Equity and liabilities			
Segment liabilities	9 023 901	56 397 092	65 420 992
Unallocated liabilities and equity			111 031 181
Total equity and liabilities			176 452 173

Other information

2017, EUR	Glass fibre fabrics	Glass fibre non-woven products	Other	Total
Acquisition of fixed and intangible assets	1 657 072	58 492	3 744 668	5 460 231
Depreciation and amortization	1 831 261	363 170	7 848 245	10 042 675

Net sales by geographical area:

	Group		Company	
	2017	2016	2017	2016
	EUR	EUR	EUR	EUR
European Union	87 807 354	92 235 548	72 581 470	77 690 488
North America	12 542 417	16 540 072	10 367 549	10 933 637
CIS	5 529 133	5 450 884	4 570 376	5 434 977
Other countries	19 984 808	10 587 372	16 519 422	7 354 070
Total	125 863 712	124 813 876	104 038 817	101 413 172

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	Group		Company	
	2017 EUR	2016 EUR	2017 EUR	2016 EUR
23. OTHER OPERATING INCOME				
Sale of raw materials	264 933	187 230	264 933	187 230
Profit from sales of fixed assets	-	-	56 689	-
Insurance indemnification	32 770	18 541	32 770	18 541
Income from rent of premises	44 280	32 641	44 280	32 641
Recovered bad debts (see Note 10)	2 230	1 339	2 230	1 339
Income from EU funding	923 355	687 124	396 361	477 194
Management services	-	-	889 198	859 441
Other	620 923	134 728	55 077	500 493
Total	1888 490	1061 603	1741 537	2 076 879
24. RAW MATERIALS AND COSUMABLES				
	2017 EUR	2016 EUR	2017 EUR	2016 EUR
Raw materials and other costs	50 566 343	55 303 421	42 429 059	47 235 684
Natural gas	4 371 696	3 650 292	3 995 862	3 279 036
Electricity	5 790 860	6 894 871	5 143 395	6 175 382
Oxygen	867 161	776 345	867 161	776 345
Precious metal plates processing costs	696 611	684 438	696 611	684 438
Total	62 292 671	67 309 367	53 132 089	58 150 885
25. PERSONNEL EXPENSES				
	2017 EUR	2016 EUR	2017 EUR	2016 EUR
Salaries	20 849 504	19 834 070	13 913 138	13 837 773
State social security contributions	4 421 267	4 039 308	3 692 871	3 430 551
Illness and vacation expenses	2 203 652	1 959 856	2 165 085	1 867 961
Employee insurance	357 921	340 348	98 469	92 116
Other	562 927	508 807	177 404	412 416
Total	28 395 270	26 682 389	20 046 966	19 640 817
	2017 EUR	2016 EUR	2017 EUR	2016 EUR
Average number of employees	1 435	1 268	1 063	1 085
26. DEPRECIATION AND AMORTISATION				
	2017 EUR	2016 EUR	2017 EUR	2016 EUR
Fixed asset depreciation based on straight line method	10 566 949	10 106 140	9 602 264	8 879 066
Depreciation of precious metal plates	440 411	354 436	440 411	354 436
Intangible asset amortization (see Note 4)	116 979	87 597	111 206	87 597
Total	11 124 339	10 548 173	10 153 882	9 321 099

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27. OTHER OPERATING EXPENSES	Group		Company	
	2017	2016	2017	2016
	EUR	EUR	EUR	EUR
Transportation	8 462 177	8 479 965	6 382 541	6 544 633
Sales commission	1 453 362	1 435 079	1 346 408	1 306 145
Service costs	1 742 291	1 380 424	1 685 901	1 726 088
Spare parts	1 585 913	1 547 305	1 335 907	1 200 285
Repair expenses	659 991	624 780	530 922	479 590
Training and qualification of employees	72 318	641 091	72 318	641 055
Insurance	707 903	629 033	376 313	387 360
Business trips	687 431	779 349	353 627	446 835
Labour safety and specific clothing	361 141	312 245	280 876	236 533
Research and development expenses	90 225	260 501	44 240	193 690
Communication	173 284	204 761	92 597	109 069
Rent	838 964	740 053	473 937	411 616
Office expenses	51 470	63 002	22 224	26 431
Selling expenses	581 880	219 917	431 125	188 976
Property tax	240 095	199 929	90 860	77 397
Allowance for doubtful receivables (Note 10)	-	55 354	-	-
Audit fees	73 620	70 837	53 212	40 103
Other	204 699	308 837	421 369	488 036
Total	17 986 763	17 952 462	13 994 376	14 503 842

Other services received from the auditors of the financial statements amount to EUR 12 000 in 2017.

28. INTEREST AND SIMILAR INCOME	2017	2016	2017	2016
	EUR	EUR	EUR	EUR
Profit from foreign currency exchange rate fluctuations	-	279 978	-	387 554
Interest income	27 077	121 902	17 753	111 875
Net gain on changes in fair value of derivative	293 463	333 500	293 463	333 500
Total	320 541	735 380	311 216	832 929

29. INTEREST AND SIMILAR EXPENSES	2017	2016	2017	2016
	EUR	EUR	EUR	EUR
Loss from foreign currency exchange rate fluctuations	39 514	-	1 202 511	-
Interest expenses	1 359 917	1 394 575	1 311 934	1 286 208
Paid fines	31 642	31 846	31 289	4 263
Sale non-controlling	-	-	-	30 992
Interest expenses related to retirement benefit	102 566	183 373	-	-
Total	1 533 639	1 609 794	2 545 735	1 321 463

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30. CORPORATE INCOME AND DEFERRED TAX	Group		Company	
	2017 EUR	2016 EUR	2017 EUR	2016 EUR
Corporate income tax and deferred tax recognized in profit or loss:				
Corporate income tax	485 599	-	-	-
Deferred tax	(1 860 061)	1 626 580	(2 620 915)	1 270 000
Total recognized in profit or loss	(1 374 462)	1 626 580	(2 620 915)	1 270 000
Deferred tax recognized in reserves:				
Deferred tax on retirement benefit revaluation	(68 077)	(617 924)	-	-
Revaluation of deferred tax assets and liabilities related to foreign operation	(59 874)	-	-	-
Changes in deferred tax recognized in reserves	(127 951)	(617 924)	-	-
Total	(1 502 413)	1 008 656	(2 620 915)	1 270 000
30(b) Reconciliation of accounting profit to tax charges:	2017	2016	2017	2016
	EUR	EUR	EUR	EUR
Profit before tax	7 266 620	6 395 833	2 794 292	3 709 974
Expected tax charge, applying parent company tax rate of 15%	(1 089 993)	(959 375)	(419 144)	(556 496)
Tax effect of tax rate in United Kingdom 19.56% (2016: 20%)	(116 680)	(126 956)	-	-
Tax effect of tax rate in United States of America 40%	(391 223)	(48 281)	-	-
Tax effect of non-deductible items	(3 634)	(139 665)	-	(94 662)
Tax credit received for new technological equipment*	-	372 433	-	372 433
Non-taxable income and tax credits	672	137 416	-	60 461
Tax effect of tax rate changes	3 065 659	-	3 040 059	-
Effect of expired tax assets	-	(1 051 098)	-	(1 051 098)
Other	(90 339)	188 946	-	(639)
Corporate income tax and deferred tax	1 374 462	(1 626 580)	2 620 915	(1 270 001)
Effective tax rate	-19%	25%	-94%	34%
* The tax base of new technological equipment purchased by the Company in 2016 was calculated by multiplying the acquisition cost with a coefficient of 1.5. If the equipment is disposed within 5 years from acquisition, taxable income in the year of disposal should be increased by the amount of credit previously recognized.				
30(c) Deferred taxes as of end of the year:	2017	2016	2017	2016
	EUR	EUR	EUR	EUR
Deferred tax liabilities:				
Temporary difference on depreciation of fixed assets	1 286 520	5 786 680	-	5 078 791
Total deferred tax liabilities	1 286 520	5 786 680	-	5 078 791
Deferred tax assets:				
Temporary difference on accruals	(33 352)	(532 745)	-	(237 706)
Allowance for inventories	(60 034)	(69 201)	-	(26 511)
Tax loss carry forward*	(516 303)	(1 510 999)	-	(1 054 686)
Tax discount	-	(1 138 973)	-	(1 138 973)
Temporary difference on retirement benefit	(1 185 747)	(1 541 265)	-	-
Total deferred tax assets	(1 795 436)	(4 793 183)	-	(2 457 876)
Net deferred tax (asset) / liability	(508 916)	993 497	-	2 620 915
Unrecognized deferred tax assets**	-	(1 923 581)	-	-
Net recognized deferred tax (asset) / liability	(508 916)	(930 084)	-	2 620 915
Deferred tax assets presented in assets of statement of financial position	(1 185 747)	(1 923 581)	-	-
Deferred tax liabilities presented in liabilities of statement of financial position	676 831	2 917 078	-	2 620 915
* Deferred tax assets on tax losses can be used as follows:				
Year of expiry	2017	2016	2017	2016
	EUR	EUR	EUR	EUR
2024	140 535	140 535	-	-
2025	312 226	312 226	-	-
Unlimited	63 542	1 058 238	635 542	1 054 686
Total	516 303	1 510 999	635 542	1 054 686

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31. EARNINGS AND DIVIDEND PER SHARE	Group		Company	
	2017 EUR	2016 EUR	2017 EUR	2016 EUR
Profit for the year	8 216 113	4 806 954	5 415 207	2 439 974
Average number of shares outstanding	23 903 205	23 903 205	23 903 205	23 903 205
Earnings per share	0,3437	0,2011	0,2265	0,1021
Dividends paid	-	1 645 663	-	1 645 663
Dividends per share	-	0,0688	-	0,0688
32. MANAGEMENT REMUNERATION	2017 EUR	2016 EUR	2017 EUR	2016 EUR
Members of the Council:				
Compensation	226 770	377 504	226 770	377 504
Social security payments	14 130	14 742	14 130	14 742
Members of the Board:				
Compensation	672 063	451 142	501 148	325 917
Social security payments	151 551	45 205	95 542	37 441
Other management:				
Salary	1 112 643	1 104 927	864 872	738 854
Social security payments	224 478	204 622	203 957	174 296
Total	2 401 635	2 198 142	1 906 419	1 668 754

In 2017 and 2016 the Group has not granted or received any loans from the members of Council, Board or other management.

33. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

33(a) Loans to related companies

The Company has provided credit line for its subsidiary Valmiera Glass USA Corporation for financing its working capital. Used amount of the credit line as of 31 December 2017 was EUR 13 893 004 and EUR 14 657 151 (USD 17 111 088) (2016: EUR 3 798 620 (USD 4 004 125)). Interest rate on the credit line is 3 month LIBOR +1.8% per year and it is not secured.

33(b) Borrowings from related companies

	Gada % likme	31.12.2017 EUR	31.12.2016 EUR
Group			
Private persons	4%	1 295 000	-
Entities controlled by the parties controlling the Group	4%	1 295 000	-
		2 590 000	-
Company			
Private persons	4%	1 295 000	-
Entities controlled by the parties controlling the Group	4%	1 555 884	-
Subsidiaries	2.5%-4%	2 316 705	2 700 000
		5 167 589	-

33(c) Receivables from and payables to related parties

	31.12.2017 Receivables EUR	31.12.2017 Payables EUR	31.12.2016 Receivables EUR	31.12.2016 Payables EUR
Group				
Controlling parties				
P-D Glasseiden Oschatz GmbH	-	1 236 838	869 418	454 615
P-D Management Industries –Technologies	-	47 510	13 587	182 436
Entities controlled by the parties controlling the Group				
P-D Preiss –Daimler Consulting	-	110 257	-	38 689
P-D Tatneft Fiberglass Alabuga	-	(180)	-	(489)
P-D Industriegesellschaft GmbH Bratendorf	241 226	-	563	104 057
P-D Interglas Technologies GmbH	-	-	5 242	-
P-D Refractories GmbH	-	14 545	-	14 545
P-D Refractories CZ a.s	-	90 372	-	18 444
Preiss-Daimler FibreGlass AB	95 865	-	82 321	2 288
Total	337 091	1 499 342	971 131	814 585

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Company	31.12.2017	31.12.2017	31.12.2016	31.12.2016
	Receivables	Payables	Receivables	Payables
	EUR	EUR	EUR	EUR
Controlling parties				
P-D Glasseiden Oschatz GmbH	-	880 837	869 419	454 615
P-D Management Industries –Technologies	-	19 250	13 586	182 436
	-			
Entities controlled by the parties controlling the Company				
P-D Preiss –Daimler Consulting	-	41 221	-	38 689
P-D Tatneft Fiberglass Alabuga	-	(180)	-	(489)
P-D Industriegesellschaft GmbH Bratendorf	223 471	-	563	104 057
P-D Interglas Technologies GmbH	-	-	5 242	-
P-D Refractories GmbH	-	14 545	-	14 545
P-D Refractories CZ a.s	-	90 372	-	18 444
Preiss-Daimler FibreGlass AB	95 865	-	82 326	-
Total other related parties	319 336	1046 045	971136	812 297
Subsidiaries				
Valmiera Glass UK Limited	667 968	310 948	1 226 751	725 452
P-D Valmiera Glass USA Corp	22 981 624	862 940	-	-
non-current portion	-	-	3 123 773	-
current portion	-	-	4 043 979	72 204
Valmiera Glass Trading USA Corp	-	15 894	-	18 974
Total subsidiaries	23 649 592	1 189 782	8 394 503	816 630
Total	23 968 928	2 235 827	9 365 639	1 628 927

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

33(d) Transactions with related parties	2017	2016
Group	EUR	EUR
Sale of goods	7 019 288	7 059 210
Services provided	889 580	164 403
Purchase of fixed and intangible assets	(484 650)	(1 948 445)
Purchase of goods	(756 876)	(2 609 016)
Sales commission	(1 346 408)	(1 528 571)
Services received	(1 528 912)	(1 300 537)
Company	2017	2016
	EUR	EUR
Subsidiaries		
Sale of goods	17 337 548	15 825 105
Purchase of goods	(1 817 582)	(2 372 485)
Services provided	915 945	1 112 951
Services received	(715 379)	(600 111)
Purchase of fixed and intangible assets	(73 367)	(168 909)
Interest expenses	(117 906)	(163 016)
Interest income	8 425	97 303
Other related parties		
Sale of goods	7 019 288	7 059 210
Services provided	721 505	164 403
Purchase of fixed and intangible assets	(60 500)	(1 948 445)
Purchase of goods	(756 876)	(2 503 076)
Sales commission	(1 346 408)	(1 528 571)
Services received	(1 255 912)	(1 426 476)

34. FINANCIAL RISK MANAGEMENT

Main financial instruments of the Group are loans, finance lease, cash and its equivalents. The primary objective of these financial instruments is to ensure the necessary financing for the Group. The Group also has other financial instruments, which arises due to its operating activities, i.e., trade receivables and payables. The Group also uses derivative financial instruments to minimize interest and foreign Main financial risks which arise as a result of use of the financial instruments are interest, currency, credit and liquidity risks.

Market risks

Interest rate risk

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

Interest rate analysis	31.12.2017		31.12.2016	
	% rate increase	Impact on statement of profit or loss	% rate increase	Impact on statement of profit or loss
Currency				
EUR	+1,0	(535 348)	+1,0	(103 299)
USD	+1,0	(119 653)	+1,0	(19 659)

The Group has signed two interest rate swap contracts for its loans to minimize the risks associated with variable interest rate fluctuations. Based on the contracts, the Group has agreed to exchange the floating 3 month EURIBOR interest payments and fixed payments calculated on agreed notional principal amount. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period. The fair value of financial instruments as of 31 December 2017 is liability in the amount of EUR 101 434 (2016: EUR 362 769) and EUR 36 109 (2016: EUR 68 237).

Foreign currency risk

The Group operates internationally and performs transactions in EUR, USD and GBP. Group is mainly is exposed to foreign currency risk arising from USD and GBP fluctuations. Approximately 15% of total sales in 2017 resulted from contracts denominated in USD (2016: 14%).

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 GBP is directly exposed to a possible fluctuations in the exchange rate thus resulting in direct effect to the Group's profit before tax.

Analysis of assets exposed to currency risk:

Group 31.12.2017	EUR	USD	GBP	Kopā
Trade receivables	5 259 572	5 087 589	1 938 453	12 285 614
Cash and cash equivalents	668 403	836 145	1 129 043	2 633 591
Borrowings and financial lease obligations	(74 502 946)	(11 965 339)	(516 982)	(86 985 267)
Trade and other payables	(19 249 692)	(14 575 256)	(797 904)	(34 622 852)
Total net assets	(87 824 663)	(20 616 861)	1 752 610	(106 688 914)
% from net assets	82%	19%	-2%	100%

Currency	31.12.2017		31.12.2016	
	Exchange rate fluctuation	Impact on statement of profit or loss	Exchange rate fluctuation	Impact on statement of profit or loss
	%	EUR	%	EUR
USD	+10%	2 061 686	+10%	20 885
USD	-10%	(2 061 686)	-10%	(20 885)
GBP	+10%	(175 261)	+10%	(595 669)
GBP	-10%	175 261	-10%	595 669

Company 31.12.2017	EUR	USD	GBP	Kopā
Loans issued	11 893 004	14 267 563	-	26 160 567
Trade receivables	24 889 523	5 087 589	-	29 977 112
Cash and cash equivalents	143 445	160 898	58	304 401
Borrowings and financial lease obligations	76 270 824	11 965 339	-	88 236 163
Trade and other payables	18 510 900	1 321 292	-	19 832 192
Total net assets	131 707 696	32 802 681	58	164 510 435
% from net assets	80%	20%	0%	100%

Currency	31.12.2017		31.12.2016	
	Exchange rate fluctuation	Impact on statement of profit or loss	Exchange rate fluctuation	Impact on statement of profit or loss
	%	EUR	%	EUR
USD	+10%	3 280 268	+10%	870 550
USD	-10%	(3 280 268)	-10%	(870 550)
GBP	+10%	(6)	+10%	(998)
GBP	-10%	6	-10%	998

To reduce potential adverse effects of USD currency fluctuations, the Group uses derivative financial instruments for significant transactions. As of 31 December 2017 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, and arises principally from the Group's trade receivables (including related parties) and cash at bank, which as at 31 December 2017 amounted to EUR 12 285 614 and EUR 2 633 5912 (2016: respectively EUR 11 089 748 and EUR 2 958 952).

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

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

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

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

Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through credit line. During the reporting period EUR 14.17 million credit line was available assigned by SEB Banka AS (GBP 1 million and EUR 9 million), and EUR 4 million credit line was available assigned by AS Dansk Bank to finance short-term working capital.

Financial Instruments as of 31 December 2017

Group	Receivables from customers	Financial liabilities shown at amortized cost	Financial liabilities shown at fair value	Financial instruments to which IAS 39 does not apply	Total
Financial assets					
Receivables from customers	12 285 614	-	-	-	12 285 614
Other debtors	4 311 953	-	-	-	4 311 953
Cash and equivalents	2 633 591	-	-	-	2 633 591
Total financial assets	19 231 158	-	-	-	19 231 158
Financial liabilities					
Finance lease	-	-	-	248 605	248 605
Borrowings	-	87 982 627	-	-	87 982 627
Trade payables	-	34 622 852	-	-	34 622 852
Taxes and social insurance contribution	-	2 251 251	-	-	2 251 251
Other liabilities	-	946 851	-	-	946 851
Derivative financial instruments	-	-	137 543	-	137 543
Total financial liabilities	-	125 803 581	137 543	248 605	126 189 729

Repayment terms of financial liabilities are following

31.12.2017	Less than 6 months	6-12 months	From 1-2 years	From 2-5 years	More than 5 years	Total
EUR						
Borrowings	-	27 147 161	24 055 137	8 549 270	39 431 401	99 182 969
Finance lease	-	516 940	209 238	-	-	726 178
Interest payable	-	116 840	300 720	151 437	3 826 078	4 395 075
Trade accounts payable and other liabilities	39 894 133	-	-	-	-	39 894 133
Total EUR	39 894 133	27 780 941	24 565 095	8 700 707	43 257 479	144 198 355
31.12.2016	Less than 6 months	6-12 months	From 1-2 years	From 2-5 years	More than 5 years	Total
EUR						
Borrowings	5 313 484	18 423 694	10 004 967	16 733 904	809 764	51 285 813
Finance lease	84 614	72 626	155 071	97 400	-	409 711
Interest payable	651 975	524 590	878 234	663 805	22 768	2 741 372
Trade accounts payable and other liabilities	15 830 560	-	-	-	-	15 830 560
Total EUR	21 880 633	19 020 910	11 038 272	17 495 109	832 532	70 267 456

Financial Instruments as of 31 December 2017

Company	Receivables from customers	Financial liabilities shown at amortized cost	Financial liabilities shown at fair value	Financial instruments to which IAS 39 does not apply	Total
Financial assets					
Loans to related parties	30 358 012	-	-	-	30 358 012
Receivables from customers	6 327 520	-	-	-	6 327 520
Other debtors	4 129 619	-	-	-	4 129 619
Cash and equivalents	304 401	-	-	-	304 401
Total financial assets	41 119 551	-	-	-	41 119 551
Financial liabilities					
Finance lease	-	-	-	248 605	248 605
Borrowings	-	82 819 969	-	-	82 819 969
Borrowings from related parties	-	2 850 884	-	-	2 850 884
Trade payables	-	18 642 410	-	-	18 642 410
Taxes and social insurance contribution	-	1 923 249	-	-	1 923 249
Other liabilities	-	799 088	-	-	799 088
Derivative financial instruments	-	-	137 543	-	137 543
Total financial liabilities	-	107 035 599	137 543	248 605	107 421 748

Repayment terms of financial liabilities are following:

31.12.2017	Less than 6 months	6-12 months	From 1-2 years	From 2-5 years	More than 5 years	Total
EUR						
Borrowings	-	27 147 161	24 055 137	8 549 270	39 431 401	99 182 969
Finance lease	-	151 913	96 692	-	-	248 605
Interest payable	-	116 840	300 720	151 437	3 826 078	4 395 075
Trade accounts payable and other liabilities	21 755 441	-	-	-	-	21 755 441
Total EUR	21 755 441	27 415 914	24 452 549	8 700 707	43 257 479	125 582 090
31.12.2016	Less than 6 months	6-12 months	From 1-2 years	From 2-5 years	More than 5 years	Total
EUR						
Borrowings	5 110 874	18 027 700	12 502 357	16 126 074	-	51 767 005
Finance lease	84 614	72 626	155 071	97 400	-	409 711
Interest payable	635 773	522 564	862 032	627 356	-	2 647 725
Trade accounts payable and other liabilities	14 328 599	-	-	-	-	14 328 599
Total EUR	20 159 860	18 622 890	13 519 460	16 850 830	-	69 153 040

Based on the assessment of the management, the carrying amount of the financial instruments of the Group approximates their fair values.

Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and to maximize the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of borrowings, which are disclosed in Note 14, 16 and 33(b), 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		Company	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	EUR	EUR	EUR	EUR
Borrowings	87 804 547	51 285 813	87 987 558	51 767 005
Cash and cash equivalents	(2 633 591)	(2 958 952)	(304 401)	(161 062)
Net debt	85 170 955	48 326 861	87 683 157	51 605 943
Equity	67 111 724	54 890 268	60 760 941	55 345 735
Total equity	152 282 680	103 217 129	148 444 099	106 951 678
Debt to equity	127%	88%	144%	93%

35. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Commitments for purchase of inventory and fixed assets

At 31 December 2017 the Group have commitment for purchase of equipment, software and inventories for which contracts have been signed but not yet fulfilled and therefore not recognized in the financial statements.

	Group		Company	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	EUR	EUR	EUR	EUR
Within 1 year	5 643 147	35 089 422	-	12 078 612
2 to 5 years	-	1 503 509	-	1 503 509
Total	5 643 147	36 592 931	-	13 582 121

(b) Operating lease

The Group as a lessee has entered in operating lease agreements for premises, land and equipment. Total lease expenses in 2017 were EUR 838 694 (2016: EUR 515 499). As of 31 December 2017, amounts payable based on signed lease agreements were as follows:

	Group		Company	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	EUR	EUR	EUR	EUR
Within 1 year	838 964	468 808	473 937	357 076
2 to 5 years	1 460 108	1 646 516	632 457	1 199 586
More than 5 years	123 485	154 505	123 485	154 505
Total	2 422 557	2 269 829	1 229 879	1 711 167

(c) Cooperation Memorandum with development agency of Dublin city and Lawrence region (USA)

In July 2014 the Group entered into a Memorandum of Understanding („MOU”) with the City of Dublin and County of Laurens Development Authority (USA), whereby the Authority agreed to provide certain inducements if the Group locates its manufacturing facility in Laurens County.

In January 2016 the Group signed additional agreement to MOU, within which the Agency undertook to provide support, if the Group, within Phase I, in made manufacturing facility till 31 December 2022 will make additional investments.

According to MOU, Group has committed to Phase I:

- establish facility in Laurens County;
- invest USD 20 000 000 in the establishment and development of manufacturing facility till 31 December 2019;
- create 150 full time jobs until 31 December 2019 and maintain for 10 years.

According to signed additional agreement to MOU, Group has committed to Phase II:

- invest additional USD 90,000,000 in the establishment till 31 December 2018;
- create additional 425 full time jobs and maintain 20 years after 31 December 2022.

36. SUBSEQUENT EVENTS

The Company signed agreement with related party P-D management Industries-Technologies GmbH on 15 January 2018 for sale of 9% of Valmiera Glass USA Corp. shares for total amount of EUR 2 400 000.

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

Translation from Latvian

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Valmieras Stikla Skiedra AS

Our Opinion on the Financial Statements

We have audited the accompanying financial statements of Valmieras Stikla Skiedra AS ("the Company") and consolidated financial statements of the Company and its subsidiaries ("the Group") set out on pages 9 to 38 of the accompanying annual report, which comprise the Company's and the Group's statement of financial position as at 31 December 2017, statement of profit or loss and other comprehensive income for the year 2017, statement of changes in equity for the year 2017, statement of cash flows for the year 2017, notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS).

Basis for Opinion

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (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 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 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 opinion.

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT (continued)

We have determined the matter described below to be the key audit matter to be communicated in our report:

Risk description	How our audit addressed that matter
<p><i>Timing of revenue recognition</i></p> <p>The Group manufactures and sells glass fiber and more than 95% of sales are exported to nearly 50 countries across the world. The sales terms vary with customers and transfer of title depend on agreed incoterms with customers. Product delivery time also varies significantly depending of the location of the customer and the Group makes delivery time estimates when recording cut-off adjustments. We consider there to be a risk of misstatement of the financial statements related to transactions occurring close to the year end, as transactions could be recorded in the wrong financial period (cut-off).</p>	<p>In order to address the risk of misstatement related to cut-off in revenue recognition, we performed the following audit procedures:</p> <ul style="list-style-type: none"> • obtained understanding and evaluated the company's design, implementation and operational effectiveness of internal controls around timely and accurate revenue recognition; • performed testing of individual sales transactions occurring either immediately before or after the year end. We obtained evidence to support the appropriate timing of revenue recognition based on terms and conditions set out in sales contracts and delivery documents; • We evaluated the delivery time estimates prepared by the Group used for revenue cut-off adjustment. Our evaluation was done by comparing estimated product delivery times with the actual ones; • We also confirmed sample of accounts receivable balances recorded by the Group as of the balance sheet date with customers.

Reporting on Other Information

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

- Information about the Company, as set out on page 3 of the accompanying Annual Report,
- the Management Report, as set out on pages 4-7 of the accompanying Annual Report,
- the Statement on Management Responsibility, as set out on page 8 of the accompanying Annual Report,
- the Statement of Corporate Governance Report, which the Company has prepared and plans to file with "Nasdaq Riga" together with Annual Report.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 entity 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. We have nothing to report in this regard.

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 the Law of the Republic of Latvia On the Annual Reports and Consolidated Annual Reports.

INDEPENDENT AUDITOR'S REPORT (continued)

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

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

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 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.

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 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.

Based on the work undertaken in the course of our audit, in our opinion, the information given in the Management Report for the financial year for which the financial statements are prepared, is consistent with the financial statements and has been prepared in accordance with the requirements of the Law of the Republic of Latvia On the Annual Reports and Consolidated Annual Reports, and we have nothing else to report in regard of other information.

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

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 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 auditor's report to the related disclosures in the 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 auditor's 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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.

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 those charged with governance on 4 December 2017 to audit the financial statements of the Company and the Group for the year ended 31 December 2017. Our total uninterrupted period of engagement is 18 years, covering the periods ending 31 December 2000 to 31 December 2017.

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INDEPENDENT AUDITOR'S REPORT (continued)

We confirm that:


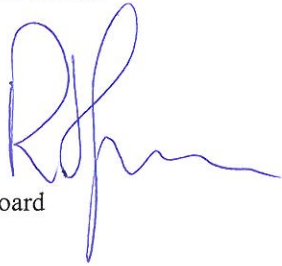
- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company;
- as referred to in the paragraph 37.6 of the Law on Audit Services of the Republic of Latvia we have not provided to the Company the prohibited non-audit services (NASS) referred to of EU Regulation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

The responsible certified auditor on the audit resulting in this independent auditors' report is Elina Sedlīņa.

Deloitte Audits Latvia SIA
Licence Nr. 43

Roberts Stūģis
Member of the Board

Riga, Latvia
23 April 2018



Elina Sedlīņa
Certified auditor of Latvia
Certificate No. 179