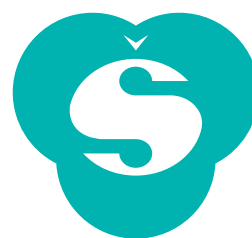


**AS VALMIERAS STIKLA ŠĶIEDRA  
UNAUDITED CONSOLIDATED  
FINANCIAL REPORT FOR**

**2018**



**VALMIERA<sup>®</sup>  
GLASS**



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**Dear shareholders,**


in 2018 our company passed through one of the most difficult years in its history. Despite the good earnings situation of our two European companies and the associated good cash flows, we were unable to finance the commissioning of the large-scale investment in the USA from our own funds. As a result we were forced to sell shares of our US subsidiary in order to carry out the commissioning with the funds raised and additional loans from our major shareholders.

This situation has meant that, especially in the fourth quarter of 2018, our Latvian plant did not have sufficient funds available for vital maintenance and repairs. Despite these problems, our Latvian and British companies were able to deliver excellent results and prove their robustness. Looking at these positive results in Europe, the situation in the USA was even more unsatisfactory for the board and all those involved. Despite the high personnel and financial expenditure during the whole of 2018, the situation stabilized only in January 2019, which is above all attributable to the new management and its consistent identification and processing of problems. Although a complete financial turnaround is still required as of today, the trend of the last few weeks instils confidence that the investment will justify itself.

Despite the poor results and guidance contained within the latest two financial reports, the share price has corrected only moderately. This suggests to us that you continue to believe in our business model and our company. We thank you for your support in these difficult times and see this as an incentive to do everything possible to deliver on your expectations as a shareholder.

A handwritten signature in blue ink, consisting of a large, stylized 'S' followed by a smaller 'J' and a long horizontal stroke.

Stefan Jügel  
Chairman of the Board



## **GENERAL INFORMATION ABOUT THE COMPANY AND THE GROUP**

One of the leading glass fibre and its products' manufacturers with firmly-established position in Europe and more than 55 years of experience.

<b>Parent company name</b>	VALMIERAS STIKLA ŠĶIEDRA
<b>Legal form</b>	JOINT STOCK COMPANY (AS)
<b>Registration number, place and date</b>	4000 3031 676 Riga, 30 September 1991
<b>Type of business</b>	Production of glass fibre products
<b>Address</b>	13 Cempu Street, Valmiera, LV- 4201 Latvia
<b>Shareholders (above 5%)</b>	P-D Glasseiden GmbH Oschatz - owns 26.07% of shares P-D Management Industries-Technologies GmbH - owns 23.93% of shares P-D Aircraft Composites GmbH - owns 18.83% of shares Corvalis GmbH - owns 11.97% of shares Beatrix Preiss-Daimler - owns 9.42% of shares
<b>The Board</b>	<b>Chairman of the Board:</b> Stefan Jugel (from 29.05.2018.) Andre Heinz Schwiontek (till 28.05.2018.)  <b>Members of the Board:</b> Stefan Jugel (till 28.05.2018.) Andre Heinz Schwiontek (from 29.05.2018.) Ģirts Vēveris (from 29.05.2018.) Doloresa Volkopa
<b>The Council</b>	<b>Chairman of the Council:</b> Heinz-Jürgen Preiss-Daimler  <b>Members of the Council:</b> Hans Peter Cordts (till 31.12.2018.) Frank Wilhelm Behrends (till 25.05.2018.) Stefan Alexander Preiss-Daimler (from 25.05.2018.) Andris Oskars Brutāns Jöran Pfuhl
<b>Subsidiaries</b>	VALMIERA GLASS UK Ltd., reg. No 2189095 (100%) Sherborne, Dorset DT9 3RB, United Kingdom  P-D VALMIERA GLASS USA Corp., reg. No 14036662 (58%) 168 Willie Paulk Parkway, Dublin, GA 31021, United States of America  VALMIERA GLASS USA Trading Corp., reg. No 14036664 (100%) 168 Willie Paulk Parkway, Dublin, GA 31021, United States of America
<b>Reporting period</b>	1 January 2018 – 31 December 2018
<b>Prior reporting period</b>	1 January 2017 – 31 December 2017





# MANAGEMENT REPORT

A wide range of products and a diverse client base across industries and geographic markets with unique know-how and high added value products certified for aviation, thermal insulation and other markets.

Fiberglass fabrics and non-wovens are commonly used for diverse complex structures and pipe insulations at oil refineries.



## PROFILE OF GROUP'S COMPANIES

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 55 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, HRglass with a temperature resistance of 800+°C and SiO<sub>2</sub>-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.

## MARKETS

In 2018, products manufactured by VALMIERAS STIKLA ŠĶIEDRA AS, the parent company of the GROUP, were exported to 47 countries across the world, with the export share reaching 97%. The key sales markets of the VALMIERA GLASS GROUP have remained the same: 70% of the total output was sold in European Union countries, 11% in North America, 4% in CIS countries and 15% in other export countries (incl. Switzerland, Japan, South Korea, UAE, etc.). A sales increase is observed in the North America market by 2% compared to the same period last year.

Across product segments, sales volumes increased for high value-added products, such as E-glass fibre textured fabrics and non-woven materials with a thermal resistance of 600+°C, as well as for the high-content SiO<sub>2</sub> glass fibre non-woven materials with a thermal resistance of 1000+°C. In 2018, the sales of these products increased on average by 53% compared to the same period in 2017. In other product segments, the sales volumes are considered as stable or with a decrease.

## EMPLOYEES

In 2018 there were on average 1702 employees in the VALMIERA GLASS GROUP, of which employed by the parent company of the GROUP – VALMIERAS STIKLA ŠĶIEDRA AS – 1108. The subsidiary company VALMIERA GLASS UK Ltd. employed on average 131 employees and the subsidiary P-D VALMIERA GLASS USA Corp., located in the USA, employed on average 463 employees.

The workforce of the GROUP in the last 12 months was increased by more than 250 employees, including 75 new workplaces in Valmiera.

## QUALITY MANAGEMENT

The quality management systems of all VALMIERA GLASS GROUP companies are certified according to the requirements of ISO standard 9001: 2015. VALMIERA GLASS GROUP parent company AS VALMIERAS STIKLA ŠĶIEDRA has also been certified for Environmental Management System (ISO 14001: 2015) and Energy Management System (ISO 50001: 2011).

## INVESTMENTS

The focus of investments in 2018 was on finalizing the construction and start-up of the US investment. As of 31 December 2018, EUR 94.08 million were invested in plant II USA. The Latvian site and the plant in the UK had to cater for this, so they only carried out maintenance investments on a small scale. Despite the limited investment funds, the installed capacity could be maintained.

Due to problems with the import of equipment and the performance of several suppliers, the plant in the USA was started in January 2018 with a delay of approx. 6 weeks. The biggest challenge during the year 2018 was to provide enough qualified personnel and management to handle the production volumes.

After the problems continued in the fourth quarter and there was no improvement in the yield,

the Executive Board again increased pressure and changed the entire operational management of the US Company. Furthermore, a local strategic investor was involved in the company, which is expected to provide additional support for a quick turnaround.

From the end of February, the management team will be reinforced by an experienced American turnaround manager. First improvements in yield are seen from mid-February 2018, after the output of the glass melting tank has been reduced and

the team of further processing has been strengthened. As a result, the yield of 50% pack to melt has been achieved in recent weeks.

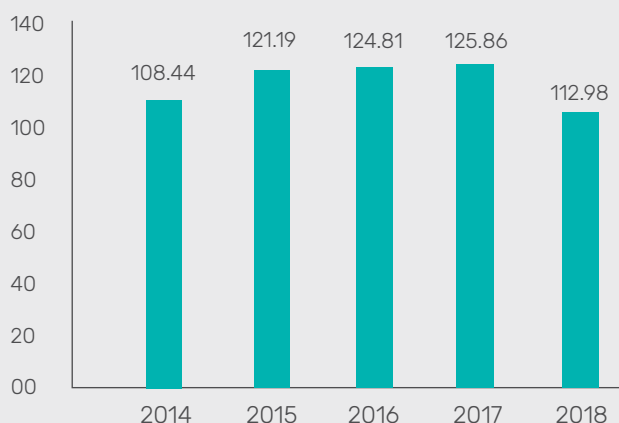
From the not yet fully completed investment, two lawsuits are currently pending, with a total potential exposure risk of approximately USD 4 million. According to current knowledge, the factory in the USA is in a position to produce the forecasted production quantities. The Sales Division there also sees itself in a position to sell any future quantities produced.

## FINANCIAL PERFORMANCE

The companies in Latvia and the UK have reached their profit budgets. Nevertheless, these good results can't offset the losses of the US entity.

The consolidated net sales of the GROUP in the year 2018 reached EUR 112.9 Million. Compared to the sales of the GROUP in year 2017 it decreased by EUR 13.0 Million (or 10.2% y-o-y), due to a shortage of internal materials supply and the delay in ramp up in the USA. Contrary to the practice of the previous years, the management consistently paid attention to the margin on purchased traded goods and semi-finished products, so that despite the lower absolute sales levels, the European companies were able to achieve their earnings targets. In general, the demand situation was such that the planned turnover was reachable if production goals had been attained.

Net sales, mill. EUR



In addition to the good performance of the European companies, contrary to the forecasts of the previous report for Q3 2018, the turnover of the US company in 2018 could not be achieved. The main reasons were above all the still unstable personnel situation and the inconsistent management of technical problems in all areas of production. This was taken into account in the third quarter of 2018 and in January 2019, during which the entire operational management board was swapped out and key management positions were also replaced.

The results of the USA company also had an influence on the financing situation.

### Highlights during the reporting period:

- Start up and opening of the new facility in Dublin, GA, USA;
- Settlement with Latvian financing banks on covenant breaches in 2018;
- Capital increase and acquisition of a new strategic investor for the US company;
- Sale of shares of the US company to the major shareholder P-D Management Industries Technologies GmbH Wilsdruff / Germany;
- Changes in the Management Board and Supervisory Board.

In 2018, the main financial indicators were:

TEUR (unless stated otherwise)	2014	2015	2016	2017	2018
Net sales	108 441	121 192	124 814	125 864	112 983
EBITDA	9 377	9 305	17 818	19 604	2 924
EBIT/operating profit	8 389	6 851	7 270	8 480	- 13 605
Net profit (loss)	7 155	5 475	4 807	8 216	- 4 932
ROA, %	5.82%	4.11%	3.41%	3.96%	- 2.39%
ROE, %	3.6%	2.6%	2.2%	3.4%	- 2.0%
ROCE, %	9.1%	7.1%	7.4%	0.1%	- 10.7%
Sales growth, %	24%	11.8%	3%	0.8%	- 10.2%
EBITDA margin, %	16.4%	13.3%	14.3%	15.6%	2.6%
EBIT margin/operating profit margin, %	7.7%	5.7%	5.8%	6.7%	- 12.0%
Net profit margin, %	6.6%	4.5%	3.9%	6.5%	- 0.04%
Earnings per share (EUR)	0.30	0.23	0.20	0.34	- 0.21

The consolidated operating profit before depreciation and amortisation (EBITDA) was EUR 2.924 Million and that is EUR 16 680 Million or 85.08% less than in the year 2017. The EBITDA margin decreased as well to 2.6% from 15.6% last year. The earnings before interest and taxes (EBIT) was EUR -13.605 Million and that is EUR 22.085 Million lower than in 2017.

due to the problems of the US Company. This also had an impact on all other key figures, which were negative. The consolidated Pre-tax profit in 2018 was EUR -13 874 Million and adjusted for the shares of the minority shareholders of the US company (non-controlling interest), the GROUP's consolidated annual loss reduced significantly to EUR -4.932 Million.

The consolidated operating profit margin ratio in first twelve months of 2018 was -12,0%, which is solely

## FUTURE OUTLOOK

Due to the slightly positive trend observed in the yield of US production, the management board wants to lead the group back into profit in 2019.

Underlying assumptions for this forecast are:

- Continued good demand in all market segments
- Significant cost-saving measures in all divisions
- Sustainable and cost-effective management of the problems facing the US company
- Financial strengthening and support from major shareholders, other investors and financing banks

Unwavering strong results are predicted for the European companies. For the US Company, cash flow break-even is expected from month March 2019 and overall break-even from month December 2019 based on monthly results.

If the earnings situation of the US Company improves as described above, the GROUP plans the following in 2019: a net profit of EUR 4.8 Million and EBITDA of EUR 23.5 Million.

From 2020 it is planned to return to historical rates of profitability.



## STOCK MARKET

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

The share price decreased by 38.92% during the course of 2018 and fluctuated within the range of EUR 2.26 to EUR 3.96 per share. During this period, the weighted average share price amounted to EUR 3.18. The share price of the first transaction at the beginning of the period was EUR 3.56, whereas

the share price of the last transaction at the end of the period was EUR 2.26.

The market capitalisation at the end of the reporting period was EUR 54.02M.

In 2018, the number of shares traded by the joint stock company reached 200,906 and the turnover of shares amounted to EUR 0.64M. During this period, 589 transactions were executed on the Exchange.

Price dynamics of  
AS VALMIERAS STIKLA  
ŠĶIEDRA shares  
from 2014 to 2018  
(Nasdaq Riga data):



In 2018, the price of AS VALMIERAS STIKLA ŠĶIEDRA shares decreased by 38.92%, while the OMX

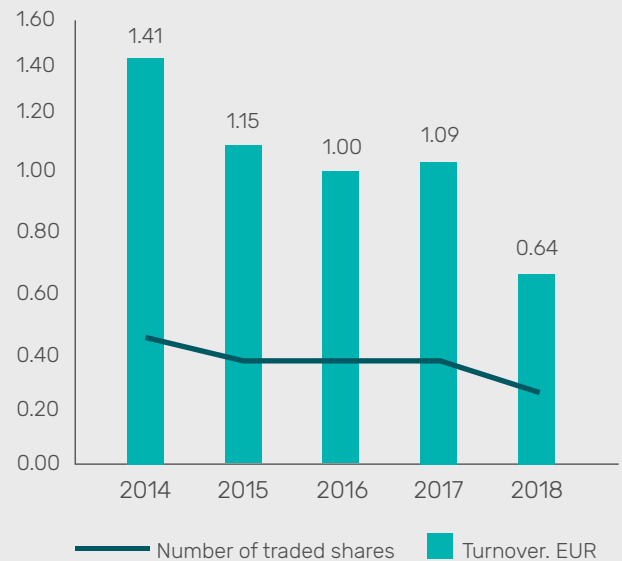
Riga index value corrected by 6.74% while that of the OMX Baltic Benchmark GI by 7.44%.

The price of  
AS VALMIERAS STIKLA  
ŠĶIEDRA shares in 2018  
compared to OMX Baltic  
Benchmark GI and OMX  
Riga indexes (Nasdaq  
Riga data):



During the period of the last 5 years, a decrease was observed in the number of traded shares by 46% and a decrease in turnover by 45%, compared to 2014 (Nasdaq Riga data):

Trading of shares in Nasdaq Riga, mil.



## EVENTS AFTER THE END OF THE REPORTING PERIOD

On 1 October 2018, AS VALMIERAS STIKLA ŠĶIEDRA informed its shareholders that on 28 September 2018 an agreement for the sale of some P-D VALMIERA GLASS USA Corp. shares was signed with Lamtec Corporation.

AS VALMIERAS STIKLA ŠĶIEDRA announced on 26 February 2019 that P-D VALMIERA GLASS USA Corp. share capital was increased through issuing 111 new shares. After the increase of the share capital, the existing shareholders in the US Company sold those 111 shares, which constitute 10% of P-D VALMIERA GLASS USA Corp., to Lamtec Corporation for the total of USD 10,000,000 in order to secure additional investments for the US Company.

That amount has already been received from Lamtec Corporation and all conditions of the agreement have been fulfilled, i.e. the deal with Lamtec Corporation has been concluded and Lamtec Corporation has become a rightful P-D VALMIERA GLASS USA Corp. shareholder acquiring 111 shares, or 10% of P-D VALMIERA GLASS USA Corp. total share amount.

The new P-D VALMIERA GLASS USA Corp. shareholder structure is as follows:

- 52% – AS VALMIERAS STIKLA ŠĶIEDRA (Latvia)
- 23% – P-D Management Industries-Technologies GmbH (Germany)
- 15% – Mr. Heinz-Jürgen Preiss-Daimler (Germany)
- 10% – Lamtec Corporation (Pennsylvania, USA).

The total amount of P-D VALMIERA GLASS USA Corp. shares after the deal is 1111 and the total share capital is USD 29,958,870.48.

On December 28, 2018 was signed a waiver letter with the banks, that they won't claim regarding Covenants 2018 of VALMIERAS STIKLA ŠĶIEDRA, AS. In January 2019, regarding bank request, the US company P-D Valmiera Glass USA Corp. received a loan of USD 6 Million from Mr. John Post (Lamtec Corp.) and the company VALMIERAS STIKLA ŠĶIEDRA AS received a loan of EUR 5 Million from P-D Management Industries Technologies GmbH and EUR 1,5 Million from the shareholder Mr. Heinz-Jürgen Preiss-Daimler.

At June 1, 2019 there are changes in management board of VALMIERAS STIKLA ŠĶIEDRA, AS planned – the board member Doloresa Volkopa has submitted a notification of resignation.

AS VALMIERAS STIKLA ŠĶIEDRA also informs that it has decided to take additional steps towards raising additional capital resources through a potential follow-on public offering (FPO) of the Company's shares, which will be subject to corporate and regulatory approvals.

The purposes are to strengthen its overall capital base as well as financing capital expenditure-related items at its operational locations.



# STATEMENT OF MANAGEMENT RESPONSIBILITIES

22 years at Nasdaq Riga – since  
24 February 1997 AS VALMIERAS  
STIKLA ŠĶIEDRA shares have  
been listed on the Nasdaq Riga  
ensuring compliance of corporate  
management of the company  
with the requirements of the  
regulated market.

A Latvian export champion:  
97% exported to 47 countries worldwide.



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 2018 and the results of their operations and cash flows for period of 12 months 2018. 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.

28 February 2019  
On the Company's behalf by:



Stefan Jugel  
Chairman of the Board



# FINANCIAL STATEMENTS

VALMIERA GLASS GROUP  
has implemented an  
intensive investment  
strategy to expand its  
global presence, upgrade  
process solutions and  
develop new, innovative  
products. The total amount  
of investments in the last  
22 years (1997-2018) has  
reached more than EUR  
245 million.

AS VALMIERAS STIKLA ŠĶIEDRA  
**STATEMENT OF FINANCIAL POSITION OF THE GROUP**

	GROUP	
	31.12.2018 EUR	31.12.2017 EUR
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
<b>Intangible assets</b>		
Software, licences, patents, trade marks, similar rights	947 809	973 318
Software in acquisition process	13 736	14 700
Goodwill	3 662 559	3 692 694
<b>Total intangible assets</b>	<b>4 624 104</b>	<b>4 680 712</b>
<b>Property, plant and equipment</b>		
Land and buildings	71 600 875	15 761 318
Equipment and machinery	80 136 434	54 939 092
Other fixed assets	1 402 153	1 035 040
Construction in progress	4 246 566	69 258 750
Advance payments for fixed assets	1 406 603	13 163 704
<b>Total property, plant and equipment</b>	<b>158 792 631</b>	<b>154 157 903</b>
<b>Non-current financial investments</b>		
Investments in subsidiaries	-	-
Loans to subsidiaries	-	-
Receivables from related companies	-	-
Deferred expenses	216 640	206 831
<b>Total non-current financial investments</b>	<b>216 640</b>	<b>206 831</b>
<b>Deferred tax asset</b>	1 000 626	1 185 747
<b>Total non-current assets</b>	<b>164 634 002</b>	<b>160 231 193</b>
<b>CURRENT ASSETS</b>		
<b>Inventories</b>		
Raw materials	11 181 739	9 114 716
Work in progress	5 684 402	5 110 754
Finished goods	17 888 422	12 702 827
Advance payments for inventories	267 577	177 455
<b>Total inventories</b>	<b>35 022 141</b>	<b>27 105 752</b>
<b>Debtors</b>		
Trade receivables	4 039 442	11 948 523
Amounts due from related parties	72 672	337 091
Other receivables	832 947	4 311 953
Deferred expenses	1 724 160	777 887
<b>Total debtors</b>	<b>6 669 221</b>	<b>17 375 454</b>
<b>Cash and cash equivalents</b>	<b>281 270</b>	<b>2 633 591</b>
<b>Total current assets</b>	<b>41 972 632</b>	<b>47 114 797</b>
<b>TOTAL ASSETS</b>	<b>206 606 635</b>	<b>207 345 990</b>



AS VALMIERAS STIKLA ŠĶIEDRA  
STATEMENT OF FINANCIAL POSITION OF THE GROUP

	GROUP	
	31.12.2018 EUR	31.12.2017 EUR
<b>LIABILITIES AND EQUITY</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	33 464 487	33 464 487
Foreign currency translation reserve	(2 267 112)	(3 084 475)
Other reserves	(3 192 833)	(3 145 849)
Retained earnings		
Profit brought forward	31 343 584	24 044 472
Profit for the current reporting year	(4 932 312)	8 216 113
<b>Total equity attributable to owners of the parent</b>	<b>54 415 814</b>	<b>59 494 748</b>
<b>Non-controlling interest</b>	<b>(186 529)</b>	<b>7 642 772</b>
<b>Total equity</b>	<b>54 229 284</b>	<b>67 137 520</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings from credit institutions	55 426 558	370 748
Borrowings from other related parties	5 557 348	2 850 884
Finance lease	329 282	9 817
Finance lease from related parties	86 875	86 875
Other borrowings	1 118 528	1 245 965
Deferred tax liabilities	1 631 980	676 831
Defined benefit obligation	4 372 128	5 282 734
Deferred income	4 152 133	4 218 087
Derivative	293 677	137 543
<b>Total non-current liabilities</b>	<b>72 968 508</b>	<b>14 879 483</b>
<b>Current liabilities</b>		
Borrowings from credit institutions	30 445 265	83 336 950
Borrowings from other related parties	350 000	-
Finance lease	169 056	56 453
Finance lease from related parties	-	95 460
Other borrowings	186 525	178 080
Advance payments from customers	11 767 912	323 468
Trade payables	25 459 070	33 123 510
Payables to other related parties	3 542 797	1 499 342
Taxes and social security contributions	1 553 418	2 251 251
Other accounts payable	1 537 339	946 851
Accrued liabilities	3 406 291	2 073 179
Defined benefit obligation	950 220	958 038
Deferred income	40 951	486 406
<b>Total current liabilities</b>	<b>79 408 844</b>	<b>125 328 988</b>
<b>Total liabilities</b>	<b>152 377 352</b>	<b>140 208 471</b>
<b>Total equity and liabilities</b>	<b>206 606 635</b>	<b>207 345 990</b>

AS VALMIERAS STIKLA ŠĶIEDRA

**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME**

	<b>GROUP</b>	
	<b>12 months 2018</b>	<b>12 months 2017</b>
	<b>EUR</b>	<b>EUR</b>
<b>Sales</b>	<b>112 983 554</b>	<b>125 863 712</b>
Change in inventories	5 433 033	(1 562 780)
Costs capitalized to non-current assets	1 524 807	2 089 341
Other operating income	(12 364 135)	1 888 490
Raw materials and consumables	(54 919 314)	(62 292 671)
Personnel expenses	(40 167 046)	(28 395 270)
Depreciation and amortization	(16 529 661)	(11 124 339)
Other operating expenses	(9 566 439)	(17 986 763)
<b>Profit from operations</b>	<b>(13 605 201)</b>	<b>8 479 718</b>
Interest and similar income	3 666 557	320 541
Interest and similar expenses	(3 935 206)	(1 533 639)
<b>Profit before tax</b>	<b>(13 873 850)</b>	<b>7 266 620</b>
Corporate income tax	(1 117 619)	1 374 462
<b>Profit for the year</b>	<b>(14 991 470)</b>	<b>8 641 082</b>
<i>Attributable to:</i>		
<b>Non-controlling interest</b>	<b>(10 059 158)</b>	<b>424 969</b>
<b>Owners of the Parent</b>	<b>(4 932 312)</b>	<b>8 216 113</b>
<b>Earnings per share</b>	<b>(0.2063)</b>	<b>0.3437</b>

AS VALMIERAS STIKLA ŠĶIEDRA  
STATEMENT OF CHANGES IN EQUITY OF THE GROUP

GROUP

	Share capital	Revaluation reserve	Other reserve	Retained earnings	Total	Non- controlling interest	Total equity
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>31.12.2016</b>	<b>33 464 487</b>	<b>(257 191)</b>	<b>(3 418 157)</b>	<b>24 044 472</b>	<b>53 833 611</b>	1 056 658	<b>54 890 269</b>
Current year profit				8 216 112	<b>8 216 112</b>	424 969	<b>8 641 081</b>
Contributions from non-controlling interest						7 419 890	<b>7 419 890</b>
Other comprehensive income:							
<i>Remeasurement of defined</i>			340 385		<b>340 385</b>		<b>340 385</b>
<i>Deferred income tax relating to defined benefit obligation</i>			(68 077)		<b>(68 077)</b>		<b>(68 077)</b>
<i>Exchange differences on translating foreign operations</i>		(2 827 284)			<b>(2 827 284)</b>	(1 258 745)	<b>(4 086 029)</b>
<b>31.12.2017</b>	<b>33 464 487</b>	<b>(3 084 475)</b>	<b>(3 145 849)</b>	<b>32 260 584</b>	<b>59 494 747</b>	<b>7 642 772</b>	<b>67 137 520</b>
<b>31.12.2017</b>	<b>33 464 487</b>	<b>(3 084 475)</b>	<b>(3 145 849)</b>	<b>32 260 584</b>	<b>59 494 747</b>	<b>7 642 772</b>	<b>67 137 520</b>
Stock standart cost adjustment - opening balances				(917 000)	<b>(917 000)</b>		<b>(917 000)</b>
Current year profit				(4 932 313)	<b>(4 932 313)</b>	(10 059 158)	<b>(14 991 471)</b>
Contributions from non-controlling interest						3 148 309	<b>3 148 309</b>
<i>Exchange differences on translating foreign operations</i>		<b>817 363</b>	<b>(46 984)</b>		<b>770 379</b>	(918 452)	<b>(148 073)</b>
<b>31.12.2018</b>	<b>33 464 487</b>	<b>(2 267 112)</b>	<b>(3 192 833)</b>	<b>26 411 271</b>	<b>54 415 813</b>	<b>(186 529)</b>	<b>54 229 284</b>



AS VALMIERAS STIKLA ŠĶIEDRA  
**STATEMENT OF CASH FLOWS OF THE GROUP**

	<b>GROUP</b>	
	<b>12 months 2018</b>	<b>12 months 2017</b>
	<b>EUR</b>	<b>EUR</b>
<b>Cash flows from operating activities</b>		
Profit before tax	(13 873 850)	7 266 620
<i>Adjustments:</i>		
Change in fair value of derivative	156 134	(293 463)
Depreciation and amortization	16 529 661	11 124 339
Interest expenses	1 468 838	1 359 917
Interest income	(95 985)	(27 077)
Income on EU grants	(656 807)	(923 355)
<b>Changes in working capital:</b>		
Increase in inventories	(7 916 389)	5 871 696
Increase in accounts receivable	10 906 233	(4 093 943)
Increase in accounts payable	(5 428 330)	6 686 681
<b>Cash provided by operating activities</b>	<b>1 089 505</b>	<b>26 971 415</b>
<b>Cash flows from investing activities</b>		
Purchase of fixed and intangible assets	(4 094 672)	(70 634 723)
Income from sales of investment in related party shares	2 400 000	-
Received interest	95 985	27 077
<b>Net cash used in investing activities</b>	<b>(1 598 687)</b>	<b>(70 607 646)</b>
<b>Cash flows from financing activities</b>		
Income from non-controlling interest contribution	-	7 419 890
Loans received	11 738 721	52 700 214
Loans paid	(9 593 359)	(11 467 480)
Change in credit line	(2 796 599)	(4 535 919)
Finance lease paid	(143 252)	(161 106)
Paid interest expenses	(1 048 650)	(1 494 125)
Received EU and state grants	-	849 396
<b>Net cash (used in) / provided by financing activities</b>	<b>(1 843 139)</b>	<b>43 310 870</b>
<b>Net change in cash and cash equivalents</b>	<b>(2 352 322)</b>	<b>(325 361)</b>
Cash and cash equivalents at the beginning of reporting period	2 633 591	2 958 952
<b>Cash and cash equivalents at the end of reporting period</b>	<b>281 270</b>	<b>2 633 591</b>

## 1. SHARE CAPITAL

The share capital as of December 31, 2018 consists of 23 903 205 publicly listed bearer shares, all with equal rights.

The shareholders as at December 31, 2018 and December 31, 2017 were as follows (according to Nasdaq CSD data):

	Percentage of investment (%) 31.12.2018	Percentage of investment (%) 31.12.2017
Corvalis GmbH	11,97	24,52
P-D Glasseiden GmbH Oschatz	26,07	26,07
P-D Management Industries-Technologies GmbH	23,93	23,93
Preiss-Daimler Beatrix	9,42	7,40
P-D Aircraft Composites GmbH (previous P-D Composites Handels-und Service GmbH)	18,83	6,28
Other shareholders (less 5% ownership interest)	9,78	11,80
<b>Total</b>	<b>100,00</b>	<b>100,00</b>

## 2. INFORMATION CONCERNING THE PROFIT AND LOSS STATEMENT

<b>RAW MATERIALS AND COSUMABLES</b>	<b>Group</b>	
	<b>12 months 2018</b>	<b>12 months 2017</b>
	<b>EUR</b>	<b>EUR</b>
Raw materials and other costs	38 853 910	50 566 343
Natural gas	5 738 610	4 371 696
Electricity	7 692 875	5 790 860
Oxygen	1 368 400	867 161
Precious metal plates processing costs	1 265 519	696 611
<b>Total</b>	<b>54 919 314</b>	<b>62 292 671</b>

<b>PERSONNEL EXPENSES</b>	<b>12 months 2018</b>	
	<b>12 months 2017</b>	
	<b>EUR</b>	<b>EUR</b>
Salaries	30 061 518	20 849 504
State social security contributions	5 392 613	4 421 267
Illness and vacation expenses	2 282 103	2 203 652
Employee insurance	1 203 416	357 921
Other	1 227 395	562 927
<b>Total</b>	<b>40 167 046</b>	<b>28 395 270</b>

<b>DEPRECIATION AND AMORTISATION</b>	<b>12 months 2018</b>	
	<b>12 months 2017</b>	
	<b>EUR</b>	<b>EUR</b>
Fixed asset depreciation based on straight line method	15 710 612	10 566 949
Depreciation of precious metal plates	660 768	440 411
Intangible asset amortization	158 281	116 979
<b>Total</b>	<b>16 529 661</b>	<b>11 124 339</b>

<b>OTHER OPERATING EXPENSES</b>	<b>12 months 2018</b>	
	<b>12 months 2017</b>	
	<b>EUR</b>	<b>EUR</b>
Transportation	2 499 268	8 462 177
Sales commission	942 066	1 453 362
Service costs	970 594	1 742 291
Spare parts	899 588	1 585 913
Repair expenses	693 893	659 991
Training and qualification of employees	188 071	72 318
Insurance	716 163	707 903
Business trips	397 143	687 431
Labour safety and specific clothing	298 158	361 141
Research and development expenses	177 043	90 225
Communication	163 409	173 284
Rent	617 363	838 964
Office expenses	50 457	51 470
Selling expenses	365 626	581 880
Property tax	261 366	240 095
Allowance for doubtful receivables	66 629	-
Audit fees	158 195	73 620
Other	101 407	204 699
<b>Total</b>	<b>9 566 439</b>	<b>17 986 763</b>



### 3.Trade Receivables

	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>Receivables</b>	<b>Receivables</b>
	<b>EUR</b>	<b>EUR</b>
P-D Glasseiden Oschatz GmbH	-	1 078 328
P-D Management Industries –Technologies	-	41 662
P-D Industriegesellschaft GmbH	72 434	84 626
P-D Interglas Technologies GmbH	-	1 107
Preiss-Daimler FibreGlass AB	-	13 586
P-D Tatneft-Alabuga Steklovolokno	238	-
Other trade receivable	4 135 245	16 435 090
Allowance for doubtful receivables	(95 803)	(524 836)
<b>Total</b>	<b>4 112 114</b>	<b>17 129 563</b>

### Disclaimer

The Financial Statement may contain future projections.

These projections include statements on the Group's further strategy, objectives, future plans, and tasks and planned events, the performance of which may be affected by the action of third parties not being under the Group's control, and therefore the said future results may differ from the results expressed or implied in the Financial Statement.

The management of Valmieras stikla šķiedra JSC assumes no responsibility for decisions made by third parties based on the projections provided by Valmieras stikla šķiedra JSC management within the Financial Statement.



