



VALMIERA GLASS®

AS Valmieras stikla šķiedra

*Consolidated and separate financial statements
for the year 2015
prepared in accordance with
International Financial Reporting Standards
as adopted by the European Union
and 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.*

AS VALMIERAS STIKLA ŠĶIEDRA

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AS VALMIERAS STIKLA ŠĶIEDRA
INFORMATION ABOUT GROUP

| | |
|-------------------------------------|---|
| NAME OF THE PARENT COMPANY | Valmieras stikla šķiedra |
| LEGAL STATUS | Joint stock company |
| REGISTRATION NUMBER, PLACE AND DATE | No. 40003031676 Riga, 30 September 1991 |
| TYPE OF BUSINESS | Production of glass fibre products |
| ADDRESS | 13 Cempu Street, Valmiera, LV- 4201, Latvia |
| SUBSIDIARIES | Valmiera Glass UK Ltd (100%) Sherborne, Dorset DT9 3RB United Kingdom Valmiera Glass USA Corp. (100%) 168 Willie Paul 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, president (from 01.06.2015) Andris Oskars Brutāns, president (till 31.05.2015.) Members of the Board : Dainis Šēnbergs, vice president Doloresa Volkopa (from 01.06.2015.) Stefan Jugel Hans-Jochen Häusler Andre Heinz Schwiontek (till 31.05.2015.) |
| THE COUNCIL | Chairman of the Council : Jürgen Preiss-Daimler Members of the Council : Hans Peter Cordts Frank Wilhelm Behrends Andris Oskars Brutāns (from 1.06.2015.) Jöran Pfuhl Guntis Strazds (till 31.05.2015.) |
| REPORTING YEAR | 1 January 2015 - 31 December 2015 |
| PRIOR REPORTING YEAR | 1 January 2014 - 31 December 2014 |
| AUDITORS AND THEIR ADDRESS | Deloitte Audits Latvia SIA Licence No. 43 4a Grēdu Street, Riga, LV-1019, Latvia |

General information

AS VALMIERAS STIKLA ŠĶIEDRA MANAGEMENT REPORT

AS Valmieras stikla šķiedra and its subsidiaries (hereinafter referred to as – “Valmiera Glass Group” or “the Group”) is one of the leading glass fiber manufacturers in Europe. Valmiera Glass Group companies operate in three countries, across two continents: Latvia, Great Britain and the United States of America. AS Valmieras stikla šķiedra plants have more than eighty years of experience in textile processing and their production is focused on a variety of industrial markets.

During the reporting year Valmiera Glass Group consisted of AS Valmieras stikla šķiedra and three subsidiaries: Valmiera Glass UK Ltd, in the United Kingdom, Valmiera Glass USA Corp. and Valmiera Glass USA Trading Corp. in the United States of America. The Group’s principal activities are glass fibre research, glass fibre product development, manufacturing and sales. The Group is positioning itself in the market as vertically integrated – from glass fibre production to coated/impregnated fabrics – supplier of different composite materials to airline, construction and other manufacturing industries.

AS Valmieras stikla šķiedra specializes in manufacturing of two different glass fibre types (E-glass with temperature resistance of 600°C and SiO₂-glass with temperature resistance of 1000+°C) and their products. These products are used for further processing, in technical (electro, thermal and sound) insulation and as ready-made materials for mechanical engineering, construction etc.

Subsidiary Valmiera Glass UK Ltd produces glass fibre products for airline industry, thermal insulation and architecture, while Valmiera Glass USA Corp. produces glass fibre products with high added value – non-woven materials. Valmiera Glass Trading USA Corp. was established with the purpose to sell products of the Group in the United States of America.

Finished product sales

In 2015 the Group continued to strengthen its positions in world market of glass fiber, sales volumes substantially increased in all main markets. In 2015 the main export markets of the Group remained unchanged: the European Union countries (76%), North America (11%) and the other countries. Increase in sales amounts is experienced in North American market by 10%, thanks to the Group business strategy and development.

Sales turnover of the parent company of the Group also continued to increase during 12 months of 2015. Main export markets for the parent company – European Union countries (77%) and North America (11%). From product segment perspective, sales volumes have increased for high added value products - glass fibre sieves and technical fabrics. In 2015 on average, these products have been sold by 29% more than in 2014. Sales segments of the other products are experiencing stability.

Employees

In 2015, Valmiera Glass Group on average has employed 1182 employees, from them the average amount of workers in AS Valmieras stikla šķiedra – 986 employees. The average number of employees of the Valmiera Glass Subsidiary Valmiera Glass UK Ltd had 151 employees on average, Valmiera Glass USA Corp. – 45.

Investments

Investments in development of the Group in 2015 amounted to EUR 19.03 million, which includes purchase of new equipment, modernization of existing technical and technological solutions and new product development with the purpose to increase production capacity of the Group. EUR 0.77 million of total investment was invested in new environmental saving technologies.

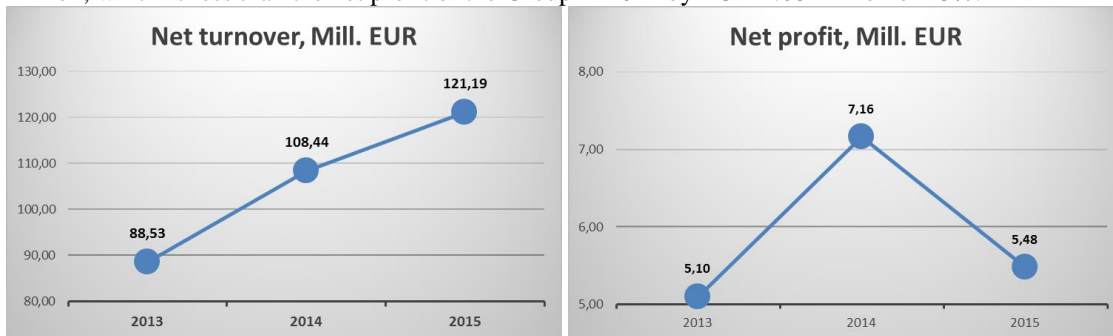
Quality management

Since 2000 AS Valmieras stikla šķiedra and its subsidiary Valmiera Glass UK Ltd. operates in accordance with the standard of the Quality management system ISO 9001. Valmiera Glass USA Corp., which launched its production in 2015, also has received and operates according to quality management system standard ISO 9001:2008.

Financial results

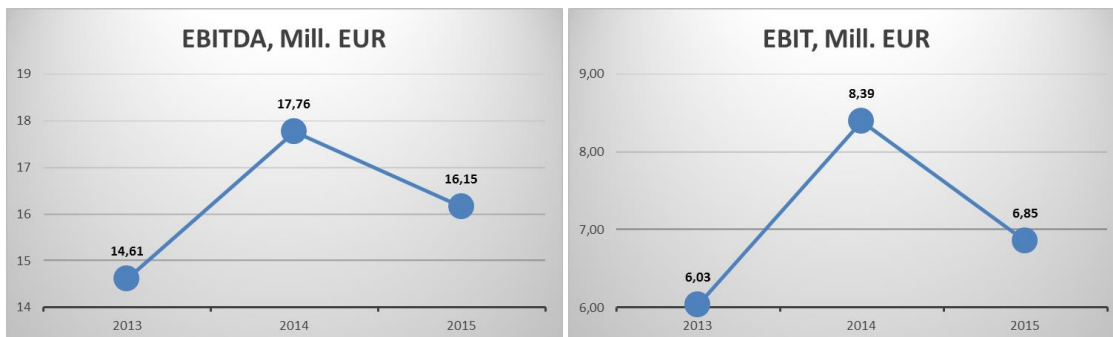
**AS VALMIERAS STIKLA ŠĶIEDRA
MANAGEMENT REPORT**

Consolidated turnover of the Group in 2015 has reached EUR 121.19 million. It is increase by EUR 12.75 million or 12% if compared to the Group result in 2014. The net profit of the Group amounted to EUR 5.48 million, which is less than the net profit of the Group in 2014 by EUR 1.68 million or 23%.

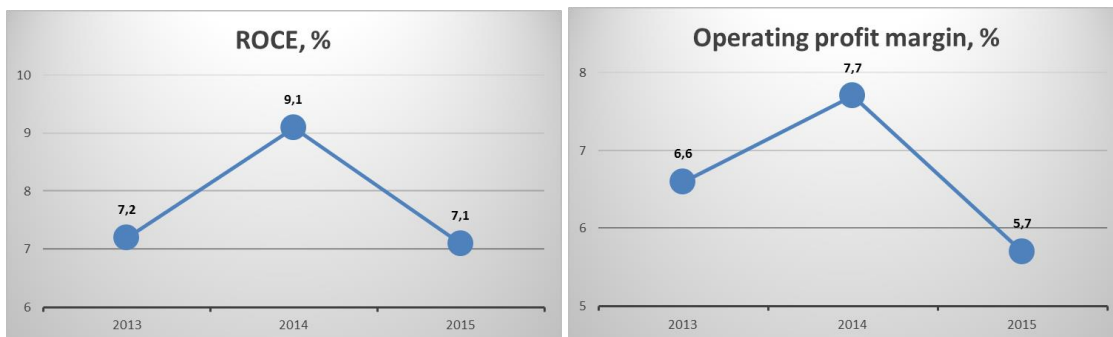


Decrease in profit compared to 2014 and previous forecasts, is due to decrease in the production of glass fiber because of technical issues in one of the three glass melting furnaces in 2015 Q3. To replace the unmanufactured glass fiber production, it was necessary to purchase materials from other suppliers at a higher price, which, in contrary to the forecasts, had greater impact on the production costs and profit figures in the last months of the year. In November 2015 furnace operation was restored to normal level.

The consolidated operating profit (EBITDA) was EUR 16.15 million and that is 1.61 million or 9% less than in 2014. Profit from operating activities (EBIT) was EUR 6.85 million, which is less by 1.54 million or 18% than in 2014.



Return on the total consolidated capital employed (ROCE) in 2015 was 7.1%, consolidated operating profit margin for 2015 reached 5.7%.



Considering the market development trends and the results of Valmieras stikla šķiedra and its subsidiaries the management of the Group forecasts that consolidated net turnover of Valmiera Glass Group in 2016 could reach EUR 141 million while consolidated net profit - EUR 8.6 million.

Stock exchange market

AS VALMIERAS STIKLA ŠĶIEDRA MANAGEMENT REPORT

The shares of AS Valmieras stikla šķiedra are listed on NASDAQ OMX Riga Secondary market since 24 February 1997.

AS Valmieras stikla šķiedra growth over the past three years from 2013 to 2015 is also reflected in its share price on the Nasdaq stock exchange in Riga. During this period, the share price has increased by more than 181%. In 2015 AS Valmiera stikla šķiedra share price has fluctuated between EUR 3.13 (the lowest share price) to EUR 4.08 (the highest share price). During the reporting period the average share price has been EUR 3.59, while the market capitalization as of 31 Decembers 2015 is EUR 81.27 million.

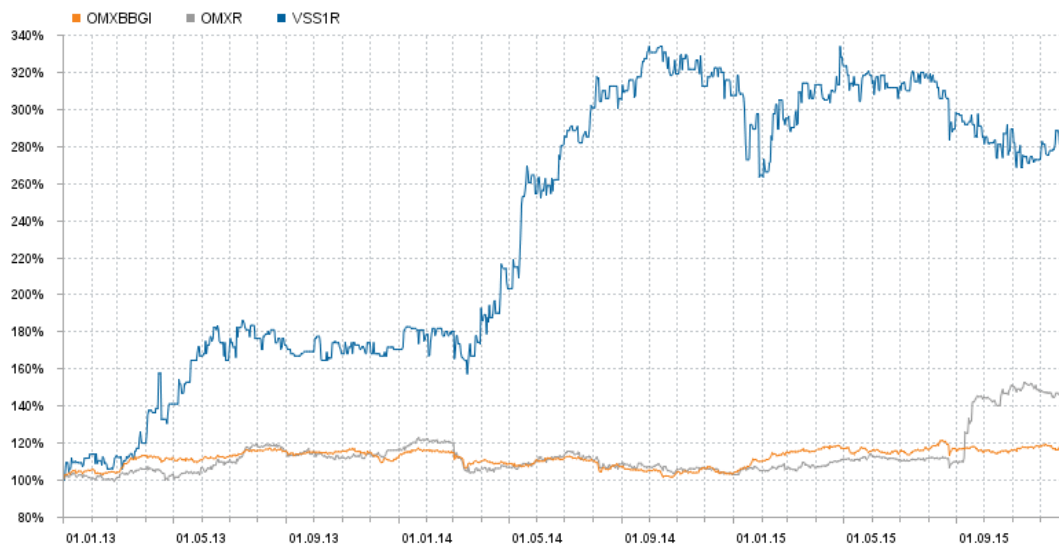
AS Valmieras stikla šķiedra share price development in the stock exchange Nasdaq Riga (EUR) (2013 – 2015)



From 1 January 2015 till 31 December 2015 the share price of the Company has decreased by EUR 0.32 or 8.60%. The value of one share on 1 January 2015 was EUR 3.72, but by 31 December 2015 the price has decreased to EUR 3.40.

The total number of traded shares of the Company in 12 months of 2015 was more than 321 thousand amounting to EUR 1.15 million.

Share price of AS „Valmieras stikla šķiedra” in stock exchange Nasdaq Riga comparing with OMX Baltic Benchmark GI and OMX Riga indexes



Over the past three years from 2013 to 2015, AS Valmieras stikla šķiedra share price rose considerably faster than OMX Riga and OMX Baltic Benchmark GI indexes. From 2013 to 2015, OMX Riga index rose by 50.12%, the OMX Baltic Benchmark GI index by 18.53%, while AS "Valmieras stikla šķiedra share price by 181.12%

Subsequent events

There have been no significant events since the end of the reporting period to the date of signing of this report that could materially affect the results of the reporting period, and require adjustments to the consolidated financial statement or should be disclosed in the notes of the consolidated financial statement.

Andre Heinz Schwiontek
Chairman of the Board

14 April 2016

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 2015 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.

On behalf of the management

Andre Heinz Schwiontek
Chairman of the Board

14 April 2016

Translation from Latvian

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Valmieras stikla šķiedra AS:

Report on the Financial Statements

We have audited the accompanying financial statements of Valmieras stikla šķiedra AS (further "the Company") and the consolidated financial statements of Valmieras stikla šķiedra AS and its subsidiaries (further "the Group") set out on pages 10 to 49, which comprise the Company's and the Group's statement of financial position as of 31 December 2015, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above give a true and fair view of the financial position of the Company and the Group as of 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.


Report on Other Legal and Regulatory Requirements

We have read the management report for 2015 set out on pages 4 to 7 of the accompanying annual report for the year ended 31 December 2015 and have not identified any material inconsistencies between the financial information contained in the management report and the financial statements for 2015.

Deloitte Audits Latvia SIA
Licence No. 43

Roberts Stūģis
Member of the Board

Rīga, Latvia
14 April 2016



Elīna Sedliņa
Certified auditor of Latvia
Certificate No. 179

AS VALMIERAS STIKLA ŠĶIEDRA
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR 2015

| | Notes | Group 31.12.2015 EUR | Group 31.12.2014 EUR | Company 31.12.2015 EUR | Company 31.12.2014 EUR |
|---|-------|----------------------------|----------------------------|------------------------------|------------------------------|
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Intangible assets | | | | | |
| Software licenses, patents, trademarks and other rights | 4 | 602,275 | 470,179 | 602,275 | 470,179 |
| Software in acquisition process | 4 | 107,912 | - | 107,912 | - |
| Goodwill | 5 | 4,463,886 | 3,930,822 | - | - |
| Total intangible assets | | 5,174,073 | 4,401,001 | 710,187 | 470,179 |
| Tangible assets | | | | | |
| Land and buildings | 6 | 17,396,474 | 13,899,445 | 11,931,912 | 13,067,693 |
| Equipment and machinery | 6 | 55,304,751 | 45,680,214 | 48,143,005 | 43,321,188 |
| Other fixed assets | 6 | 1,176,890 | 1,050,472 | 841,331 | 856,270 |
| Construction in progress | 6 | 4,998,127 | 8,058,211 | 5,009,280 | 2,787,287 |
| Advance payments for fixed assets | | 1,694,476 | 3,960,646 | 1,694,476 | 3,960,646 |
| Total tangible assets | | 80,570,718 | 72,648,988 | 67,620,004 | 63,993,084 |
| Non-current financial investments | | | | | |
| Investments in subsidiaries | 5 | - | - | 16,720,125 | 13,032,789 |
| Loans to related companies | 33 | - | - | 3,708,890 | 2,140,116 |
| Receivables from related companies | 33 | - | - | 2,675,069 | 3,471,838 |
| Deferred expenses | 11 | 376,985 | - | 333,333 | - |
| Total non-current financial investments | | 376,985 | - | 23,437,417 | 18,644,743 |
| Deferred tax asset | 30 | 1,683,720 | 1,552,647 | - | - |
| Total non-current assets | | 87,805,496 | 78,602,636 | 91,767,608 | 83,108,006 |
| Current assets | | | | | |
| Inventories | | | | | |
| Raw materials | 7 | 11,463,320 | 10,307,516 | 8,799,108 | 8,108,804 |
| Work in progress | | 4,099,538 | 4,913,053 | 3,716,399 | 3,990,908 |
| Finished goods | 8 | 14,806,715 | 16,952,802 | 8,097,880 | 12,170,537 |
| Advance payments for inventories | | 392,581 | 287,441 | 273,867 | 259,470 |
| Total inventories | | 30,762,154 | 32,460,812 | 20,887,254 | 24,529,719 |
| Accounts receivable | | | | | |
| Trade receivables | 9 | 9,661,318 | 8,256,954 | 5,162,238 | 5,572,300 |
| Receivables from related parties | 33 | 2,185,808 | 1,488,430 | 6,051,556 | 2,566,239 |
| Other receivables | 10 | 850,590 | 574,147 | 610,900 | 482,319 |
| Deferred expenses | 11 | 703,106 | 433,055 | 637,938 | 276,231 |
| Total accounts receivable | | 13,400,822 | 10,752,586 | 12,462,632 | 8,897,089 |
| Cash and cash equivalents | 12 | 1,200,204 | 1,179,230 | 61,774 | 355,290 |
| Total current assets | | 45,363,180 | 44,392,628 | 33,411,660 | 33,782,098 |
| TOTAL ASSETS | | 133,168,676 | 122,995,264 | 125,179,268 | 116,890,104 |

The accompanying notes on pages 15 to 49 are an integral part of these consolidated financial statements.

On behalf of the management the financial statements were signed on 14 April 2016 by:

Andre Heinz Schwiontek
Chairman of the Board

Jürgen Preiss-Daimler
Chairman of the Council

AS VALMIERAS STIKLA ŠĶIEDRA
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR 2015

| | Notes | Group 31.12.2015 EUR | Group 31.12.2014 EUR | Company 31.12.2015 EUR | Company 31.12.2014 EUR |
|---|-------|----------------------------|----------------------------|------------------------------|------------------------------|
| EQUITY AND LIABILITIES | | | | | |
| Equity | | | | | |
| Share capital | 13 | 33,464,487 | 33,464,487 | 33,464,487 | 33,464,487 |
| Foreign currency translation reserve | | 1,942,629 | 675,927 | - | - |
| Other reserves | | (951,732) | (758,258) | 546,709 | 546,709 |
| Retained earnings | | 20,737,699 | 18,073,541 | 20,540,227 | 17,865,702 |
| Total equity | | 55,193,083 | 51,455,697 | 54,551,423 | 51,876,898 |
| Liabilities | | | | | |
| Non-current liabilities | | | | | |
| Borrowings from credit institutions | 14 | 29,598,475 | 28,920,370 | 29,598,475 | 28,920,370 |
| Borrowings from related companies | 33 | - | - | 1,700,000 | 2,700,000 |
| Finance lease | 15 | 134,711 | 191,322 | 134,711 | 191,322 |
| Other borrowings | 16 | 344,448 | - | - | - |
| Deferred tax liabilities | 30 | 1,668,561 | 652,880 | 1,350,915 | 569,574 |
| Defined benefit obligation | 20 | 5,203,352 | 6,041,854 | - | - |
| Deferred income | 21 | 3,845,606 | 3,475,402 | 3,113,848 | 2,981,168 |
| Derivative | 34 | 764,506 | 1,250,139 | 764,506 | 1,250,139 |
| Total non-current liabilities | | 41,559,659 | 40,531,967 | 36,662,455 | 36,612,573 |
| Current liabilities | | | | | |
| Borrowings from credit institutions | 14 | 19,697,612 | 16,207,310 | 19,697,612 | 16,207,310 |
| Finance lease | 15 | 116,313 | 119,215 | 116,313 | 119,215 |
| Advance payments from customers | | 163,971 | 209,833 | 163,971 | 209,833 |
| Trade payables | | 10,669,872 | 8,968,014 | 9,541,480 | 8,068,781 |
| Payables to related parties | 33 | 683,826 | 973,697 | 1,506,205 | 1,108,121 |
| Taxes and social security contributions | 17 | 761,457 | 754,216 | 635,013 | 591,465 |
| Other accounts payable | 18 | 778,034 | 571,660 | 684,882 | 571,658 |
| Accrued liabilities | 19 | 1,937,297 | 1,936,092 | 1,225,590 | 1,347,970 |
| Defined benefit obligation | 20 | 1,158,117 | 1,091,283 | - | - |
| Deferred income | 21 | 449,435 | 176,280 | 394,324 | 176,280 |
| Total current liabilities | | 36,415,934 | 31,007,600 | 33,965,390 | 28,400,633 |
| Total liabilities | | 77,975,593 | 71,539,567 | 70,627,845 | 65,013,206 |
| TOTAL EQUITY AND LIABILITIES | | 133,168,676 | 122,995,264 | 125,179,268 | 116,890,104 |

The accompanying notes on pages 15 to 49 are an integral part of these consolidated financial statements.

On behalf of the management the consolidated financial statements were signed on 14 April 2016 by:

Andre Heinz Schwiontek
Chairman of the Board

Jürgen Preiss-Daimler
Chairman of the Council

AS VALMIERAS STIKLA ŠĶIEDRA
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR 2015

| | Notes | Group 2015 EUR | Group 2014 EUR | Company 2015 EUR | Company 2014 EUR |
|--|-------|----------------------|----------------------|------------------------|------------------------|
| Sales | 22 | 121,191,727 | 108,441,445 | 103,262,465 | 91,700,510 |
| Change in inventories | | (3,314,150) | 5,132,867 | (4,346,963) | 4,102,785 |
| Costs capitalized to non-current assets | 6 | 384,243 | 47,129 | 198,187 | 47,129 |
| Other operating income | 23 | 3,239,005 | 782,613 | 3,288,285 | 1,423,391 |
| Raw materials and consumables | 24 | (59,921,117) | (55,921,666) | (54,052,842) | (49,920,445) |
| Personnel expenses | 25 | (23,797,197) | (20,471,791) | (16,885,930) | (15,535,601) |
| Depreciation and amortization | 26 | (9,298,568) | (9,368,841) | (8,505,769) | (8,681,960) |
| Other operating expenses | 27 | (21,633,313) | (20,252,997) | (16,112,309) | (15,053,728) |
| Profit from operations | | 6,850,630 | 8,388,759 | 6,845,124 | 8,082,081 |
| Interest and similar income | 28 | 1,187,870 | 879,351 | 1,267,594 | 856,155 |
| Interest and similar expenses | 29 | (2,041,154) | (1,817,498) | (1,845,835) | (1,624,790) |
| Profit before tax | | 5,997,346 | 7,450,612 | 6,266,883 | 7,313,446 |
| Corporate income tax | 30 | (522,171) | (295,331) | (781,341) | (285,000) |
| PROFIT FOR THE YEAR | | 5,475,175 | 7,155,281 | 5,485,542 | 7,028,446 |
| Earnings per share | 31 | 0.2291 | 0.2993 | 0.2295 | 0.2940 |
| Other comprehensive income | | | | | |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | | | | |
| Remeasurement of defined benefit obligation | 20 | (13,625) | (2,201,823) | - | - |
| Deferred income tax relating to defined benefit obligation | 30 | (179,849) | 440,725 | - | - |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | | | |
| Exchange differences on translating foreign operations | | 1,266,702 | 656,856 | - | - |
| Other comprehensive income for the year, net of income tax | | 1,073,228 | (1,104,242) | 5,485,542 | 7,028,446 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 6,548,403 | 6,051,039 | 5,485,542 | 7,028,446 |

The accompanying notes on pages 15 to 49 are an integral part of these consolidated financial statements.

On behalf of the management the consolidated financial statements were signed on 14 April 2016 by:

Andre Heinz Schwiontek
Chairman of the Board

Jürgen Preiss-Daimler
Chairman of the Council

AS VALMIERAS STIKLA ŠKIEDRA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR 2015

| | Share capital | Foreign currency translation reserve | Group Other reserves | Retained earnings | Total |
|---|-------------------|---|----------------------------|----------------------|-------------------|
| | EUR | EUR | EUR | EUR | EUR |
| 31.12.2013. | 34,011,197 | 19,071 | 456,130 | 12,926,129 | 47,412,527 |
| Current year profit | - | - | - | 7,155,281 | 7,155,281 |
| Payment of dividends | - | - | - | (2,007,869) | (2,007,869) |
| Denomination of share capital to euro | (546,710) | - | 546,710 | - | - |
| Other comprehensive income: | | | | | |
| <i>Remeasurement of defined benefit obligation</i> | - | - | (2,201,823) | - | (2,201,823) |
| <i>Deferred income tax relating to defined benefit obligation</i> | - | - | 440,725 | - | 440,725 |
| <i>Exchange differences on translating foreign operations</i> | - | 656,856 | - | - | 656,856 |
| 31.12.2014 | 33,464,487 | 675,927 | (758,258) | 18,073,541 | 51,455,697 |
| Current year profit | - | - | - | 5,475,175 | 5,475,175 |
| Payment of dividends | - | - | - | (2,811,017) | (2,811,017) |
| Other comprehensive income: | | | | | |
| <i>Remeasurement of defined benefit obligation</i> | - | - | (13,625) | - | (13,625) |
| <i>Deferred income tax relating to defined benefit obligation</i> | - | - | (179,849) | - | (179,849) |
| <i>Exchange differences on translating foreign operations</i> | - | 1,266,702 | - | - | 1,266,702 |
| 31.12.2015. | 33,464,487 | 1,942,629 | (951,732) | 20,737,699 | 55,193,083 |

| Company | Share capital | Other reserves | Retained earnings | Total |
|---------------------------------------|-------------------|-------------------|----------------------|-------------------|
| | EUR | EUR | EUR | EUR |
| 31.12.2013 | 34,011,197 | - | 12,845,125 | 46,856,321 |
| Payment of dividends | - | - | (2,007,869) | (2,007,869) |
| Current year profit | - | - | 7,028,446 | 7,028,446 |
| Denomination of share capital to euro | (546,710) | 546,709 | - | - |
| 31.12.2014 | 33,464,487 | 546,709 | 17,865,702 | 51,876,898 |
| Payment of dividends | - | - | (2,811,017) | (2,811,017) |
| Current year profit | - | - | 5,485,542 | 5,485,542 |
| 31.12.2015 | 33,464,487 | 546,709 | 20,540,227 | 54,551,423 |

The accompanying notes on pages 15 to 49 are an integral part of these consolidated financial statements.

On behalf of the management the consolidated financial statements were signed on 14 April 2016 by:

Andre Heinz Schwiontek
Chairman of the Board

Jürgen Preiss-Daimler
Chairman of the Council

STATEMENT OF CASH FLOWS
FOR THE YEAR 2015

| | | Group 31.12.2015 EUR | Group 31.12.2014 EUR | Company 31.12.2015 EUR | Company 31.12.2014 EUR |
|---|----|----------------------------|----------------------------|------------------------------|------------------------------|
| OPERATING ACTIVITIES | | | | | |
| Profit before tax | | 5,997,346 | 7,450,612 | 6,266,883 | 7,313,446 |
| Adjustments: | | | | | |
| Change in fair value of derivative | 27 | (491,357) | (375,697) | (491,357) | (375,697) |
| Depreciation and amortization | 25 | 9,298,568 | 9,368,841 | 8,505,769 | 8,681,960 |
| Loss from disposal of fixed assets | | 98,604 | (1,632) | 75,519 | (1,632) |
| Interest expenses | 28 | 1,357,222 | 1,814,882 | 1,416,486 | 1,622,174 |
| Interest income | 27 | (15,499) | (13,339) | (95,208) | (13,339) |
| Income on EU grants | 22 | (934,070) | (376,329) | (684,378) | (376,329) |
| Changes in working capital: | | | | | |
| Decrease (Increase) in inventories | | 1,698,657 | (6,797,234) | 3,642,465 | (5,079,817) |
| Increase / (Decrease) in accounts receivable | | (3,894,985) | 816,518 | (4,194,597) | (3,676,301) |
| Increase in accounts payable | | 1,192,589 | 624,711 | 1,430,004 | 702,115 |
| Interest received | | 15,499 | 13,339 | 11,953 | 13,339 |
| Cash provided by operating activities | | 14,322,574 | 12,524,672 | 15,883,539 | 8,809,919 |
| INVESTING ACTIVITIES | | | | | |
| Purchase of fixed and intangible assets | | (15,714,911) | (16,533,309) | (10,605,217) | (10,454,411) |
| Acquisition of subsidiary | | - | (3,000,000) | - | (3,000,000) |
| Investments in share capital of subsidiaries | | - | - | (3,687,336) | - |
| Loans to related parties | | - | - | (1,568,774) | (2,140,116) |
| Income from sales of fixed assets | | 21,963 | 4,959 | 21,963 | 4,959 |
| Net cash used in investing activities | | (15,692,948) | (19,528,350) | (15,839,364) | (15,589,568) |
| FINANCING ACTIVITIES | | | | | |
| Loans received | | 11,229,456 | 12,031,276 | 10,885,008 | 12,031,276 |
| Loans paid | | (7,937,605) | (6,665,373) | (8,937,605) | (6,665,373) |
| Change in credit line | | 1,228,784 | 3,061,381 | 1,228,784 | 3,061,381 |
| Dividends paid | | (2,811,017) | (2,007,869) | (2,811,017) | (2,007,869) |
| Finance lease paid | | (143,239) | (221,879) | (143,239) | (221,879) |
| Received EU and state grants | | 1,169,818 | 2,594,729 | 844,490 | 2,100,496 |
| Interest paid/ (used in | | (1,344,848) | (1,784,478) | (1,404,112) | (1,784,478) |
| Net cash provided by financing activities | | 1,391,349 | 7,007,787 | (337,691) | 6,513,554 |
| Net increase / (decrease) in cash and cash equivalents | | 20,974 | 4,109 | (293,516) | (266,095) |
| Cash and cash equivalents at the beginning of the year | | 1,179,230 | 1,175,121 | 355,290 | 621,385 |
| Cash and cash equivalents at the end of the year | 12 | 1,200,204 | 1,179,230 | 61,774 | 355,290 |

The accompanying notes on pages 15 to 49 are an integral part of these consolidated financial statements.

On behalf of the management the consolidated financial statements were signed on 14 April 2016 by:

Andre Heinz Schwiontek
Chairman of the Board

Jürgen Preiss-Daimler
Chairman of the Council

AS VALMIERAS STIKLA ŠĶIEDRA
NOTES OF THE FINANCIAL STATEMENTS
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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 FINANSIAL STATEMENT

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (the EU) and their interpretations. The standards are issued by the International Accounting Standards Board (IASB) and their interpretations by the International Financial Reporting Interpretations Committee (IFRIC).

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values.

The initial costs are usually reflected in exchange for goods or services provided by the fair value. Fair value is the price at which the measurement date in an asset could be exchanged or a liability settled in a transaction between market participants under normal circumstances, regardless of whether the transaction price can be directly estimated by actual market transactions, or it is determined by using valuation techniques. In assessing the asset or liability is the fair value, the Group takes into account the asset or liability characteristics, if these qualities to take account of market participants in determining the price of asset or liability at the measurement date. These principles are used to assess and present the fair value of the Group's and the Company's financial statements.

Standards and Interpretations effective in the current period

The following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board are effective for the current period:

- **Amendments to various standards “Improvements to IFRSs (cycle 2011-2013)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 18 December 2014 (amendments are to be applied for annual periods beginning on or after 1 January 2015),
- **IFRIC 21 “Levies”** adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

The adoption of these amendments to the existing standards and interpretations has not led to any changes in the Group's accounting policies.

Standards and Interpretations issued and adopted in the EU but not yet effective

At the date of authorisation of these financial statements the following standards, amendments to the existing standards and interpretations issued and adopted in the EU were in issue but not yet effective:

- **Amendments to IFRS 11 “Joint Arrangements”** – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 1 “Presentation of Financial Statements”** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”** - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016),

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- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture”** - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 19 “Employee Benefits”** - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 February 2015),
- **Amendments to IAS 27 “Separate Financial Statements”** - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to various standards “Improvements to IFRSs (cycle 2010-2012)”** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 February 2015),
- **Amendments to various standards “Improvements to IFRSs (cycle 2012-2014)”** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The Group has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Group anticipates that the adoption of all other standards revisions and interpretations will have no material impact on the financial statements of the Group in the period of initial application.

Standards and Interpretations issued 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 from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use in EU:

- **IFRS 9 “Financial Instruments”** (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016),
- **IFRS 15 “Revenue from Contracts with Customers”** (effective for annual periods beginning on or after 1 January 2017),
- **IFRS 16 “Leases”** (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures”** - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),
- **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 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 7 “Statement of Cash Flows”** - Disclosure Initiative (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 (effective for annual periods beginning on or after 1 January 2017).

The Group has not yet assessed the impact of the above standards, amendments and interpretations on the Group's financial statements.

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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.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income 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:

| | 31.12.2015 | 31.12.2014 |
|-----|-------------------|-------------------|
| GBP | 0.73395 | 0.77890 |
| RUB | 80.6736 | 72.337 |
| SEK | 9.1895 | 9.393 |
| CHF | 1.0835 | 1.2024 |
| USD | 1.0887 | 1.2140 |

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.

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.

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.

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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:

| | Annual rate |
|-------------------------|-------------|
| 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.

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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.

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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; and
- 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 interest payments are based is not exchanged.

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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 instruments.

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.

Taxation

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit and loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rate that have been enacted for the reporting year.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. The deferred tax liability is calculated based on the tax rates that are expected to apply when temporary timing differences reverse. Where a deferred tax asset arises, this is only recognized in the financial statements where its recoverability can be estimated with reasonable certainty.

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.

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Cash and cash equivalents

Cash and cash equivalents include cash on hand 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.

Emission rights

The Group is a participant of the EU CO₂ emission allowance trading scheme and receives an allocation of allowances for emission of greenhouse gas from the Latvian authorities. The Group records emission allowances at cost, if any. If the actual emission exceeds the amount of allowance, the shortfall is recognized in current liabilities and profit and loss statement. Liabilities are measured based on additional allowances required and estimated purchase cost.

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 2015.

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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 2015.

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.

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 2015.

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.

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4. OTHER INTANGIBLE ASSETS

| Group | Software licenses, patents, trademarks and other rights EUR | Software in acquisition process EUR | Total EUR |
|---------------------------------|--|--|----------------------|
| HISTORICAL COST | | | |
| 31.12.2013 | 270,887 | 156,937 | 427,824 |
| Additions | 313,020 | - | 313,020 |
| Transfers | 156,937 | (156,937) | - |
| Disposals | (428) | - | (428) |
| 31.12.2014 | 740,416 | - | 740,416 |
| Additions | 227,368 | 107,912 | 335,280 |
| Disposals | (1,955) | - | (1,955) |
| 31.12.2015 | 965,829 | 107,912 | 1,073,741 |
| ACCUMULATED AMORTISATION | | | |
| 31.12.2013 | 219,452 | - | 219,452 |
| Charge for the year | 51,213 | - | 51,213 |
| Disposals | (428) | - | (428) |
| 31.12.2014 | 270,237 | - | 270,237 |
| Charge for the year | 95,272 | - | 95,272 |
| Disposals | (1,955) | - | (1,955) |
| 31.12.2015 | 363,554 | - | 363,554 |
| NET CARRYING AMOUNT | | | |
| 31.12.2014 | 470,179 | - | 470,179 |
| 31.12.2015 | 602,275 | 107,912 | 710,187 |

| Company | Software licenses, patents, trademarks and other rights EUR | Software in acquisition process EUR | Total EUR |
|---------------------------------|--|--|----------------------|
| HISTORICAL COST | | | |
| 31.12.2013 | 270,887 | 156,937 | 427,824 |
| Additions | 313,020 | - | 313,020 |
| Transfers | 156,937 | (156,937) | - |
| Disposals | (428) | - | (428) |
| 31.12.2014 | 740,416 | - | 740,416 |
| Additions | 227,368 | 107,912 | 335,280 |
| Disposals | (1,955) | - | (1,955) |
| 31.12.2015 | 965,829 | 107,912 | 1,073,741 |
| ACCUMULATED AMORTISATION | | | |
| 31.12.2013 | 219,452 | - | 219,452 |
| Charge for the year | 51,213 | - | 51,213 |
| Disposals | (428) | - | (428) |
| 31.12.2014 | 270,237 | - | 270,237 |
| Charge for the year | 95,272 | - | 95,272 |
| Disposals | (1,955) | - | (1,955) |
| 31.12.2015 | 363,554 | - | 363,554 |
| NET CARRYING AMOUNT | | | |
| 31.12.2014 | 470,179 | - | 470,179 |
| 31.12.2015 | 602,275 | 107,912 | 710,187 |

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5. INVESTMENTS IN SUBSIDIARIES AND GOODWILL

The Company is the sole shareholder in the following companies:

| | 31.12.2015 | 31.12.2014 |
|--|-------------------|-------------------|
| | EUR | EUR |
| Valmiera Glass UK Limited | 13,000,000 | 13,001,000 |
| Valmiera Glass USA Corporation | 3,704,230 | 15,895 |
| Valmiera Glass Trading USA Corporation | 15,895 | 15,894 |
| Total | 16,720,125 | 13,032,789 |

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 acquired 100% of shares of subsidiary Valmiera Glass UK Limited (formerly named P-D Interglas Technologies Limited) from related party on 4 October 2013. Total cost of acquisition amounted to EUR 13,001,000, which consisted of consideration transferrable to the seller in amount of EUR 10,001,000 and loan issued by the subsidiary to its previous shareholder in amount of EUR 3,000,000, which was assigned to AS Valmieras Stikla šķiedra as a part of the acquisition transaction.

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 4,463,886) in 2015 (2014: EUR 3,930,822) 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 are 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 for 2016 – 2020 and applying discount rate of 8.06%. No impairment has been identified based on these calculations. The key assumptions used in these calculations are related to estimated growth in revenue and profitability of the subsidiary.

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| 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 | | | | | | |
| 31.12.2013 | 375,432 | 27,005,697 | 108,754,329 | 4,667,171 | 3,659,184 | 144,461,813 |
| Additions | - | 147,411 | 594,679 | 89,311 | 12,352,525 | 13,183,926 |
| Disposals | - | - | (648,727) | (76,673) | - | (725,400) |
| Transfers | 250,606 | 3,058,922 | 4,135,514 | 508,456 | (7,953,498) | - |
| 31.12.2014 | 626,038 | 30,212,030 | 112,835,795 | 5,188,265 | 8,058,211 | 156,920,339 |
| Impact of currency fluctuations | (250,353) | 706,038 | 1,507,952 | 145,259 | 607,076 | 2,715,972 |
| Additions | - | - | 1,258,922 | - | 17,438,017 | 18,696,939 |
| Disposals | - | (125) | (1,221,856) | (110,832) | - | (1,332,813) |
| Transfers | - | 4,857,377 | 15,617,161 | 630,639 | (21,105,178) | - |
| 31.12.2015 | 375,685 | 35,775,320 | 129,997,974 | 5,853,332 | 4,998,127 | 177,000,437 |
| ACCUMULATED DEPRECIATION | | | | | | |
| 31.12.2013 | - | 15,420,562 | 60,346,225 | 3,856,212 | - | 79,622,999 |
| Charge for the year | - | 1,518,061 | 7,441,356 | 358,212 | - | 9,317,629 |
| Disposals | - | - | (632,000) | (76,631) | - | (708,631) |
| 31.12.2014 | - | 16,938,623 | 67,155,581 | 4,137,793 | - | 88,231,997 |
| Impact of currency fluctuations | - | 312,560 | 1,382,597 | 205,992 | - | 1,901,149 |
| Charge for the year | - | 1,503,473 | 7,259,653 | 440,170 | - | 9,203,296 |
| Disposals | - | (125) | (1,104,608) | (107,513) | - | (1,212,246) |
| 31.12.2015 | - | 18,754,531 | 74,693,223 | 4,676,441 | - | 98,124,195 |
| NET CARRYING AMOUNT | | | | | | |
| 31.12.2014 | 626,038 | 13,273,407 | 45,680,214 | 1,050,472 | 8,058,211 | 68,688,342 |
| 31.12.2015 | 375,685 | 17,020,789 | 55,304,751 | 1,176,890 | 4,998,127 | 78,876,242 |

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| Company | Land | Buildings | Equipment and machinery | Other fixed assets | Construction in progress | Total |
|---------------------------------|----------------|-------------------|--------------------------------|---------------------------|---------------------------------|--------------------|
| | EUR | EUR | EUR | EUR | EUR | EUR |
| HISTORICAL COST | | | | | | |
| 31.12.2013 | 375,432 | 23,301,055 | 95,601,118 | 3,547,491 | 3,659,184 | 126,484,280 |
| Additions | - | - | - | - | 7,081,601 | 7,081,601 |
| Disposals | - | - | (591,392) | (48,133) | - | (639,525) |
| Transfers | 253 | 3,309,275 | 4,135,514 | 508,456 | (7,953,498) | - |
| 31.12.2014 | 375,685 | 26,610,330 | 99,145,240 | 4,007,814 | 2,787,287 | 132,926,356 |
| Additions | - | - | 1,258,922 | - | 13,142,148 | 14,401,070 |
| Disposals | - | (125) | (779,454) | (110,832) | - | (890,411) |
| Transfers | - | 246,205 | 10,328,232 | 345,718 | (10,920,155) | - |
| 31.12.2015 | 375,685 | 26,856,410 | 109,952,940 | 4,242,700 | 5,009,280 | 146,437,015 |
| ACCUMULATED DEPRECIATION | | | | | | |
| 31.12.2013 | - | 12,476,804 | 49,547,754 | 2,884,794 | - | 64,909,352 |
| Charge for the year | - | 1,441,518 | 6,864,363 | 314,841 | - | 8,630,747 |
| Disposals | - | - | (588,065) | (48,091) | - | (646,181) |
| 31.12.2014 | - | 13,918,322 | 55,824,052 | 3,151,544 | - | 72,893,918 |
| Charge for the year | - | 1,381,986 | 6,671,173 | 357,338 | - | 8,410,497 |
| Disposals | - | (125) | (685,290) | (107,513) | - | (792,929) |
| 31.12.2015 | - | 15,300,183 | 61,809,935 | 3,401,369 | - | 80,511,486 |
| NET CARRYING AMOUNT | | | | | | |
| 31.12.2014 | 375,685 | 12,692,008 | 43,321,188 | 856,270 | 2,787,287 | 60,032,438 |
| 31.12.2015 | 375,685 | 11,556,227 | 48,143,005 | 841,331 | 5,009,280 | 65,925,529 |

The Group has pledged tangible fixed assets with a total carrying amount as of 31 December 2015 of EUR 52,545,670 (2014: EUR 59,704,514) 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 2015 amounted to EUR 34,394,825 (2014: EUR 29,546,680).

Equipment and machinery includes precious metal plates that are used in production, with net carrying amount as of 31 December 2015 of EUR 8,791,249 (2014: EUR 7,938,942). According to the metal prices quoted in London Stock Exchange as at 31 December 2015 the market price of the precious metals was EUR 9,930,864 (2014: EUR 12,538,415). The average technical depletion of the plates in 2015 was 4.45 % (2014: 2.26 %).

The additions to property, plant and equipment include capitalised direct expenses related with development of fixed assets incurred on qualifying capital expenditure projects and capitalised based on the labour hours spent on those projects. The total amount of expenses capitalised to property, plant and equipment was EUR 384,242 during 2015 (2014: EUR 47,129).

The addition to property include capitalized interest costs on loans received for specific asset acquisition. The total amount of expenses capitalized in 2015 was EUR 128,780. In 2014 the Group did not incur borrowing costs that meet the criteria for capitalization.

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7. RAW MATERIALS

| | Group 31.12.2015 EUR | Group 31.12.2014 EUR | Company 31.12.2015 EUR | Company 31.12.2014 EUR |
|---------------------------------------|-------------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|
| Raw materials | 11,580,061 | 10,424,257 | 8,915,849 | 8,225,545 |
| Allowance for slow moving inventories | (116,741) | (116,741) | (116,741) | (116,741) |
| Total | 11,463,320 | 10,307,516 | 8,799,108 | 8,108,804 |

8. FINISHED GOODS

| | Group 31.12.2015 EUR | Group 31.12.2014 EUR | Company 31.12.2015 EUR | Company 31.12.2014 EUR |
|--|-------------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|
| Finished goods | 15,050,493 | 17,143,126 | 8,167,962 | 12,345,268 |
| Allowance for excess of net realizable value over cost | (243,778) | (190,324) | (70,082) | (174,731) |
| Total | 14,806,715 | 16,952,802 | 8,097,880 | 12,170,537 |

| | Group EUR | Company EUR |
|---|----------------------|------------------------|
| Allowances 31 December 2013 | 156,370 | 140,777 |
| Additional allowances provided | 33,954 | 33,954 |
| Allowances 31 December 2014 | 190,324 | 174,731 |
| Net additional allowances provided/ (write off) | 53,454 | (104,649) |
| Allowances 31 December 2015 | 243,778 | 70,082 |

9. TRADE RECEIVABLES

| | Group 31.12.2015 EUR | Group 31.12.2014 EUR | Company 31.12.2015 EUR | Company 31.12.2014 EUR |
|-------------------------------------|-------------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|
| Trade receivables | 10,131,041 | 8,518,629 | 5,301,004 | 5,746,570 |
| Allowances for doubtful receivables | (469,723) | (261,675) | (138,766) | (174,270) |
| Total | 9,661,318 | 8,256,954 | 5,162,238 | 5,572,300 |

Age of receivables that are past due but not impaired:

| | Group 31.12.2015 EUR | Group 31.12.2014 EUR | Company 31.12.2015 EUR | Company 31.12.2014 EUR |
|---------------|-------------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|
| Days past due | | | | |
| 61-90 days | 121,189 | 94,606 | 36,601 | 10,017 |
| Over 90 days | 391,198 | 477,029 | 38,561 | 104,153 |
| Total | 512,387 | 571,635 | 75,162 | 114,170 |

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10. OTHER RECEIVABLES

| | Group 31.12.2015 EUR | Group 31.12.2014 EUR | Company 31.12.2015 EUR | Company 31.12.2014 EUR |
|--|---|---|---|---|
| VAT overpayment (see Note 17) | 420,288 | 469,156 | 420,288 | 469,156 |
| State and EU grants for implemented projects | 407,614 | - | 190,612 | - |
| Other receivables | 50,132 | 134,464 | 27,444 | 42,636 |
| Allowance for doubtful receivables | (27,444) | (29,473) | (27,444) | (29,473) |
| Total | 850,590 | 574,147 | 610,900 | 482,319 |

Change in allowance for doubtful trade and other receivables:

| | Group EUR | Company EUR |
|---|----------------------------|------------------------------|
| Allowance as of 31 December 2013 | 144,725 | 118,336 |
| Decrease due to collection (see Note 23) | (8,529) | (8,529) |
| Additional allowance provided (see Note 27) | 154,952 | 93,936 |
| Allowance as of 31 December 2014 | 291,148 | 203,743 |
| Decrease due to collection (see Note 23) | (42,533) | (42,533) |
| Additional allowance provided (see Note 27) | 248,552 | 5,000 |
| Allowance as of 31 December 2015 | 497,167 | 166,210 |

11. DEFERRED EXPENSES

| | Group 31.12.2015 EUR | Group 31.12.2014 EUR | Company 31.12.2015 EUR | Company 31.12.2014 EUR |
|---|---|---|---|---|
| Precious metal plates reprocessing expenses | 61,875 | 39,613 | 61,875 | 39,613 |
| Insurance expenses | 80,559 | 89,199 | 49,919 | 89,199 |
| Commission short term part | 333,334 | - | 333,334 | - |
| Other deferred expenses | 227,338 | 304,243 | 192,810 | 147,419 |
| Total | 703,106 | 433,055 | 637,938 | 276,231 |
| Commission long term part | 333,333 | - | 333,333 | - |
| Other deferred expenses | 43,652 | - | - | - |
| Total | 376,985 | - | 333,333 | - |

12. CASH AND CASH EQUIVALENTS

| | Group 31.12.2015 EUR | Group 31.12.2014 EUR | Company 31.12.2015 EUR | Company 31.12.2014 EUR |
|--------------|---|---|---|---|
| Cash in bank | 1,200,204 | 1,179,230 | 61,774 | 355,290 |
| Total | 1,200,204 | 1,179,230 | 61,774 | 355,290 |

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13. SHARE CAPITAL

The Company's paid-up share capital on 31 December 2015 and 2014 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 2015 and 2014 the shareholders of the Parent company, in accordance with the records maintained by the Latvian Central Depository, were as follows:

| | 31.12.2015 | 31.12.2014 |
|---|-------------------|-------------------|
| Vitrulan International GmbH | 30,80 % | 36,20 % |
| P-D Glasseiden Oschatz GmbH | 26,10 % | 26,10 % |
| SEB Estonia on behalf of Clearstream banking SA | 24,12 % | - |
| P-D Management Industries –Technologies GmbH | - | 23,90 % |
| CBD RE Clients | 5,39 % | - |
| Preiss – Daimler Beatrix | 5,36 % | 5,10 % |
| VAS VSAA | - | 2,40 % |
| Other | 8,23 % | 6,30 % |
| Total | 100,00 % | 100,00 % |

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

14. BORROWINGS FROM CREDIT INSTITUTIONS

| | Group 31.12.2015 EUR | Group 31.12.2014 EUR | Company 31.12.2015 EUR | Company 31.12.2014 EUR |
|--|-------------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|
| Non-current part: | | | | |
| Loan due within 2 to 5 years | 29,475,016 | 28,920,370 | 29,475,016 | 28,920,370 |
| Loan due after more than 5 years | 123,459 | - | 123,459 | - |
| Total non-current part | 29,598,475 | 28,920,370 | 29,598,475 | 28,920,370 |
| Current part: | | | | |
| Credit line | 10,562,320 | 9,333,537 | 10,562,320 | 9,333,537 |
| Loan | 9,135,292 | 6,873,773 | 9,135,292 | 6,873,773 |
| Total current part | 19,697,612 | 16,207,310 | 19,697,612 | 16,207,310 |
| Total | 49,296,087 | 45,127,680 | 49,296,087 | 45,127,680 |
| Credit lines amount used, conditions and contract terms | Group 31.12.2015 EUR | Group 31.12.2014 EUR | Company 31.12.2015 EUR | Company 31.12.2014 EUR |
| Repayable within 1 year | 10,562,320 | 9,333,537 | 10,562,320 | 9,333,537 |
| Total credit lines | 10,562,320 | 9,333,537 | 10,562,320 | 9,333,537 |

The credit lines are in EUR and average annual interest rate is 1.4% + 3M EURIBOR.

The credit lines are secured by the inventories of the Company with the carrying amount as of 31 December 2015 of EUR 20,613,387 (2014: EUR 24,270,249).

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As of 31 December 2015 the amount of available and not yet withdrawn credit lines was EUR 1,800,171 (2014: EUR 1,950,325).

The Group has also signed several loan agreements with credit institutions:

| Date of agreement | Principal amount EUR | Annual interest rate | Maturity | Unpaid amount | | | |
|-------------------|-------------------------|----------------------------------|------------|----------------------------|----------------------------|------------------------------|------------------------------|
| | | | | Group 31.12.2015 EUR | Group 31.12.2014 EUR | Company 31.12.2015 EUR | Company 31.12.2014 EUR |
| 05.06.2005 | 36,000,000 | 3 months EURIBOR +1.39% | 30.12.2018 | - | 14,926,764 | - | 14,926,764 |
| 16.04.2008 | 5,000,000 | 3 months EURIBOR + 1.34% | 10.04.2016 | - | 952,368 | - | 952,368 |
| 06.11.2012 | 945,000 | 3 months EURIBOR +1.894% | 06.11.2016 | - | 543,120 | - | 543,120 |
| 06.11.2012 | 385,000 | 3 months EURIBOR +1.894% | 06.11.2017 | - | 223,740 | - | 223,740 |
| 20.12.2012 | 7,000,000 | 3 months EURIBOR +2.164% | 20.12.2017 | - | 5,263,341 | - | 5,263,341 |
| 30.09.2013 | 7,500,000 | 3 months EURIBOR + 2.500% | 02.12.2019 | 5,875,000 | 7,375,000 | 5,875,000 | 7,375,000 |
| 30.12.2013 | 2,500,000 | 3 months EURIBOR +2.300% | 03.12.2018 | 1,116,464 | 1,994,038 | 1,116,464 | 1,994,038 |
| 04.08.2014 | 1,700,000 | 3 months EURIBOR +2.300% | 04.08.2017 | - | 1,105,000 | - | 1,105,000 |
| 09.09.2014 | 1,920,000 | 3 months EURIBOR +2.150% | 30.09.2018 | 1,477,143 | 1,880,000 | 1,477,143 | 1,880,000 |
| 09.09.2014 | 3,806,758 | 3 months LIBOR +2.200% ** | 30.09.2018 | 2,991,024 | 1,565,273 | 2,991,024 | 1,565,273 |
| 12.12.2014 | 24,700,000 | 3 months EURIBOR +1.500% * | 11.12.2019 | 19,660,579 | (34,500) | 19,660,579 | (34,500) |
| 12.12.2014 | 2,800,000 | 3 months EURIBOR +1.900% | 11.12.2020 | 2,160,909 | - | 2,160,909 | - |
| 10.02.2015 | 4,400,000 | 3 months EURIBOR +2.200% | 31.01.2021 | 4,400,000 | - | 4,400,000 | - |
| 02.03.2015 | 339,411 | 3 months EURIBOR +2.500% | 30.03.2021 | 296,985 | - | 296,985 | - |
| 02.03.2015 | 863,616 | 3 months EURIBOR +2.500% | 30.03.2021 | 755,663 | - | 755,663 | - |
| Total | | | | 38,733,767 | 35,794,144 | 38,733,767 | 35,794,144 |

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* The Group has signed an interest rate swap contract for the loan. As of 31 December 2015, the fair value of interest swap agreement amounts to a liabilities of EUR 764,506 (2014: liabilities EUR 1,250,139), which is presented as Derivative financial instrument in these financial statements.

** The loan was received in USD, principal amount is USD 4,144,417 (EUR 3,806,758). As of 31 December 2015 unpaid amount of the loan was USD 3,256,328 (EUR 2,991,024).

The loans are secured by the assets of the Group with the carrying amount as of 31 December 2015 of EUR 97,908,851 (2014: EUR 102,729,942).

15. FINANCE LEASE

| | Group 31.12.2015 EUR | Group 31.12.2014 EUR | Company 31.12.2015 EUR | Company 31.12.2014 EUR |
|--------------|---|---|---|---|
| Non-current | 134,711 | 191,322 | 134,711 | 191,322 |
| Current | 116,313 | 119,215 | 116,313 | 119,215 |
| Total | 251,024 | 310,537 | 251,024 | 310,537 |

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 2015 amounted to EUR 311,836 (2014: EUR 353,636).

16. OTHER BORROWINGS

| | Group 31.12.2015 EUR | Group 31.12.2014 EUR | Company 31.12.2015 EUR | Company 31.12.2014 EUR |
|--------------|---|---|---|---|
| Non-current | 344,448 | - | - | - |
| Current | - | - | - | - |
| Total | 344,448 | - | - | - |

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 paid to the Company a loan at an interest rate of 1% per annum and a maturity of 7 years.

17. TAXES AND SOCIAL SECURITY CONTRIBUTIONS

| Group | 31.12.2015 EUR | 31.12.2014 EUR |
|---|---------------------------------|---------------------------------|
| Republic of Latvia (Company) | | |
| Natural resource tax | 8,964 | 7,784 |
| Social security contributions | 387,040 | 360,951 |
| Personal income tax | 238,627 | 222,380 |
| Enterprise risk duty | 382 | 350 |
| United Kingdom: | | |
| Other tax | 109,355 | 162,751 |
| United States of America | | |
| Personal income tax and Social security contributions | 17,089 | - |
| Total | 761,457 | 754,216 |

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| Company | 31.12.2014 | | Calculated | Transfer | Refund | Paid | 31.12.2015 | |
|--------------------------------|----------------|----------------|------------------|-------------|------------------|------------------|----------------|----------------|
| | Over-payment | Liabilities | | | | | Over-payment | Liabilities |
| Natural resource tax | - | 7,784 | 35,085 | - | - | 33,905 | - | 8,964 |
| Property tax | - | - | 76,761 | - | - | 76,761 | - | - |
| Social insurance contributions | - | 360,951 | 4,368,999 | 4,236,944 | - | 105,966 | - | 387,040 |
| Personal income tax | - | 222,380 | 2,573,300 | - | - | 2,557,053 | - | 238,627 |
| Risk duty | - | 350 | 4,348 | - | - | 4,316 | - | 382 |
| Value added tax | 469,156 | - | (5,400,955) | (4,236,944) | 1,212,879 | - | 420,288 | - |
| Total | 469,156 | 591,465 | 1,657,538 | - | 1,212,879 | 2,778,001 | 420,288 | 635,013 |

18. OTHER ACCOUNTS PAYABLE

| | Group 31.12.2015 EUR | Group 31.12.2014 EUR | Company 31.12.2015 EUR | Company 31.12.2014 EUR |
|--------------|----------------------------|----------------------------|------------------------------|------------------------------|
| Salary | 728,344 | 562,820 | 679,635 | 562,820 |
| Other | 49,690 | 8,838 | 5,247 | 8,838 |
| Total | 778,034 | 571,658 | 684,882 | 571,658 |

19. ACCRUED LIABILITIES

| | Group 31.12.2015 EUR | Group 31.12.2014 EUR | Company 31.12.2015 EUR | Company 31.12.2014 EUR |
|---|----------------------------|----------------------------|------------------------------|------------------------------|
| Accrual for vacations | 141,856 | 100,835 | 141,856 | 100,835 |
| Accruals for remuneration of management | 350,001 | 380,193 | 350,001 | 380,193 |
| Accruals for client bonuses | 909,299 | 716,058 | 682,937 | 716,058 |
| Other | 536,141 | 739,006 | 50,796 | 150,884 |
| Total | 1,937,297 | 1,936,092 | 1,225,590 | 1,347,970 |

20. RETIREMENT BENEFIT OBLIGATION

Subsidiary of the Group Valmiera Glass UK Ltd operates a defined benefit pension scheme for certain employees and for eligible employees, a scheme providing benefits based on final pensionable pay.

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 valuation of retirement benefit obligation has been prepared by a qualified actuary. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on scheme assets, the rate of increase of pensions in payment (in turn related to the increase in price inflation) and the discount rate. The principal assumptions at 31 December 2015 and 2014 were:

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| % p.a. | 2015 | 2014 |
|--|------------|------------|
| | % per Year | % per Year |
| Discount rate | 3.70 | 3.50 |
| Long-term rate of return on assets | 3.25 | 3.15 |
| Price inflation - RPI | 2.25 | 2.35 |
| Price inflation – CPI | 2.25 | 2.35 |
| Rate of increase in retirement benefit payment | | |
| Fixed | 5.00 | 5.00 |
| RPI (max 5%) | 3.15 | 3.10 |
| CPI (max 5%) | 2.00 | 2.05 |

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

| | 31.12.2015 | 31.12.2014 |
|--|---------------------|---------------------|
| | EUR | EUR |
| Shares/equity | 5,338,238 | 4,760,560 |
| Corporate bonds | 7,704,885 | 7,181,923 |
| Index-linked assets | 1,960,624 | 1,846,193 |
| Cash and cash equivalents | 106,274 | 123,251 |
| Total pension plan assets | 15,110,021 | 13,911,927 |
| Present value of pension plan liabilities | (21,471,490) | (21,045,064) |
| Net pension plan liabilities | (6,361,469) | (7,133,137) |
| Current portion | 1,158,117 | 1,091,283 |
| Non-current portion | 5,203,352 | 6,041,854 |

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

| | 2015 | 2014 |
|---|------------------|--------------------|
| | EUR | EUR |
| Changes recognized as Reserves | (13,625) | (2,201,823) |
| Interest costs recognized in statement of profit and loss | (247,990) | (188,557) |
| Total | (261,615) | (2,390,380) |

21. DEFERRED INCOME

| | Group | Group | Company | Company |
|--------------------------|------------------|------------------|------------------|------------------|
| | 31.12.2015 | 31.12.2014 | 31.12.2015 | 31.12.2014 |
| | EUR | EUR | EUR | EUR |
| EU grants | 3,113,848 | 2,981,168 | 3,113,848 | 2,981,168 |
| USA grants | 731,758 | 494,234 | - | - |
| Total non-current | 3,845,606 | 3,475,402 | 3,113,848 | 2,981,168 |
| EU grants | 394,324 | 176,280 | 394,324 | 176,280 |
| USA grant | 55,111 | - | - | - |
| Total current | 449,435 | 176,280 | 394,324 | 176,280 |
| Total | 4,295,041 | 3,651,682 | 3,508,172 | 3,157,448 |

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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.

As of 31 December 2015 the Group has invested in the Dublin plant in USD 10.5 million and created 45 jobs.

As of 31 December 2015 the Group has complied with the requirements of the agreements related to EU financing.

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

| EUR | Glass fibre fabrics | | Glass fibre non-woven products | | Total | |
|-------------------------------|---------------------|-------------------|--------------------------------|-------------------|--------------------|--------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Sales | 77,316,822 | 69,289,935 | 43,874,905 | 39,151,510 | 121,191,727 | 108,441,445 |
| Segment operating expenses | (56,773,762) | (56,096,342) | (29,393,342) | (27,705,148) | (86,167,104) | (83,801,490) |
| Unallocated expenses | | | | | (28,173,993) | (16,251,196) |
| Operating profit | | | | | 6,850,630 | 8,388,759 |
| Interest income | | | | | 1,187,870 | 879,351 |
| Interest expenses | | | | | (2,041,154) | (1,817,498) |
| Profit before taxation | | | | | 5,997,346 | 7,450,612 |
| Income tax expense | | | | | (522,171) | (295,331) |
| Profit for the year | | | | | 5,475,175 | 7,155,281 |

Statement of financial position

31.12.2015

| EUR | Glass fibre fabrics | Glass fibre non-woven products | Total |
|-------------------------------------|---------------------|--------------------------------|--------------------|
| Assets | | | |
| Segment assets | 48,172,631 | 54,810,357 | 102,982,988 |
| Unallocated assets | | | 30,185,688 |
| Total assets | | | 133,168,676 |
| Equity and liabilities | | | |
| Segment liabilities | 16,803,708 | 30,559,812 | 47,363,520 |
| Unallocated liabilities and equity | | | 85,805,156 |
| Total equity and liabilities | | | 133,168,676 |

Other information

| 2015, EUR | Glass fibre fabrics | Glass fibre non-woven products | Other | Total |
|--|---------------------|--------------------------------|---------|-------------------|
| Acquisition of fixed and intangible assets | 5,317,203 | 16,663,276 | 610,989 | 22,591,468 |
| Depreciation and amortization | 2,819,345 | 5,614,795 | 864,428 | 9,298,568 |

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| Company EUR | Glass fibre fabrics | | Glass fibre non-woven products | | Total | |
|-------------------------------|---------------------|-------------------|-----------------------------------|-------------------|--------------------|-------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Sales | 61,344,011 | 52,549,000 | 41,918,454 | 39,151,510 | 103,262,465 | 91,700,510 |
| Segment operating expenses | (41,554,300) | (39,902,000) | (26,689,048) | (27,488,429) | (68,243,348) | (67,390,429) |
| Unallocated expenses | | | | | (28,173,993) | (16,228,000) |
| Operating profit | | | | | 6,845,124 | 8,082,081 |
| Interest income | | | | | 1,267,594 | 856,155 |
| Interest expenses | | | | | (1,845,835) | (1,624,790) |
| Profit before taxation | | | | | 6,266,883 | 7,313,446 |
| Income tax expense | | | | | (781,341) | (285,000) |
| Profit for the year | | | | | 5,485,542 | 7,028,446 |

Statement of financial position

31.12.2015

| EUR | Glass fibre fabrics | Glass fibre non-woven products | Total |
|-------------------------------------|---------------------|--------------------------------|--------------------|
| Assets | | | |
| Segment assets | 41,282,226 | 54,243,269 | 95,525,495 |
| Unallocated assets | | | 29,653,773 |
| Total assets | | | 125,179,268 |
| Equity and liabilities | | | |
| Segment liabilities | 9,913,303 | 29,992,724 | 39,906,027 |
| Unallocated liabilities and equity | | | 85,273,241 |
| Total equity and liabilities | | | 125,179,268 |

Other information

| 2015, EUR | Glass fibre fabrics | Glass fibre non-woven products | Other | Total |
|--|---------------------|--------------------------------|---------|-------------------|
| Acquisition of fixed and intangible assets | 4,802,270 | 6,993,186 | 610,989 | 12,406,445 |
| Depreciation and amortization | 2,172,186 | 5,469,154 | 864,429 | 8,505,769 |

Net sales by geographical area:

| | Group 2015 EUR | Group 2014 EUR | Company 2015 EUR | Company 2014 EUR |
|-----------------|----------------------|----------------------|------------------------|------------------------|
| European Union | 92,677,350 | 84,409,911 | 79,984,108 | 70,239,700 |
| North America | 13,603,542 | 12,406,680 | 11,593,517 | 12,247,400 |
| CIS | 5,919,144 | 5,899,600 | 5,919,144 | 5,899,600 |
| Other countries | 8,991,691 | 5,725,254 | 5,765,696 | 3,313,810 |
| Total | 121,191,727 | 108,441,445 | 103,262,465 | 91,700,510 |

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23. OTHER OPERATING INCOME

| | Group 2015 EUR | Group 2014 EUR | Company 2015 EUR | Company 2014 EUR |
|---|-------------------------------|-------------------------------|---------------------------------|---------------------------------|
| Sale of raw materials | 623,854 | 239,310 | 623,854 | 239,310 |
| Profit from sales of fixed assets | 91,385 | 1,632 | 5,339 | 1,632 |
| Insurance indemnification | 6,880 | 12,967 | 6,880 | 12,967 |
| Income from rent of premises | 25,269 | 15,845 | 25,269 | 15,845 |
| Recovered bad debts (see Note 10) | 42,533 | 8,529 | 42,533 | 8,529 |
| Income from EU funding | 934,070 | 376,329 | 684,378 | 376,329 |
| Compensation as a result of the court proceedings | 1,000,000 | - | 1,000,000 | - |
| Management services | - | - | 841,412 | 632,035 |
| Other | 515,014 | 128,001 | 58,620 | 136,744 |
| Total | 3,239,005 | 782,613 | 3,288,285 | 1,423,391 |

24. RAW MATERIALS AND COSUMABLES

| | Group 2015 EUR | Group 2014 EUR | Company 2015 EUR | Company 2014 EUR |
|--|-------------------------------|-------------------------------|---------------------------------|---------------------------------|
| Raw materials | 41,556,797 | 38,343,327 | 35,849,359 | 33,493,348 |
| Natural gas | 4,689,896 | 5,168,059 | 4,014,291 | 4,663,241 |
| Electricity | 7,340,876 | 7,255,201 | 6,544,296 | 6,608,777 |
| Oxygen | 839,739 | 828,404 | 839,739 | 828,404 |
| Precious metal plates processing costs | 663,879 | 592,686 | 663,879 | 592,686 |
| Other | 4,829,930 | 3,733,989 | 6,141,278 | 3,733,989 |
| Total | 59,921,117 | 55,921,666 | 54,052,842 | 49,920,445 |

25. PERSONNEL EXPENSES

| | Group 2015 EUR | Group 2014 EUR | Company 2015 EUR | Company 2014 EUR |
|-------------------------------------|-------------------------------|-------------------------------|---------------------------------|---------------------------------|
| Salaries | 17,951,899 | 15,529,674 | 11,858,792 | 11,292,129 |
| State social security contributions | 3,316,510 | 3,067,961 | 2,798,482 | 2,644,646 |
| Illness and vacation expenses | 1,581,422 | 1,072,102 | 1,576,549 | 1,072,102 |
| Remuneration of Board and Council | 487,531 | 380,194 | 487,531 | 380,194 |
| Employee insurance | 194,678 | 106,404 | 69,517 | 68,543 |
| Other | 265,157 | 315,456 | 95,059 | 77,987 |
| Total | 23,797,197 | 20,471,791 | 16,885,930 | 15,535,601 |

| | Group 2015 | Group 2014 | Company 2015 | Company 2014 |
|-----------------------------|-----------------------|-----------------------|-------------------------|-------------------------|
| Average number of employees | 1,182 | 1,098 | 986 | 945 |

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26. DEPRECIATION AND AMORTISATION

| | Group 2015 EUR | Group 2014 EUR | Company 2015 EUR | Company 2014 EUR |
|--|-------------------------------|-------------------------------|---------------------------------|---------------------------------|
| Fixed asset depreciation based on straight line method | 8,796,681 | 9,089,482 | 8,003,882 | 8,402,601 |
| Depreciation of precious metal plates | 406,615 | 228,146 | 406,615 | 228,146 |
| Intangible asset amortization (see Note 4) | 95,272 | 51,213 | 95,272 | 51,213 |
| Total | 9,298,568 | 9,368,841 | 8,505,769 | 8,681,960 |

27. OTHER OPERATING EXPENSES

| | Group 2015 EUR | Group 2014 EUR | Company 2015 EUR | Company 2014 EUR |
|--|-------------------------------|-------------------------------|---------------------------------|---------------------------------|
| Transportation | 8,564,886 | 7,177,255 | 7,032,251 | 6,454,334 |
| Sales commission | 2,001,113 | 1,591,382 | 1,861,903 | 1,430,014 |
| Service costs | 3,158,020 | 2,569,157 | 1,573,143 | 1,658,538 |
| Spare parts | 1,530,899 | 1,341,141 | 1,086,077 | 1,014,552 |
| Repair expenses | 528,062 | 986,820 | 450,989 | 894,607 |
| Business trips | 1,235,237 | 1,040,322 | 778,561 | 723,373 |
| Training and qualification of employees | 653,298 | 583,324 | 641,203 | 583,324 |
| Insurance | 773,884 | 659,448 | 387,360 | 412,257 |
| Leasing | 806,700 | 714,566 | 470,526 | 516,534 |
| Research and development expenses | 468,002 | 367,174 | 413,308 | 309,600 |
| Property tax | 214,532 | 187,449 | 76,761 | 72,712 |
| Communication | 251,337 | 169,845 | 153,580 | 126,566 |
| Selling expenses | 253,637 | 126,983 | 133,137 | 57,526 |
| Office expenses | 72,663 | 394,103 | 35,197 | 50,085 |
| Labour safety and specific clothing | 268,053 | 97,347 | 181,714 | 143,267 |
| Audit fees | 66,253 | 71,867 | 30,975 | 34,691 |
| Allowance for doubtful receivables (Note 10) | 248,552 | 154,952 | 5,000 | 93,936 |
| Other | 538,184 | 2,019,862 | 800,624 | 477,812 |
| Total | 21,633,312 | 20,252,997 | 16,112,309 | 15,053,728 |

28. INTEREST AND SIMILAR INCOME

| | Group 2015 EUR | Group 2014 EUR | Company 2015 EUR | Company 2014 EUR |
|---|-------------------------------|-------------------------------|---------------------------------|---------------------------------|
| Profit from foreign currency exchange rate fluctuations | 681,014 | 490,315 | 681,029 | 467,119 |
| Interest income | 15,499 | 13,339 | 95,208 | 13,339 |
| Net gain on changes in fair value of derivative | 491,357 | 375,697 | 491,357 | 375,697 |
| Total | 1,187,870 | 879,351 | 1,267,594 | 856,155 |

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29. INTEREST AND SIMILAR EXPENSES

| | Group 2015 EUR | Group 2014 EUR | Company 2015 EUR | Company 2014 EUR |
|---|-------------------------------|-------------------------------|---------------------------------|---------------------------------|
| Interest expenses | 1,357,222 | 1,626,325 | 1,416,486 | 1,622,174 |
| Paid fines | 435,942 | 2,616 | 429,349 | 2,616 |
| Interest expenses related to retirement benefit | 247,990 | 188,557 | - | - |
| Total | 2,041,154 | 1,817,498 | 1,845,835 | 1,624,790 |

30. CORPORATE INCOME AND DEFERRED TAX

30 (a) Corporate income tax components:

| | Group 2015 EUR | Group 2014 EUR | Company 2015 EUR | Company 2014 EUR |
|---|-------------------------------|-------------------------------|---------------------------------|---------------------------------|
| Corporate income tax and deferred tax recognized in profit or loss: | | | | |
| Corporate income tax | - | 3,170 | - | - |
| Deferred tax | 522,171 | 292,161 | 781,341 | 285,000 |
| Total recognized in profit or loss | 522,171 | 295,331 | 781,341 | 285,000 |
| Changes in deferred tax recognized in reserves | 179,849 | (440,725) | - | - |
| Total | 702,020 | (145,394) | 781,341 | 285,000 |

30 (b) Reconciliation of accounting profit to tax charges:

| | Group 2015 EUR | Group 2014 EUR | Company 2015 EUR | Company 2014 EUR |
|--|-------------------------------|-------------------------------|---------------------------------|---------------------------------|
| Profit before tax | 5,997,346 | 7,450,612 | 6,266,883 | 7,313,446 |
| Expected tax charge, applying parent company tax rate of 15% | (899,602) | (1,117,592) | (940,032) | (1,097,017) |
| Tax effect of tax rate in United Kingdom 20% (2014: 21.49%) | (36,921) | (25,321) | - | - |
| Tax effect of tax rate in United States of America 40% | 202,040 | - | - | - |
| Tax effect of non-deductible items | (118,096) | (84,635) | (117,364) | (53,188) |
| Tax credit received for new technological equipment* | 264,453 | 348,585 | 264,453 | 348,585 |
| Non-taxable income and tax credits | 86,077 | 124,646 | 79,225 | 57,634 |
| Discount for investments in 2014 | 109,341 | 373,255 | 109,341 | 373,255 |
| Change in unrecognized deferred tax asset | (114,774) | (23,626) | (114,774) | (23,626) |
| Other | (14,689) | 109,357 | (62,190) | 109,357 |
| Corporate income tax and deferred tax | (522,171) | (295,331) | (781,341) | (285,000) |
| Effective tax rate | 9% | 4% | 12% | 4% |

* The tax base of new technological equipment purchased by the Company in 2015 and 2014 is calculated by multiplying the acquisition cost with a coefficient of 1.5. Total amount of related tax credit not used as of 31 December 2015 is 628,296 (2014: EUR 522,877). 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.

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30 (c) Deferred taxes as of end of the year:

Deferred tax on amounts recognized in profit and loss:

| | Group 2015 EUR | Group 2014 EUR | Company 2015 EUR | Company 2014 EUR |
|--|-------------------------------|-------------------------------|---------------------------------|---------------------------------|
| Deferred tax liabilities: | | | | |
| Temporary difference on depreciation of fixed assets | 5,639,396 | 5,404,500 | 5,280,416 | 5,133,067 |
| Total deferred tax liabilities | 5,639,396 | 5,404,500 | 5,280,416 | 5,133,067 |
| Deferred tax assets: | | | | |
| Temporary difference on accruals | (208,770) | (195,319) | (208,770) | (195,279) |
| Allowance for inventories | (17,511) | (43,721) | (17,511) | (43,721) |
| Tax loss carry forward* | (1,628,181) | (2,761,744) | (1,175,420) | (2,447,637) |
| Tax discount on investments (maturity – 2016) | (1,771,538) | (1,771,538) | (1,771,538) | (1,771,538) |
| Tax discount on investments (maturity – 2031) | (1,138,973) | (373,255) | (1,138,973) | (373,255) |
| Temporary difference on retirement benefit | (1,272,294) | (1,426,627) | - | - |
| Total deferred tax assets | (6,037,267) | (6,572,204) | (4,312,212) | (4,831,430) |
| Net deferred tax (asset) / liability | (397,871) | (1,167,704) | 968,204 | 301,637 |
| Unrecognized deferred tax assets** | 382,712 | 267,937 | 382,711 | 267,937 |
| Net recognized deferred tax (asset) / liability | (15,159) | (899,767) | 1,350,915 | 569,574 |
| Deferred tax assets presented in assets of statement of financial position | (1,683,720) | (1,552,647) | - | - |
| Deferred tax liabilities presented in liabilities of statement of financial position | 1,668,561 | 652,880 | 1,350,915 | 569,574 |

* Deferred tax assets on tax losses can be used as follows:

| | Group 31.12.2015 EUR | Group 31.12.2014 EUR | Company 31.12.2015 EUR | Company 31.12.2014 EUR |
|-----------------------|-------------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|
| Year of expiry | | | | |
| 2015 | - | 1,272,216 | - | 1,272,216 |
| 2024 | 140,535 | - | - | - |
| 2025 | 312,226 | - | - | - |
| Unlimited | 1,175,420 | 1,489,528 | 1,175,420 | 1,175,421 |
| Total | 1,628,181 | 2,761,744 | 1,175,420 | 2,447,637 |

** Deferred tax assets on discounts expiring in 2016 is recognised only to the extent of the Company's ability to use these tax assets based on the approved budget and estimates of taxable profit of the company.

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31. EARNINGS AND DIVIDEND PER SHARE

| | Group 2015 EUR | Group 2014 EUR | Company 2015 EUR | Company 2014 EUR |
|--------------------------------------|-------------------------------|-------------------------------|---------------------------------|---------------------------------|
| Profit for the year | 5,475,175 | 7,155,281 | 5,485,542 | 7,028,446 |
| Average number of shares outstanding | 23,903,205 | 23,903,205 | 23,903,205 | 23,903,205 |
| Earnings per share | 0.2291 | 0.2993 | 0.2295 | 0.2940 |
| Dividends paid | 2,811,017 | 2,007,869 | 2,811,017 | 2,007,869 |
| Dividends per share | 0.1176 | 0.0840 | 0.1176 | 0.0840 |

32. MANAGEMENT REMUNERATION

| | Group 2015 EUR | Group 2014 EUR | Company 2015 EUR | Company 2014 EUR |
|--------------------------|-------------------------------|-------------------------------|---------------------------------|---------------------------------|
| Members of the Council: | | | | |
| Compensation | 363,422 | 358,738 | 363,422 | 358,738 |
| Social security payments | 16,560 | 20,300 | 16,560 | 20,300 |
| Members of the Board: | | | | |
| Compensation | 628,765 | 532,357 | 539,667 | 532,357 |
| Social security payments | 16,007 | 11,999 | 1,743 | 11,999 |
| Other management: | | | | |
| Salary | 952,048 | 775,923 | 772,191 | 656,638 |
| Social security payments | 151,496 | 93,485 | 122,702 | 93,485 |
| Total | 2,128,298 | 1,792,802 | 1,816,285 | 1,673,517 |

In 2015 and 2014 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 2015 was 3,708,890 (USD 4,037,869) (2014: EUR 2,140,116 (USD 2,598,315)). 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

As a part of acquisition of the subsidiary Valmiera Glass UK Ltd, the Company took over the loan issued by the subsidiary to its previous shareholder in amount of EUR 3,000,000. The unpaid amount of the loan as of 31 December 2015 was EUR 1,700,000 (2014: EUR 2,700,000). The interest rate of the loan is 4% p.a. and it is not secured.

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33 (c) Receivables from and payables to related parties

| Group | 31.12.2015 Receivables EUR | 31.12.2015 Payables EUR | 31.12.2014 Receivables EUR | 31.12.2014 Payables EUR |
|---|---|--|---|--|
| Controlling parties | | | | |
| P-D Glasseiden Oschatz GmbH | 1,391,883 | 472,687 | 633,848 | 328,601 |
| P-D Management Industries –Technologies | - | 25,556 | - | 151,990 |
| Entities controlled by the parties controlling the Group | | | | |
| P-D Preiss –Daimler Consulting | - | 135,885 | - | 66,250 |
| P-D Tatneft Fiberglas Alabuga | 157,108 | 1,081 | 425,712 | 365,446 |
| P-D Industriegesellschaft GmbH Bratendorf | 385,930 | - | 95,267 | - |
| P-D Interglas Technologies GmbH | 5,425 | 10,476 | 133,627 | 19,655 |
| P-D Refractories GmbH | - | 22,185 | - | 41,205 |
| P-D Refractories CZ a.s | - | 13,063 | - | - |
| Preiss-Daimler FibreGlass AB | 73,436 | 2,288 | 30,304 | - |
| Entities controlled by the party with significant influence over the Group | | | | |
| VITRULAN Textile Glass GmbH | 15,696 | - | 83,267 | - |
| VITRULAN Technical Textiles GmbH | 156,330 | 605 | 86,405 | 550 |
| Total | 2,185,808 | 683,826 | 1,488,430 | 973,697 |
| | | | | |
| Company | 31.12.2015 Receivables EUR | 31.12.2015 Payables EUR | 31.12.2014 Receivables EUR | 31.12.2014 Payables EUR |
| Controlling parties | | | | |
| P-D Glasseiden Oschatz GmbH | 1,391,883 | 472,687 | 633,355 | 127,632 |
| P-D Management Industries – Technologies | - | 25,556 | - | 98,323 |
| Entities controlled by the parties controlling the Company | | | | |
| P-D Preiss –Daimler Consulting | - | 135,885 | - | 66,250 |
| P-D Tatneft Fiberglas Alabuga | 157,108 | 1,081 | 425,712 | 365,446 |
| P-D Industriegesellschaft GmbH Bratendorf | 385,930 | - | 95,267 | - |
| P-D Interglas Technologies GmbH | 5,425 | 10,476 | 21,289 | 10,341 |
| P-D Refractories GmbH | - | 22,185 | - | 41,205 |
| P-D Refractories CZ a.s | - | 13,063 | - | - |
| Preiss-Daimler FibreGlass AB | 73,436 | - | 30,304 | - |
| Entities controlled by the party with significant influence over the Company | | | | |
| VITRULAN Textile Glass GmbH | 15,696 | - | 83,267 | - |
| VITRULAN Technical Textiles GmbH | 156,330 | 605 | 86,405 | 550 |
| Subsidiaries | | | | |
| Valmiera Glass UK Limited | 884,124 | 769,097 | 986,543 | 365,428 |
| Valmiera Glass USA Corp. Non-current portion | 2,675,069 | - | 3,471,838 | - |
| Current portion | 2,981,624 | 37,200 | 204,097 | 16,473 |
| Valmiera Glass Trading USA Corp | - | 18,370 | - | 16,473 |
| Total | 8,726,625 | 1,506,205 | 6,038,077 | 1,108,121 |

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

33 (d) Transactions with related parties

| Group | 2015 EUR | 2014 EUR |
|---|---------------------|---------------------|
| Sale of goods | 17,583,741 | 18,017,131 |
| Services provided | 39,581 | 36,363 |
| Purchase of fixed and intangible assets | (1,292,102) | (738,203) |
| Purchase of goods | (892,463) | (1,586,107) |
| Sales commission | (2,021,358) | (1,480,872) |
| Services received | (659,999) | (878,124) |

Transactions with related parties

| Company | 2015 EUR | 2014 EUR |
|---|---------------------|---------------------|
| Subsidiaries | | |
| Sale of goods | 16,450,926 | 3,302,589 |
| Purchase of goods | (2,847,721) | (967,902) |
| Services provided | 914,503 | 640,778 |
| Services received | (1,887) | (116,786) |
| Purchase of fixed and intangible assets | (100,474) | - |
| Sales commissions | (490,264) | - |
| Interest expenses | (86,678) | - |
| Interest income | 80,515 | - |
| Other related parties | | |
| Sale of goods | 17,583,741 | 16,711,688 |
| Services provided | 39,581 | 36,363 |
| Purchase of fixed and intangible assets | (1,292,102) | (172,866) |
| Purchase of goods | (890,174) | (1,586,107) |
| Sales commission | (2,021,358) | (1,430,014) |
| Services received | (659,999) | (602,591) |

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 currency rate risks.

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.

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Interest rate analysis

| Currency | 31.12.2015 | | 31.12.2014 | |
|----------|-----------------|---------------------------------------|-----------------|---------------------------------------|
| | % rate increase | Impact on statement of profit or loss | % rate increase | Impact on statement of profit or loss |
| | % | EUR | % | EUR |
| EUR | +1.0 | (452,145) | +1.0 | (403,887) |
| USD | +1.0 | (22,781) | +1.0 | (7,826) |

The Group has signed an interest rate swap contract for one of its loans to minimize the risks associated with variable interest rate fluctuations. Based on the contract, 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 swap 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 contract expires on 31 December 2018. As of 31 December 2015, total notional amount of interest rate swap contract is EUR 10,536,579 (2014: EUR 14,048,775). The fair value of financial instrument as of 31 December 2015 is liability in the amount of EUR 764,506 (2014: EUR 1,250,139).

Foreign currency risk

The Group operates internationally and performs transactions in EUR, USD and GBP. Group is mainly exposed to foreign currency risk arising from USD and GBP fluctuations. Approximately 11% of total sales in 2015 resulted from contracts denominated in USD (2014: 16%).

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 31.12.2015 | EUR | USD | GBP | Total |
|--|---------------------|--------------------|--------------------|---------------------|
| Trade receivables | 8,422,241 | 3,163,290 | 1,112,186 | 12,697,716 |
| Cash and cash equivalents | 728,320 | 402,892 | 68,991 | 1,200,203 |
| Borrowings and financial lease obligations | (46,556,087) | (3,335,471) | - | (49,891,558) |
| Trade and other payables | (10,652,500) | (1,689,755) | (7,076,374) | (19,418,629) |
| Total net assets | (48,058,027) | (1,459,044) | (5,895,197) | (55,412,268) |
| % from net assets | 87% | 3% | 11% | 100% |

| Currency | 31.12.2015 | | 31.12.2014 | |
|----------|---------------------------|---------------------------------------|---------------------------|---------------------------------------|
| | Exchange rate fluctuation | Impact on statement of profit or loss | Exchange rate fluctuation | Impact on statement of profit or loss |
| | % | EUR | % | EUR |
| USD | +10% | (145,904) | +10% | 112,080 |
| USD | -10% | 145,904 | -10% | (112,080) |
| GBP | +10% | (589,520) | +10% | (634,874) |
| GBP | -10% | 589,520 | -10% | 634,874 |

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| Company 31.12.2015 | EUR | USD | GBP | Total |
|--|---------------------|------------------|----------------|---------------------|
| Loans issued | - | 3,708,890 | - | 3,708,890 |
| Trade receivables | 8,077,030 | 6,422,733 | - | 14,499,763 |
| Cash and cash equivalents | 58,980 | 2,792 | 2 | 61,774 |
| Borrowings and financial lease obligations | (48,256,087) | (2,991,024) | - | (51,247,111) |
| Trade and other payables | (11,362,965) | (1,166,326) | (2,261) | (12,531,551) |
| Total net assets | (51,483,041) | 5,977,065 | (2,259) | (45,508,235) |
| % from net assets | 113% | -13% | 0% | 100% |

Analysis of assets exposed to currency risk:

| Currency | 31.12.2015 | | 31.12.2014 | |
|----------|---------------------------|---------------------------------------|---------------------------|---------------------------------------|
| | Exchange rate fluctuation | Impact on statement of profit or loss | Exchange rate fluctuation | Impact on statement of profit or loss |
| | % | EUR | % | EUR |
| USD | +10% | 597,707 | +10% | 632,576 |
| USD | -10% | (597,707) | -10% | (632,576) |
| GBP | +10% | (226) | +10% | - |
| GBP | -10% | 226 | -10% | - |

To reduce potential adverse effects of foreign currency fluctuations, the Group uses derivative financial instruments for significant transactions. As of 31 December 2015 the Group had active derivative contracts with the following conditions:

| Type of deal | Due date | Amount | Currencies | Fair Value 31.12.2015 |
|---------------|-----------|-------------|------------|-----------------------|
| FX Forward | 2016.gads | EUR 800,000 | EUR/GBP | (11,206) |
| FX Forward | 2016.gads | USD 200,000 | USD/EUR | 5,482 |
| Total: | | | | (5,724) |

The Group did not have significant unfinished derivative contracts related to foreign currency exchange as of 31 December 2014.

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 2015 amounted to EUR 11,847,126 and EUR 1,200,204 (2014: EUR 9,745,384 and EUR 1,179,230), respectively.

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.

As at 31 December 2015 and 2014 the Group has significant credit risk exposure to a single customer – related party. Sales to this related party amounted to 5% of the total sales of the Group. The receivable from his customer as of 31 December 2015 amounted to EUR 1,391,883 or 12% of total trade receivables (2014: EUR 633,355). In respect to credit risk arising from the other financial assets of the Group, the Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these assets.

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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 10.36 million credit line was available assigned by SEB Banka AS (GBP 1 million and EUR 9 million), and EUR 2 million credit line was available assigned by AS Dansk Bank to finance short-term working capital.

Financial Instruments as of 31 December 2015

| 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 | 11,847,126 | - | - | - | 11,847,126 |
| Other debtors | 850,590 | - | - | - | 850,590 |
| Cash and equivalents | 1,200,204 | - | - | - | 1,200,204 |
| Total financial assets | 13,897,920 | | | | 13,897,920 |
| Financial liabilities | | | | | |
| Finance lease | - | - | - | 251,024 | 251,024 |
| Borrowings | - | 49,640,535 | - | - | 49,640,535 |
| Trade payables | - | 11,353,698 | - | - | 11,353,698 |
| Taxes and social insurance contribution | - | 761,457 | - | - | 761,457 |
| Other liabilities | - | 778,034 | - | - | 778,034 |
| Derivative financial instruments | - | - | 764,506 | - | 764,506 |
| Interest payments | - | - | 4,405,013 | - | 4,405,013 |
| Total financial liabilities | - | 62,533,724 | 5,169,519 | 251,024 | 67,954,267 |

Repayment terms of financial liabilities are following:

| 31.12.2015 EUR | Less than 6 months | 6-12 months | From 1-2 years | From 2-5 years | More than 5 years | Total |
|--|-------------------------------|------------------------|---------------------------|---------------------------|----------------------------------|-------------------|
| Borrowings | 5,567,646 | 14,129,966 | 9,055,258 | 20,764,206 | 123,459 | 49,640,535 |
| Finance lease | 59,038 | 57,271 | 124,895 | 9,820 | - | 251,024 |
| Interest payable | 757,819 | 679,904 | 2,160,566 | 1,567,774 | 3,456 | 5,169,519 |
| Trade accounts payable and other liabilities | 12,893,189 | - | - | - | - | 12,893,189 |
| Total EUR | 19,277,692 | 14,867,141 | 11,340,719 | 22,341,800 | 126,915 | 67,954,267 |

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| 31.12.2014 EUR | Less than 6 months | 6-12 months | From 1-2 years | From 2-5 years | Total |
|--|-------------------------------|--------------------|---------------------------|---------------------------|-------------------|
| Borrowings | 3,790,297 | 12,128,374 | 7,955,586 | 21,253,423 | 45,127,680 |
| Finance lease liabilities | 59,607 | 59,607 | 152,488 | 38,835 | 310,537 |
| Interest payments | 838,427 | 796,925 | 2,590,758 | 1,877,357 | 6,103,467 |
| Trade accounts payable and other liabilities | 11,267,587 | - | - | - | 11,267,587 |
| Total EUR | 15,955,918 | 12,984,906 | 10,698,832 | 23,169,615 | 62,809,271 |

Financial Instruments as of 31 December 2015

| 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 | 3,708,890 | - | - | - | 3,708,890 |
| Receivables from customers | 13,888,863 | - | - | - | 13,888,863 |
| Other debtors | 610,910 | - | - | - | 610,910 |
| Cash and equivalents | 61,774 | - | - | - | 61,774 |
| Total financial assets | 18,270,437 | - | - | - | 18,270,437 |
| Financial liabilities | | | | | |
| Finance lease | - | - | - | 251,024 | 251,024 |
| Borrowings | - | 49,296,087 | - | - | 49,296,087 |
| Borrowings from related parties | - | 1,700,000 | - | - | 1,700,000 |
| Trade payables | - | 11,047,685 | - | - | 11,047,685 |
| Taxes and social insurance contribution | - | 635,013 | - | - | 635,013 |
| Other liabilities | - | 684,882 | - | - | 684,882 |
| Derivative financial instruments | - | - | 764,506 | - | 764,506 |
| Interest payments | - | - | 4,457,217 | - | 4,457,217 |
| Total financial liabilities | - | 63,363,667 | 5,221,723 | 251,024 | 68,836,414 |

Repayment terms of financial liabilities are following:

| 31.12.2015 EUR | Less than 6 months | 6-12 months | From 1-2 years | From 2-5 years | More than 5 years | Total |
|--|-------------------------------|------------------------|---------------------------|---------------------------|------------------------------|-------------------|
| Borrowings | 5,567,646 | 14,129,966 | 10,755,258 | 20,419,758 | 123,459 | 50,996,087 |
| Finance lease liabilities | 59,038 | 57,271 | 124,895 | 9,820 | - | 251,024 |
| Interest payments | 731,075 | 664,466 | 2,119,311 | 1,703,414 | 3,457 | 5,221,723 |
| Trade accounts payable and other liabilities | 12,367,580 | - | - | - | - | 12,367,580 |
| Total EUR | 18,725,339 | 14,851,703 | 12,999,464 | 22,132,992 | 126,916 | 68,836,414 |

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| 31.12.2014 EUR | Less than 6 months | 6-12 months | From 1-2 years | From 2-5 years | Total |
|---|-------------------------------|--------------------|---------------------------|---------------------------|-------------------|
| Borrowings | 3,790,297 | 12,128,374 | 7,955,586 | 23,953,423 | 47,827,680 |
| Finance lease liabilities | 59,607 | 59,607 | 152,488 | 38,835 | 310,537 |
| Interest payments | 851,249 | 817,545 | 2,583,416 | 2,069,079 | 6,321,289 |
| Trade accounts payable and other liabilities | 10,340,025 | - | - | - | 10,340,025 |
| Total EUR | 15,041,178 | 13,005,526 | 10,691,490 | 26,061,337 | 64,799,531 |

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 31.12.2015 EUR | Group 31.12.2014 EUR | Company 31.12.2015 EUR | Company 31.12.2014 EUR |
|---------------------------|-------------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|
| Borrowings | 49,640,535 | 45,127,680 | 50,996,087 | 47,827,680 |
| Cash and cash equivalents | (1,200,204) | (1,179,230) | (61,774) | (355,290) |
| Net debt | 48,440,331 | 43,948,450 | 50,934,313 | 47,472,390 |
| Equity | 55,193,082 | 51,455,697 | 54,551,423 | 51,876,898 |
| Total equity | 103,633,413 | 95,404,147 | 105,485,736 | 99,349,288 |
| Debt to equity | 88% | 85% | 93% | 92% |

35. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Land lease

On 27 November 2001 the Group signed a land lease agreement on the lease of land where its production facilities are located. The term of the agreement is 25 years and is valid to 1 December 2026. The annual rent charge is 5% of the cadastral value, which amounts to EUR 515,017 in year 2015 (2014: EUR 1,303,370).

The total future rent payments (based on current cadastral value) are as follows:

| | Group 31.12.2015 EUR | Group 31.12.2014 EUR | Company 31.12.2015 EUR | Company 31.12.2014 EUR |
|-------------------|-------------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|
| Within 1 year | 25,751 | 65,169 | 25,751 | 65,169 |
| 2 to 5 years | 103,003 | 260,674 | 103,003 | 260,674 |
| More than 5 years | 154,505 | 391,009 | 154,505 | 391,009 |
| Total | 283,259 | 716,852 | 283,259 | 716,852 |

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(b) Commitments for purchase of inventory and fixed assets

As of 31 December the Group's commitment for purchase of equipment, software and inventories for which contracts have been signed but not yet fulfilled and therefore not recognised in the financial statements as follows:

| | Group 31.12.2015 EUR | Group 31.12.2014 EUR | Company 31.12.2015 EUR | Company 31.12.2014 EUR |
|---------------|-------------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|
| Within 1 year | 8,216,500 | 2,438,000 | 8,216,500 | 2,438,000 |
| 2 to 5 years | 2,151,000 | 3,280,000 | 2,151,000 | 3,280,000 |
| Total | 10,367,500 | 5,718,000 | 10,367,500 | 5,718,000 |

(c) Other operating lease

The Group as a lessee has entered in operating lease agreements for premises and equipment. Total lease expenses in 2015 were EUR 436,153 (2014: EUR 649,397). As of 31 December, amounts payable based on signed lease agreements were as follows:

| | Group 31.12.2015 EUR | Group 31.12.2014 EUR | Company 31.12.2015 EUR | Company 31.12.2014 EUR |
|---------------|-------------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|
| Within 1 year | 337,136 | 564,821 | 297,169 | 520,956 |
| 2 to 5 years | 2,921,371 | 2,179,431 | 2,713,375 | 2,102,542 |
| Total | 3,258,507 | 2,744,252 | 3,010,544 | 2,623,498 |

(d) 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.

According to MOU, Group has committed to:

- 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.

36. SUBSEQUENT EVENTS

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

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