CONSOLIDATED AND SEPARATE ANNUAL REPORT

2023

VALMIERA GLASS

PREPARED IN ACCORDANCE WITH THE
IFRS ACCOUNTING STANDARDS AS
ADOPTED BY THE EUROPEAN UNION AND
INDEPENDENT AUDITOR'S REPORT

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 iela, Valmiera, LV- 4201, Latvia
SUBSIDIARY	Valmiera Glass UK Ltd Reg. No 2189095 (100%) Sherborne, Dorset DT9 3RB United Kingdom
BOARD	Chairman of the Board: Stefan Jugel Board Members: Ģirts Vēveris Ingo Bleier Mārtiņš Blaus
COUNCIL	Chairman of the Council: Peter John Bentley Council Members: Stefan Alexander Preiss-Daimler Ian Jeffrey Burgess Alvaro Luis Esteban Belzuz Hugues Lambert Jacquemin
REPORTING YEAR	1 January 2023 - 31 December 2023
PRIOR REPORTING YEAR	1 January 2022 - 31 December 2022
AUDITORS AND THEIR ADDRESS	SIA PricewaterhouseCoopers Komercsabiedrības licence Nr. 5 Marijas iela 2A, Rīga, LV-1050 Latvija

STATEMENT OF THE CHAIRMAN OF THE MANAGEMENT BOARD

Dear shareholders,

I would like to give you an overview of the 2023 financial year of Valmieras stikla šķiedra AS.

The 2023 financial year was once again characterized by quarterly changing market conditions and consistently high prices for materials, energy and chemicals.

First of all, we were able to record extremely high demand for our products in the first quarter, so that we were able to both increase our sales and enforce our price expectations. Since this increased demand could not be explained by the economic framework data, which was around 0% economic growth for our sales areas throughout the financial year, the reasons are more likely to be found in the replenishment of customers' warehouses and the low level of imports from Asia.

In quarters II and III of 2023, the number of orders received flattened noticeably, as almost all of our customer industries were affected by low demand.

In order to counteract the associated price decline, which was massively fuelled by dumping prices from Asia, several fiber forming stations were shut down in the second quarter of 2023 and the output of the E-glass melting tank W1.2 was gradually reduced to 50% of the installed capacity, which corresponds to a capacity reduction for E-glass of 25%.

Despite the reduced output volumes and increased sales activities, significant price concessions had to be made and additional sales campaigns had to be carried out in order to achieve the planned sales volumes.

Only the premium products made of silica glass recorded consistently high demand, so that we were able to increase sales prices here.

As part of our strategic orientation, we therefore put another melting tank for silica glass into operation at the end of the second quarter of 2023 as planned and significantly increased capacity for this product.

For this new melting tank, we have opted for a new melting concept that is intended to both save energy and extend the service life by 50%. Setting the optimal parameters for the melting operation took longer than planned, so that the planned output volumes could not be fully achieved by the end of the year.

From the end of the fourth quarter of 2023, demand for yarns increased, as the supply chains from Asia were disrupted by various external circumstances. This enabled us to roll back the price concessions. We also immediately increased our yarn output to support our customers and further increase our reputation on the market.

In principle, the situation of energy-intensive companies like ours in the EU in general and in Latvia in particular has not improved much since the war in Ukraine began.

In addition, energy exchanges such as TTF or Nordpool serve energy suppliers as a means of enforcing prices that have nothing to do with production costs. This situation is also being used by suppliers of raw materials and chemicals to maintain the high price level, starting with COVID-19 pandemic, for as long as possible and to make excess profits.

Politicians are not making any regulatory efforts to counteract this development and are leaving companies to their own devices. The same applies to combating inflation and curbing inflationary increases in personnel costs.

The fact that we were able to achieve reasonably adequate results in 2023 is solely due to the consistent restructuring of the product portfolio towards products with additional value, which we started in recent years with the support of our shareholders and will continue to implement in the years to come.

This includes the remelting of tank 1.2 to our patented HR glass, which is unique worldwide and offers our customers new opportunities against Chinese competition.

Looking ahead to 2024, Valmieras stikla šķiedra AS is confident of achieving its growth targets. Investments in innovations and a strong market position will support this.

Thank you for your trust.

Stefan Jugel

Chairman of the Board

GENERAL INFORMATION

AS VALMIERAS STIKLA ŠĶIEDRA and its subsidiary VALMIERA GLASS UK Ltd. (hereinafter both together – VALMIERA GLASS GROUP or GROUP) are among the leading glass fibre manufacturers in Europe, with over 60 years of experience in the production of glass fibre. The GROUP's core business area is glass fibre production, which includes glass fibre research, product development, and trade.

The GROUP is the only group in the world with a vertically integrated structure and a wide range of glass fibre products for the thermal insulation market, with temperature resistance up to 1250°C. AS VALMIERAS STIKLA ŠĶIEDRA specializes in manufacturing glass fibre and glass fibre products using three different types of glass:

- E-glass with a temperature resistance of 600+°C (1112°F);
- HR-glass with a temperature resistance of 800+°C (1472°F);
- SiO_2-glass with a temperature resistance of 1000+°C (1832°F).

The glass fibre products of AS VALMIERAS STIKLA ŠĶIEDRA are used for further processing, in electrical, thermal, and acoustic insulation materials and as finished materials in mechanical engineering, construction, and other fields. The company's development in the electric car sector continues to be successful.

The company's subsidiary, VALMIERA GLASS UK Ltd., produces glass fibre products for the aviation industry, architecture, thermal insulation applications, and the smoke and fire sector. It specialises in glass fibre weaving, using techniques of fabric coating and laminating.

AS VALMIERAS STIKLA ŠĶIEDRA exports more than 96% of its production and its main market is Western Europe. The European Union accounts for 75.8% of the company's market, North America for 12.4%, Asia for 6.1%, the Middle East for 2.6% and other countries for 3.1%. At present, AS VALMIERAS STIKLA ŠĶIEDRA is the only western supplier of high-temperature resistance glass fibre products.

In 2023, the construction of the second high-silica glass melting furnace at the VALMIERAS STIKLA ŠĶIEDRA, AS production site in Valmiera was completed. It runs alongside the two existing E-glass furnaces and another high-silica glass melting furnace. The new furnace uses innovative technologies and solutions that will help ensure higher product quality and reduce resource consumption per unit of production. This focuses on more climate- and environmentally friendly production, reducing the release of CO2 and other GHGs into the atmosphere, and providing greater flexibility in the choice of energy sources.

2023 VALMIERA GLASS GROUP became member of Glass Fibre Europe, a prestigious association representing the major producers of continuous filament glass fibre in Europe. With this new addition, the association now boasts a total of 8 esteemed members, solidifying its position as the industry's leading voice. The decision to join Glass Fibre Europe reflects our dedication to tackling the challenges our industry faces today. One such challenge is the persistent pressure from heavily subsidised and dumped glass imports from Chinese state-owned companies, which adversely affects fair competition. Additionally, the increase in operating costs within Europe demands a unified approach and collaborative solutions.

Joining Glass Fibre Europe provides us with a unique platform to engage with fellow industry leaders, share best practices, and collectively address the issues that affect us all. We look forward to contributing to the association's efforts in promoting fair trade practices, advancing technological advancements, and fostering a sustainable future for the glass fibre industry in Europe.

In 2023, AS VALMIERAS STIKLA ŠĶIEDRA created improved versions of our product – aluminium foil laminated fabric with steel wire reinforcement for EW and EI class fire curtain systems. Our customers benefit from the improved products with higher fire safety standards certified to A2 fire safety rating, as well as higher eco and sustainability properties.

In July 2023, the company celebrated 60 years since the first fibreglass threads were drawn at the Valmiera factory. The company continues to grow in all possible ways, reaching new limits and being responsible towards the environment and beyond.

All of this will contribute to the overall development of the company, its competitiveness in the glass fibre industry, and sustainability in the market of glass fibre products.

After the end of this financial reporting period:

In Q1 2024, AS VALMIERAS STIKLA ŠĶIEDRA launched a new era of glass fibre products made of innovative, patented High-Resist glass (HR-glass) with temperature resistance up to 800°C (1472°F). This provides customers with the product missing in the market with the temperature resistance midpoint between E-glass at 600°C (1112°F) and that of high SiO_2-content glass at 1000+°C (1832+°F).

The patented glass composition sets a new standard in the glass fibre industry and its downstream product application industries. HR-glass is an alkali-free aluminosilicate glass which does not contain boron oxide and fluorine. This glass can completely replace E-glass in various aspects. Most importantly, this type of glass has a temperature resistance of up to 800°C (1472°F).

MARKETS

Geopolitical challenges continued to affect the global glass fibre market in 2023.

While in Q1 a temporary market recovery was observed impelled by rising demand, already in Q2 there were signs that global market volatility imposed massive cost and price pressure on European manufacturers, and they were losing competitiveness compared to competitors in other regions.

In the second half of 2023, the global glass fibre market experienced a significant downturn, driven by still too high energy costs, inflation and persistently high raw material and chemical costs. During this difficult period, Asian suppliers dumped their remaining stocks in European warehouses, putting further pressure on the already fragile market. The trend of lower market demand continued up to Q4 and, in order to avoid freezing funds in excessive stocks of finished products, the decision was taken to gradually reduce E-glass manufacturing to 80% of nominal capacity.

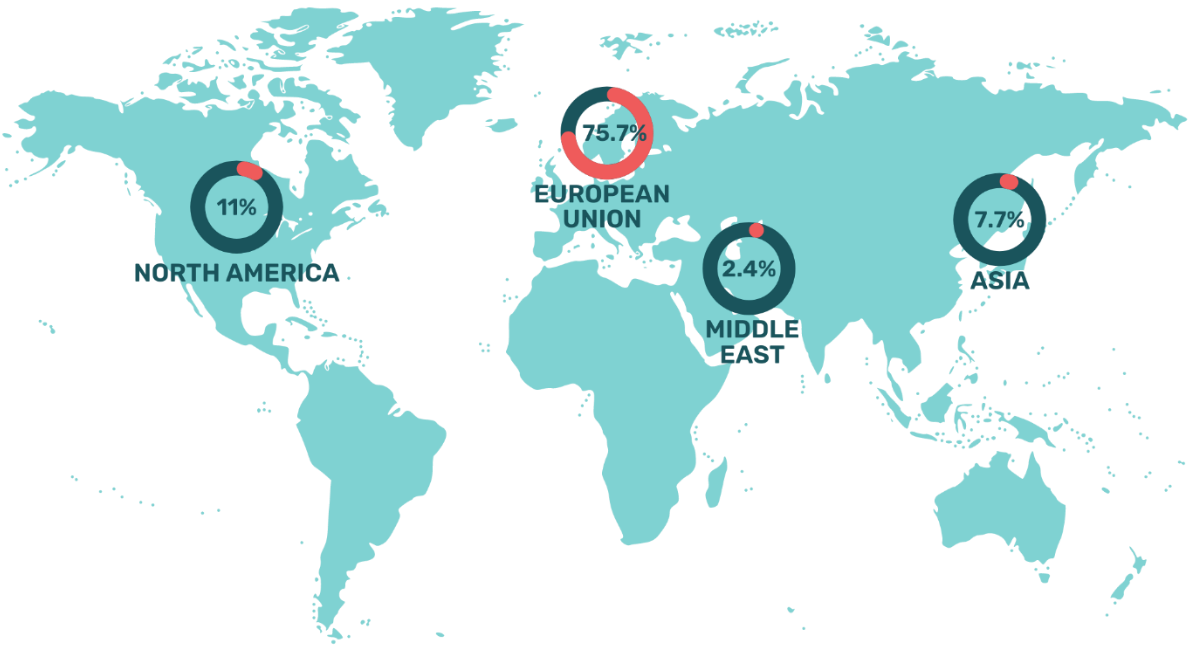
It was positive that the market stabilised in Q4, with the market demand and price levels in several product categories gradually returning to historical levels, allowing for a cautious recovery in output and sales of certain E-glass products. However, the year 2023 showed once again the importance of diversifying the product mix and target markets in order to reduce the impact of competition from low-cost Asian E-glass products or a recession in one of our target markets or customer sectors.

In August 2023, in a generally unfavourable glass fibre market, the company increased its production capacity of high silica fibre, delivering on its promise to customers to meet the growing demand for high temperature resistant materials worldwide.

Valmiera Glass UK Ltd, a subsidiary in the UK, specialises in the production of non-combustible and smoke-proof materials and aerospace composites as well as other specific high-value-added products. H1 turnover was boosted by strong demand driven by the stabilisation of target markets, customer optimism and favourable developments in regions outside Europe. Unfortunately, it became clear at the start of the construction season that activity in this sector would be significantly below expectations, resulting in a significant drop in market demand for and production volumes of smoke and fire-resistant materials, acoustic insulation and building membranes. Aerospace composite production remained stable, mainly due to an increase in orders from Airbus. With the commissioning of the new CTO (catalytic thermal oxidizer), the Sherborne plant has gained additional production capacity for coating and laminating lines and is well positioned for future growth.

AS VALMIERAS STIKLA ŠĶIEDRA is a customer-oriented company and continues to be a reliable partner and supplier that ensures the production of customised products tailored to customer needs.

KEY SALES MARKETS OF THE GROUP



EMPLOYEES

In 2023, the average number of employees of the GROUP were 1344 of which 1203 are employees (64% men and 36% women) of AS VALMIERAS STIKLA ŠĶIEDRA. VALMIERA GLASS UK Ltd. employed 141 employees on average (81.5% men, 18.5% women).

There is large share of male employees in the HR structure of the GROUP, the share of male employees is explained by specifics of work - moving / lifting heavy loads without mechanical aids and technical maintenance of equipment.

In UK there are 96.5% full time employees and 3.5% part-time employees. In Latvia 0.9% of total workforce are part-time employees based on work specification - cleaners and nurses. The average employee turnover in Latvia in 2023 was 19.9% (2022: 22.6%; 2021: 20.9%) and 19.9% (2022: 10.9%; 2021: 5.7%) in UK. In 2023, both companies had a target of reducing turnover - below 20%. We continue this goal in 2024 as well.

In 2023, we started an ambitious project for the training of managers in Latvia entity. First, by conducting market research and contacting 8 different educational centres, then choosing a partner and confirming the training program. In September, a total of 75 managers started training in 4 groups - 2 groups of shift managers, 1 group of 2nd-level managers, who are deputy heads of departments or managers of smaller departments, and 1 group of 1st-level managers - heads of departments and production plants who are directly subordinated to the Management Board. The training includes topics on the role of the manager, management and development of employees, feedback, stress management and emotional intelligence, personal well-being and digitalization of processes and other topics. The studies will end at Q3/Q4 of 2024. These trainings successfully managed to receive EU fund co-financing in the amount of 50%.

We also worked on the target of replacement and sharing of know-how - currently all heads of production plants have approved deputies who have successfully started work in their positions.

QUALITY MANAGEMENT

All the GROUP companies operate in accordance with the Quality Management System Standard ISO 9001:2015. The GROUP'S Parent Company additionally is certified in accordance with the requirements of Energy Management Standard ISO 50001:2011, Environment Management Standard ISO 14001:2015 and ISO 45001:2018 – Occupational health and safety management systems.

INVESTMENTS

In 2023, the capital investments of the GROUP amounted to EUR 15.8 million.

The parent company of the GROUP continued its work on the development of production capacity increase of high-added-value products, increasing the capacity of glass fiber yarn plying, and put into operation a second high-silica glass melting furnace in Q3.

Given the geopolitical situation in Europe and the dramatic rise in energy prices, the company invests in the promotion of the efficiency of the use of raw materials and energy efficiency. In the fall of 2023, a new production waste processing facility was installed, providing the opportunity to reuse production waste from the glass fiber melting process, and optimizing the costs of raw materials, energy resources, and production waste disposal.

In the summer of 2023, the GROUP's company in the UK, Valmiera Glass UK Ltd., put into operation the new CTO (catalytic thermal oxidizer), which is not only an important investment in environmental protection but will also allow a significant increase in the production capacity and overall capacity of the coatings and lamination lines of the Sherborne plant

Investments in other projects continued, such as information system and digital security upgrades, in environmental infrastructure, improvement of the working environment, compliance with fire safety and civil protection legislation, and other maintenance activities.

FINANCIAL RESULTS

KEY FINANCIAL INDICATORS OF THE GROUP

TEUR	2019	2020	2021	2022	2023
Revenue	99 165	95 840	104 578	144 208	135 684
EBITDA	8 312	13 684	14 338	17 652	16 578
EBIT	(1 620)	5 192	6 236	8 628	6 699
Net profit/ (loss) attributable to the equity holders of the Parent	(3 802)	(2 260)	5 289	6 834	2 134
Sales growth,%	(22.4%)	(3.4%)	9.1%	37.9%	(5.9%)
EBITDA margin, %	8.4%	14.3%	13.7%	12.2%	12.2%
EBIT margin, %	(1.6%)	5.4%	6.0%	6.0%	4.9%
Net profit margin, %	(3.8%)	(2.4%)	5.1%	4.7%	1.6%
ROE,%**	14.9%	4.9%	(41.0%)	39.8%	9.9%
ROA,%	(6.7%)	(2.3%)	5.7%	6.4%	1.75%
ROCE,%	(5.3%)	(15.7%)	7.5%	9.7%	7%
Current ratio	0.44	0.27	2.50	1.94	2.01
Earnings per share (EUR)	(0.1590)	(1.7130)	0.0109	0.2827	0.0883

KEY FINANCIAL INDICATORS OF THE GROUP'S PARENT COMPANY

TEUR	2019	2020	2021	2022	2023
Revenue	88 693	83 207	90 526	127 922	117 796
EBITDA	11 501	13 368	13 011	17 174	15 033
EBIT	5 523	4 287	5 280	8 500	5 831
Net profit/ (loss) attributable to the equity holders of the Parent	(386)	(3 389)	4 841	6 154	1 394
Sales growth,%	(2.0%)	(6.2%)	8.8%	41.3%	(7.9%)
EBITDA margin, %	13.0%	16.1%	14.4%	13.4%	12.8%
EBIT margin, %	6.2%	5.6%	5.8%	6.6%	5.0%
Net profit margin, %	(0.4%)	(4.1%)	5.4%	4.8%	1.2%
ROE,%**	1.1%	8.9%	(29.3%)	47.5%	8.0%
ROA,%	(0.4%)	(3.7%)	5.0%	6.0%	1.2%
ROCE,%	(1.1%)	10.3%	5.9%	7.3%	6.5%
Current ratio	0.55	0.20	1.66	1.70	1.75
Earnings per share (EUR)	(0.0166)	(0.1454)	0.0093	0.2546	0.0577

Definition of Alternative Performance Measures	Formulas of APM
EBITDA: Earnings before interest, tax, depreciation and amortisation.	*Operating profit + depreciation and amortisation*
EBIT: Earnings before interest and taxes.	*Operating profit*
Net profit (loss): The difference between the company's total revenues and expenses in a given period of time.	*Profit/(loss) for the year attributable to owners of the Parent Company*
ROA, %: Indicates how profitable a company is in relation to its total assets. The indicator reflects how effectively company uses its assets to generate profit.	*Net profit / (loss) / Average total assets for the period*
ROE, %: The indicator gauges the company's profitability and how efficient it is in generating profits in relation to its equity.	*Net profit / (loss) / Average total equity for the period*
ROCE, %: Measures how efficient the company is in generating profits from its capital.	*Operating profit / (Total assets – current liabilities)*
EBITDA margin, %: Measures the company's profitability from operations before depreciation and amortization.	*EBITDA / Net sales*
EBIT margin, %: Measures the company's profitability without taking into account the effect of interest and taxes.	*EBIT / Net sales*
Net profit margin, %: Measures how much profit is generated as a percentage of revenue. The indicator illustrates how much of each euro in revenue of a company translates into profit.	*Net profit / (loss) / Net sales*
Earnings per share (EUR): An indicator of the company's profitability from a shareholders' perspective, which illustrates the amount of a company's profit allocated to each share of common stock.	*Net profit / (loss) / Weighted average number of common shares during the reporting period*
Current ratio: The ratio compares a company's current assets to its current liabilities and measures the company's ability to meet is short-term obligations.	*Current assets / Current liabilities*

The above alternative performance measures (APM) are used by the GROUP management to evaluate the GROUP's performance for a particular financial period. These APM are also used to make decisions.

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

The financial statements are prepared in accordance with the source documents and present fairly the financial position of the GROUP's Parent Company and the GROUP as at 31 December 2023 and the results of their operations and cash flows for the 12-month period ended on 31 December 2023. 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 IFRS Accounting Standards as adopted by the EU have been complied with and that the financial statements have been prepared on a going concern basis.

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

On behalf of the GROUP's Parent Company:

Stefan Jugel

Chairman of the Board

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	Notes	31.12.2023 EUR	31.12.2022 EUR
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Other intangible assets	4	1 481 358	1 976 934
Goodwill	6	3 770 003	3 693 993
Total intangible assets		**5 251 361**	**5 670 927**
Property, plant and equipment	7	**62 470 521**	**56 883 167**
Other non-current assets			
Defined benefit plan asset	15	949 328	243 540
Total other non-current assets		**949 328**	**243 540**
Deferred tax assets, net	25 (c)	**1 203 678**	**922 593**
Total non-current assets		**69 874 888**	**63 720 227**
CURRENT ASSETS			
Inventories	8	**36 581 868**	**35 152 355**
Receivables			
Current tax assets	10	-	86 459
Trade receivables	9	9 223 937	9 155 383
Other assets	10	5 650 443	6 141 808
Total receivables		**14 874 380**	**15 383 650**
Cash and cash equivalents	11	**841 838**	**1 456 717**
Total current assets		**52 298 086**	**51 992 722**
TOTAL ASSETS		**122 172 974**	**115 712 949**

The accompanying notes on pages 24 through 70 form an integral part of these financial statements.

On 5 July 2024, these financial statements were authorised for issue and signed on behalf of the GROUP's Parent Company by:

Stefan Jugel, Chairman of the Board
Mārtiņš Blaus, Board Member

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	Notes	31.12.2023 EUR	31.12.2022 EUR
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	2 417 261	2 417 261
Foreign currency translation reserve		114 101	(233 209)
Revaluation reserve for defined benefit plans	12	(2 477 114)	(1 990 232)
Other reserves	12	546 709	546 709
Retained earnings/(accumulated loss)		20 889 728	18 755 931
Total equity		**21 490 685**	**19 496 460**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	13, 29	68 417 302	63 256 036
Trade and other payables	14, 29	4 035 303	4 035 303
Deferred income	16	817 497	1 049 626
Deferred tax liabilities	25	1 372 312	1 034 285
Total non-current liabilities		**74 642 414**	**69 375 250**
Current liabilities			
Loans and borrowings	13, 29	6 472 359	4 549 055
Contract liabilities		1 490 562	2 003 713
Trade and other payables	14, 29	16 825 456	18 837 751
Accrued liabilities		1 019 370	1 218 592
Deferred income	16	232 128	232 128
Total current liabilities		**26 039 875**	**26 841 239**
Total liabilities		**100 682 289**	**96 216 489**
TOTAL EQUITY AND LIABILITIES		**122 172 974**	**115 712 949**

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Profit or loss	**Notes**	**2023 EUR**	**2022 EUR**
Revenue	17	135 683 617	144 207 933
Other operating income	18	507 238	3 181 604
Change in inventories		2 961 335	9 677 524
Raw materials and consumables used	19	(65 410 031)	(84 761 203)
Personnel expense	20	(38 410 771)	(36 045 085)
Depreciation and amortization	21	(9 820 791)	(9 023 706)
Reversal of impairment loss on trade receivables		(58 740)	(97 476)
Other operating expense	22	(18 753 079)	(18 511 375)
Operating profit		**6 698 778**	**8 628 216**
Finance income	23	26 875	398 770
Finance costs	24	(4 661 840)	(2 515 410)
Profit before tax		**2 063 813**	**6 511 576**
Corporate income tax	25	69 984	322 185
Profit for the year		**2 133 797**	**6 833 761**
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss:			
Remeasurement of defined benefit plan obligations	15	(311 840)	(1 324 430)
Deferred income tax relating to defined benefit obligations	25	(175 042)	119 363
Exchange rate differences on translation of foreign operations		347 309	(942 085)
Other comprehensive income/(expense)		**(139 573)**	**(2 147 152)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1 994 224**	**4 686 609**

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	Notes	31.12.2023 EUR	31.12.2022 EUR
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	4	**1 481 358**	**1 976 934**
Property, plant and equipment	7	**57 499 909**	**52 545 744**
Non-current financial assets			
Investments in subsidiaries	5	13 000 000	13 000 000
Total non-current financial assets		**13 000 000**	**13 000 000**
Total non-current assets		**71 981 267**	**67 522 678**
CURRENT ASSETS			
Inventories	8	**28 010 984**	**27 502 784**
Receivables			
Trade receivables	9	7 096 027	6 251 866
Receivables from subsidiaries	27	1 726 466	644 581
Other assets	10	5 390 528	6 035 330
Total receivables		**14 213 021**	**12 931 777**
Cash and cash equivalents	11	**727 283**	**976 725**
Total current assets		**42 951 288**	**41 411 286**
TOTAL ASSETS		**114 932 555**	**108 933 964**

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Mārtiņš Blaus, Board Member

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	Notes	31.12.2023 EUR	31.12.2022 EUR
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	2 417 261	2 417 261
Other reserves	12	546 709	546 709
Retained earnings/(accumulated loss)		14 454 945	13 060 941
Total equity		**17 418 915**	**16 024 911**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	13, 29	68 117 166	63 043 495
Trade and other payables	14, 29	4 035 303	4 035 303
Deferred income	16	817 497	1 049 626
Total non-current liabilities		**72 969 966**	**68 128 424**
Current liabilities			
Loans and borrowings	13, 29	5 375 894	3 788 022
Contract liabilities		1 490 562	2 003 714
Trade and other payables	14, 29	16 845 497	18 217 032
Accrued liabilities		599 593	539 733
Deferred income	16	232 128	232 128
Total current liabilities		**24 543 674**	**24 780 629**
Total liabilities		**97 513 640**	**92 909 053**
TOTAL EQUITY AND LIABILITIES		**114 932 555**	**108 933 964**

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Profit or loss	Notes	2023 EUR	2022 EUR
Revenue	17	117 796 363	127 922 127
Other operating income	18	1 130 600	3 749 945
Change in inventories		877 498	8 622 208
Raw materials and consumables	19	(56 727 768)	(76 431 917)
Personnel expense	20	(32 195 372)	(30 133 255)
Depreciation and amortization	21	(8 575 445)	(8 575 445)
Reversal of impairment loss on trade receivables		(10 224)	(98 530)
Other operating expense	22	(15 848 638)	(16 555 090)
Operating profit		**5 831 242**	**8 500 043**
Finance income	23	18 249	256 923
Finance costs	24	(4 404 268)	(2 537 786)
Profit before tax		**1 446 223**	**6 219 180**
Corporate income tax	25	(51 219)	(64 930)
Profit for the year		**1 394 004**	**6 154 250**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1 394 004**	**6 154 250**

The accompanying notes on pages 24 through 70 form an integral part of these financial statements.

On 5 July 2024, these financial statements were authorised for issue and signed on behalf of the GROUP's Parent Company by:

Stefan Jugel, Chairman of the Board
Mārtiņš Blaus, Board Member

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GROUP

	Notes	Share capital	Foreign currency translation reserve	Other reserves	Reserve for accumulated actuarial differences	Retained earnings/ (accumulated loss)	Total equity
		EUR	EUR	EUR	EUR	EUR	EUR
31.12.2021		**48 346 129**	**708 876**	**(238 456)**		**(34 006 698)**	**14 809 851**
Profit for the year		-	-	-	-	6 833 761	**6 833 761**
Remeasurement of defined benefit plan obligation		**-**	**-**	(1 324 430)	-	-	**(1 324 430)**
Deferred income tax relating to defined benefit obligation		-	-	119 363	-	-	**119 363**
Exchange rate differences on translation of foreign operations		-	(942 085)	-	-	-	**(942 085)**
Total other comprehensive income		**-**	**(942 085)**	**(1 443 523)**	**-**	**-**	**(2 147 152)**
Total comprehensive income for the year		**-**	**(942 085)**	**(1 443 523)**	**-**	**6 833 761**	**4 686 609**
Transactions with shareholders as owners:							
Offset of accumulated loss against share capital	12	(45 928 868)	-	-	-	45 928 868	**-**
31.12.2022		**2 417 261**	**(233 209)**	**(1 443 523)**	**-**	**18 755 931**	**19 496 460**
Profit for the year		-	-	-	-	2 133 797	**2 133 797**
Transfer of accumulated actuarial differences to a separate reserve		-	-	1 990 232	(1 990 232)	-	**-**
Remeasurement of defined benefit plan obligation		-	-	-	(311 840)	-	**(311 840)**
Deferred income tax relating to defined benefit obligation		-	-	-	(175 042)	-	**(175 042)**
Exchange rate differences on translation of foreign operations		-	347 310	-	-	-	**347 310**
Total other comprehensive income		**-**	**347 310**	**-**	**(486 882)**	**-**	**(139 572)**
Total comprehensive income for the year		**-**	**347 310**	**-**	**(486 882)**	**2 133 797**	**1 994 225**
31.12.2023.		**2 417 261**	**114 101**	**546 709**	**(2 477 114)**	**20 889 728**	**21 490 685**

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Stefan Jugel, Chairman of the Board
Mārtiņš Blaus, Board Member

GROUP's Parent Company

	Notes	Share capital	Other reserves	Retained earnings/ (Accumulated loss)	Total
		EUR	EUR	EUR	EUR
31.12.2021		**48 346 129**	**546 709**	**(39 022 177)**	**9 870 661**
Profit for the year				6 154 250	6 154 250
Transactions with shareholders in their capacity as owners:					
Offset of accumulated loss against share capital	12	(45 928 868)	-	45 928 868	-
31.12.2022		**2 417 261**	**546 709**	**13 060 941**	**16 024 911**
Profit for the year		**-**	**-**	1 394 004	1 394 004
31.12.2023		**2 417 261**	**546 709**	**14 454 945**	**17 418 915**

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		Group		GROUP’s Parent Company	
	Notes	2023 EUR	2022 EUR	2023 EUR	2022 EUR
Cash flows from operating activities					
Profit before corporate income tax		2 063 813	6 511 576	1 445 223	6 219 180
Adjustments for:					
Depreciation and amortisation	21	9 820 791	9 023 706	9 191 217	8 575 445
Increase/ (decrease) in impairment allowances		210 839	(1 350 762)	141 987	(290 337)
Loss on disposal of property, plant and equipment, net		982 901	534 782	836 569	534 782
Government grants	16	(232 129)	(275 296)	(232 129)	(275 296)
Interest expense	24	3 713 687	2 418 816	4 085 930	2 478 875
Interest income	23	(8 626)	-	-	-
Changes in working capital:					
Increase in inventories		(1 640 352)	(14 240 020)	(650 187)	(11 953 630)
Decrease/ (Increase) in trade and other receivables		509 270	(4 677 266)	(1 281 244)	(3 808 737)
(Decrease)/increase in trade and other payables		(2 203 787)	7 127 006	(2 117 982)	6 738 284
Interest paid		(2 609 943)	(1 370 982)	(2 609 943)	(1 370 982)
Corporate income tax (paid)/refunded		22 183	(272 481)	(66 734)	(355 139)
Net cash flows from operating activities		**10 628 647**	**3 429 079**	**8 742 707**	**6 492 445**
Cash flows from investing activities					
Contributions to pension plan not recognised in profit or loss		(1 117 330)	(1 393 643)	-	-
Purchase of property, plant and equipment and intangible assets		(15 805 748)	(13 434 613)	(14 486 375)	(11 444 534)
Interest received		8 626	-	-	-
Net cash flows used in investing activities		**(16 914 452)**	**(14 828 256)**	**(14 486 375)**	**(11 444 534)**
Cash flows from financing activities					
Received borrowings		7 954 213	4 232 215	7 677 915	3 578 552
Repayment of borrowings		(2 000 000)	-	(2 000 000)	(4 488 069)
Lease payments	13	(464 864)	(508 171)	(183 689)	(378 497)
Net cash flows generated from/(used in) financing activities		**5 489 349**	**3 724 044**	**5 494 226**	**(1 288 014)**
Net cash flow for the year		**(796 456)**	**(7 675 133)**	**(249 442)**	**(6 240 103)**
Net foreign exchange difference		**181 578**	**(47 445)**	**-**	**-**
Cash and cash equivalents at the beginning of the year		1 456 717	9 179 295	976 725	7 216 828
Cash and cash equivalents at the end of the year	11	**841 839**	**1 456 717**	**727 283**	**976 725**

The accompanying notes on pages 24 through 70 form an integral part of these financial statements.

On 5 July 2024, these financial statements were authorised for issue and signed on behalf of the GROUP’s Parent Company by:

Stefan Jugel, Chairman of the Board
Mārtiņš Blaus, Board Member

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1. GENERAL INFORMATION

AS Valmieras stikla šķiedra was 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 its parent company AS Valmieras stikla šķiedra (the GROUP's Parent Company) and the subsidiary Valmiera Glass UK.

The annual report of the GROUP and the GROUP's Parent Company is subject to the approval at the annual general meeting of shareholders.

The financial statements of the GROUP and the GROUP's Parent Company were authorized for issue by the Board on 5 July 2024. Shareholders have the power to reject the financial statements prepared and issued by the management and the right to request that new financial statements are issued.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the GROUP and the GROUP's Parent Company (hereinafter – the financial statements) have been prepared in accordance with IFRS Accounting Standards as adopted by the European Union and their interpretations.

The financial statements have been prepared on the historical cost basis.

I. Standards and amendments that became effective during the reporting year on 1 January 2023

- **IFRS 17 Insurance contracts** (effective for annual periods beginning on or after 1 January 2023)
- **Amendments to IFRS 17 and IFRS 4** (effective for annual periods beginning on or after 1 January 2023)
- **Amendments to IFRS 17 – Transitional option for insurers applying IFRS 17** (effective for annual periods beginning on or after 1 January 2023)
- **Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies** (effective for annual periods beginning on or after 1 January 2023)
- **Amendments to IAS 8: Definition of Accounting Estimates** (effective for annual periods beginning on or after 1 January 2023)
- **Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction** (effective for annual periods beginning on or after 1 January 2023)
- **Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules** (effective for annual periods beginning on or after 1 January 2023)

The GROUP'S Parent Company believes that the changes to these standards and interpretations do not have a material impact on the GROUP'S and the GROUP'S Parent Company's financial statements.

II. Standards and amendments that are effective for the first time for annual periods beginning on or after 1 January 2024 or that are not endorsed by the EU

At the date of authorisation of these financial statements, the following standards, amendments to the standards and interpretations issued by the IASB and endorsed by the EU are not yet effective:

- **Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback** (effective for annual periods beginning on or after 1 January 2023)

- **Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosure – Supplier Finance Arrangements** (effective for annual periods beginning on or after 1 January 2024), not yet endorsed by the EU)
- **Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability** (effective for annual periods beginning on or after 1 January 2024), not yet endorsed by the EU)

The GROUP and the GROUP'S Parent Company have not early adopted these standards and interpretations and believe that the adoption of the new or revised standards and interpretations will not have a material impact on their financial statements at the time of their initial application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign currencies

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

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

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

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:

	31.12.2023	**31.12.2022**
GBP	0.86904	0.88693
SEK	11.0960	11.1218
CHF	0.9260	0.9847
USD	1.1050	1.0666

Basis of consolidation

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

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

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

All intragroup assets and liabilities, equity, income, expenses, and any unrealised gains and cash flows relating to transactions between members of the GROUP are eliminated in full on consolidation. Any unrealised losses are also eliminated. Where necessary, amounts reported by subsidiaries have been adjusted to conform with the GROUP's accounting policies.

Changes in the GROUP's ownership interests in existing subsidiaries

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

Business combinations

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

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value, except deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements that 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 GROUP's interest in net fair value of net identifiable assets acquired and the liabilities and contingent liabilities assumed and the net fair value of the non-controlling interest in the acquiree.

Investments in subsidiaries

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

Intangible assets

Goodwill

In the GROUP's financial statements, 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 it's carrying amount, the impairment loss is recognized.

Other intangible assets

In the financial statements of the GROUP and the GROUP's Parent Company, 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.

Property, plant and equipment

In the financial statements of the GROUP and the GROUP's Parent Company, property, plant and equipment (PPE) are stated at historical cost less accumulated depreciation and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition.

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

Buildings	4-6.7%
Equipment and machinery	6.7-25%
Other fixed assets	10-40%
Land is not depreciated	

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

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

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

At each balance sheet date, the GROUP and the GROUP's Parent Company review the carrying amounts of its PPE 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 and the GROUP's Parent Company estimate the value of cash-generating unit to which the asset belongs.

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

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

Inventories

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

If necessary, allowance is made for obsolete, slow moving and defective stock. See use of estimates section below.

Revenue recognition

In the financial statements of the GROUP and the GROUP's Parent Company, revenue is measured based on the consideration to which the GROUP and the GROUP's Parent Company expect to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The GROUP and the GROUP's Parent Company recognize revenue at the point of time when it transfers control of a product or service to a customer.

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

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

		probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent insignificant level of returns over previous years.
Transport services	Transport services are deemed to be provided when the transport services have been completed (transported goods have been delivered to the customer). 30 to 60-day payment terms apply. No discounts and bonuses apply. The service contracts do not contain significant financing components.	Revenue from services is recognised in the accounting period in which the transportation services are completed (goods delivered to clients).
Management and consulting services	Services are deemed to be provided when a customer has confirmed complete or partial service delivery. In the case of long-term consulting contracts, services are deemed to be provided at a constant rate on monthly basis in accordance with the agreement. 30 to 60-day payment terms apply. No discounts and bonuses apply. The service contracts do not contain significant financing components.	Revenues are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total amount of services to be provided.

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

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

Pension benefit costs

In the GROUP's financial statements, payments to defined benefit pension plans are recognised as an expense when employees have rendered service entitling them to the contributions.

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

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

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

Financial instruments

Recognition and initial measurement

In the financial statements of the GROUP and the GROUP's Parent Company, trade receivables and debt instruments issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the GROUP becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue.

i. Financial assets

Classification and subsequent measurement

After initial recognition, the financial assets of the GROUP and the GROUP's Parent Company are classified as measured at amortised cost using the effective interest rate method.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL):

— it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

— its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the GROUP and the GROUP's Parent Company consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the GROUP and the GROUP's Parent Company consider:

— contingent events that would change the amount or timing of cash flows;

— terms that may adjust the contractual coupon rate, including variable-rate features;

— prepayment and extension features; and

— terms that limit the claim of the GROUP and the GROUP's Parent Company to cash flows from specified assets (e.g., non-recourse features).

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

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

The GROUP and the GROUP's Parent Company do not hold debt or equity investments measured at FVOCI or FVTPL.

Derecognition

The GROUP and the GROUP's Parent Company derecognise a financial asset when the contractual rights to the cash flows from the financial asset expire, or they transfer the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the GROUP and the GROUP's Parent Company neither transfer nor retain substantially all of the risks and rewards of ownership and they do not retain control of the financial asset.

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

ii. Financial liabilities

All financial liabilities of the GROUP and the GROUP's Parent Company are classified as measured at amortised cost.

Other financial liabilities at amortized cost

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

Derecognition

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

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

iii. Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the GROUP and the GROUP's Parent Company currently have a legally enforceable right to set off the amounts and they intend either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Expected credit losses of financial assets

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

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

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

Expected credit losses for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs, a simplified method.

For all other financial assets, the impairment of which must be monitored by IFRS 9 "Financial Instruments", the Company applies the general approach - a three-stage impairment model, based on changes in credit quality since initial recognition. A financial instrument whose value has not decreased at the time of initial recognition is classified as a stage 1 financial instrument. The ECL of a Stage 1 financial asset is measured as the amount that would arise in the event of default within the next 12 months or until the contractual term, whichever is shorter (12-month ECL).

If the Company detects a significant increase in credit risk (SICR) since initial recognition, the relevant asset is moved to stage 2, and its ECL is determined using the lifetime ECL, i.e. until the end of the contract, but considering the expected advance payments, if any (lifetime ECL). If the Company determines that the value of a financial asset has decreased, the relevant asset is moved to stage 3 and valued using the lifetime ECL.

Presentation of allowance for ECL in the statement of financial position

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

Write-off

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

Deferred and current corporate income tax

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

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

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

Leases

The GROUP and the GROUP's Parent Company as lessee

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

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

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

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

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

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

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

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

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

Borrowing costs

In the financial statements of the GROUP and the GROUP's Parent Company, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until the assets are substantially ready for their intended use or sale.

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

Cash and cash equivalents

In the financial statements of the GROUP and the GROUP's Parent Company, cash and cash equivalents include cash in bank and demand deposits with credit institutions with initial term which does not exceed 90 days.

Government grants

In the financial statements of the GROUP and the GROUP's Parent Company, 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 and the GROUP's Parent Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

Provisions

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

Provisions for waste disposal

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

Use of estimates and critical accounting judgments

The preparation of financial statements requires the management of the GROUP and the GROUP's Parent Company 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.

Critical estimates and judgements:

Recoverable amount of goodwill

The GROUP tests goodwill for impairment annually or more frequently if there is an indication that it's carrying amount is impaired. Determining whether goodwill is impaired requires the GROUP management to estimate the future cash flows expected to arise from the cash-generating unit. Where the actual future cash flows are less than expected, a material impairment loss may arise. The key assumptions used to determine the recoverable amount of goodwill are disclosed in Note 6.

Other estimates and judgements:

The carrying amounts of property, plant and equipment

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

Defined benefit pension plans

The GROUP's management determines net surplus in defined benefit pension plan based on an assessment carried out by independent actuary. The most significant assumptions used in this assessment are the expected return on pension plan assets, pension growth rate, discount rate and availability of refund of potential future surplus of the plan. Please see Note 15 for more detailed information.

4. INTANGIBLE ASSETS

GROUP

	Software licenses, patents, trademarks and other rights EUR	Software in acquisition process EUR	TOTAL EUR
COST			
31.12.2021	**3 364 320**	**85 638**	**3 449 958**
Additions	389 589	-	389 589
Disposals	-	(52 315)	(52 315)
31.12.2022	**3 753 909**	**33 323**	**3 787 232**
Additions	173 259	-	173 259
Disposals	-	-	-
31.12.2023	**3 927 168**	**33 323**	**3 960 491**
ACCUMULATED AMORTISATION AND IMPAIRMENT			
31.12.2021	**1 242 725**	**-**	**1 242 725**
Amortisation charge	567 573	-	567 573
Accumulated amortisation of disposals (-)	-	-	-
31.12.2022	**1 810 298**	**-**	**1 810 298**
Amortisation charge	668 835	-	668 835
Accumulated amortisation of disposals (-)	-	-	-
31.12.2023	**2 479 133**	**-**	**2 479 133**
Carrying amount			
31.12.2022	**1 943 611**	**33 323**	**1 976 934**
31.12.2023	**1 448 035**	**33 323**	**1 481 358**

GROUP's Parent Company

	Software licenses, patents, trademarks and other rights EUR	Software in acquisition process EUR	TOTAL EUR
COST			
31.12.2021	**3 364 320**	**85 638**	**3 449 958**
Additions	389 589	-	389 589
Disposals	-	(52 315)	(52 315)
31.12.2022	**3 753 909**	**33 323**	**3 787 232**
Additions	173 259	-	173 259
31.12.2023	**3 927 168**	**33 323**	**3 960 491**
ACCUMULATED AMORTISATION AND IMPAIRMENT			
31.12.2021	**1 242 725**	**-**	**1 242 725**
Amortisation charge	567 573	-	567 573
31.12.2022	**1 810 298**	**-**	**1 810 298**
Amortisation charge	668 835	-	668 835
31.12.2023	**2 479 133**	**-**	**2 479 133**
Carrying amount			
31.12.2022	**1 943 611**	**33 323**	**1 976 934**
31.12.2023	**1 448 035**	**33 323**	**1 481 358**

5. INVESTMENTS IN SUBSIDIARIES

The GROUP's Parent Company is a shareholder in the following company:	31.12.2023 EUR	31.12.2022 EUR
Valmiera Glass UK Limited (100%)	13 000 000	13 000 000
Total	**13 000 000**	**13 000 000**

The subsidiary's core business comprises the manufacture and sale of fiberglass products.

On 4 October 2013, the GROUP's Parent Company acquired 100% of shares in the subsidiary Valmiera Glass UK Limited (formerly P-D Interglas Technologies Limited) from a related party. The acquisition cost amounted to EUR 13 000 000.

6. GOODWILL

Valmiera Glass UK Ltd acquisition resulted in the recognition of goodwill of EUR 3 770 003 (2022: EUR 3 693 993; 2021: EUR 3 644 226) as acquisition costs essentially include the anticipated benefits of the business combination, revenue growth and future market growth. These and other benefits arising from the acquisition were not recognised as separate assets because they did not meet identifiable intangible assets recognition criteria. Changes in the carrying amount of the goodwill in 2023 and in the preceding reporting periods are related to effects of foreign exchange rate fluctuations.

The GROUP's management has assessed the recoverable amount of the investment in Valmiera Glass UK Limited and related goodwill based on value-in-use, i.e., discounted cash flow calculations of Valmiera Glass UK Limited using detailed five-year financial forecasts of the subsidiary. The value-in-use calculation is most affected by the assumptions regarding net sales growth rate, EBITDA margin and discount rate. For the next five-year period from 2024 to 2028, the projected five-year compound annual growth rate (CAGR) of net sales is 5.5% (2022: 3.8%), while the estimated annual long-term growth rate applied to projected future cash flows beyond the fifth year is 2% per annum (2022: 2%). The weighted average EBITDA margin forecast for the next five years is 14.3% (2022: 10.94%). The estimated future cash flows were discounted to present value using a pre-tax discount rate of 8.95% (2022: 11.5%), which reflects a third-party investor's assessment of the time value of money and the risks inherent in Valmiera Glass UK Limited at the date of these financial statements. No reasonably foreseeable change in these key assumptions might result in an impairment of goodwill and therefore no sensitivity analysis is presented. Based on the above assumptions, as at 31 December 2023, the present value of the estimated future cash flows of Valmiera Glass UK Limited exceeded the carrying amount of the investment and no impairment of goodwill was recognised in the financial statements of the GROUP.

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

	2023 EUR	2022 EUR
Total assets as at 31 December	19 261 109	17 376 626
Net assets (equity) as at 31 December	13 594 075	13 165 115
Net profit for the year	644 541	787 439

7. Property, plant and equipment

GROUP

	Land	Buildings	Equipment and machinery	Other assets	Construction in progress	Total
	EUR	EUR	EUR	EUR	EUR	EUR
COST						
31.12.2021	**376 885**	**33 490 022**	**135 402 168**	**5 966 990**	**1 667 392**	**176 903 457**
Exchange rate differences	-	(194 053)	(717 188)	(77 292)	(97 227)	(1 085 760)
Additions	-	1 237 538	2 804 171	933 102	8 070 213	13 045 024
Disposals	-	(130 999)	(747 919)	(40 507)	-	(919 425)
Adjustments	-	-	-	-	307 909	307 909
Reclassification	-	265 997	627 325	200 091	(1 093 413)	-
31.12.2022	**376 885**	**34 668 505**	**137 368 557**	**6 982 384**	**8 854 874**	**188 251 205**
Exchange rate differences	-	73 014	269 722	29 391	41 907	414 034
Additions	-	26 078	3 347 354	94 356	12 164 701	15 632 489
Disposals	-	(9 218)	(2 471 113)	(181 991)	(37 770)	(2 700 092)
Transfers	6 048	764 946	5 247 637	817 155	(6 835 786)	-
Reclassification	-	1 733 914	8 904 910	-	(10 638 824)	-
31.12.2023	**382 933**	**37 257 239**	**152 667 067**	**7 741 295**	**3 549 102**	**201 597 636**
ACCUMULATED DEPRECIATION						
31.12.2021	**-**	**25 422 413**	**93 541 297**	**4 944 530**	**-**	**123 908 240**
Exchange rate differences	-	(156 727)	(643 340)	(67 219)	-	(867 286)
Depreciation charge	-	1 153 415	6 801 076	501 642	-	8 456 133
Accumulated depreciation of disposals	-	(130 999)	(265 762)	(40 197)		(436 958)
Adjustments	-	-	307 909	-	-	307 909
31.12.2022	**-**	**26 288 102**	**99 741 180**	**5 338 756**	**-**	**131 368 038**
Exchange rate differences	-	58 463	240 539	25 310	-	324 312
Depreciation charge	-	1 344 432	7 195 579	611 945	-	9 151 956
Accumulated depreciation of disposals	-	(8 457)	(1 535 256)	(173 478)		(1 717 191)
31.12.2023	**-**	**27 682 540**	**105 642 042**	**5 802 533**	**-**	**139 127 115**
NET CARRYING AMOUNT						
31.12.2022	**376 885**	**8 380 403**	**37 627 377**	**1 643 628**	**8 854 874**	**56 883 167**
31.12.2023	**382 933**	**9 574 699**	**47 025 025**	**1 938 762**	**3 549 102**	**62 470 521**

The GROUP has pledged all it's property as a security for borrowings, see Note 13 (a).

A number of assets that have been fully depreciated are still in active use. The total original cost value of these assets as at the end of the year was EUR 25 904 016 (31 December 2022: EUR 24 455 122).

The following table shows the recognised right-of-use assets and their changes during the reporting year:

	Land and buildings	Equipment and machinery	Motor vehicles	Total
GROUP	**EUR**	**EUR**	**EUR**	**EUR**
31.12.2022	**206 845**	**390 676**	**58 251**	**655 772**
Additions	5 724	341 512	139 777	487 013
Disposals	-	-	-	-
Depreciation charge	(39 346)	(312 141)	(53 036)	(404 523)
31.12.2023	**173 223**	**420 047**	**144 992**	**738 262**

GROUP's Parent Company

	Land	Buildings	Equipment and machinery	Other assets	Construction in progress	Total
COST	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
31.12.2021	**376 885**	**29 921 109**	**121 967 294**	**4 589 655**	**877 603**	**157 732 546**
Additions	-	1 074 808	2 533 924	808 505	6 637 708	11 054 945
Disposals	-	(130 999)	(747 919)	(40 507)	-	(919 425)
Adjustments	-	-	-	-	307 909	307 909
Reclassification		265 997	627 325	200 091	(1 093 413)	-
31.12.2022	**376 885**	**31 130 915**	**124 380 624**	**5 557 744**	**6 729 807**	**168 175 975**
Additions	-	-	2 902 840	-	11 410 276	14 313 116
Disposals	-	(9 218)	(2 256 663)	(176 242)	(37 770)	(2 479 893)
Transfers	6 048	764 946	5 247 637	817 155	(6 835 786)	-
Reclassification	-	1 504 184	6 288 532	-	(7 792 716)*	-
31.12.2022	**382 933**	**33 390 827**	**136 562 970**	**6 198 657**	**3 473 811**	**180 009 198**
ACCUMULATED DEPRECIATION						
31.12.2021	-	**22 487 163**	**81 547 723**	**3 716 523**	**-**	**107 751 409**
Depreciation charge	-	1 093 440	6 480 261	434 170	-	8 007 871
Accumulated depreciation of disposals	-	(130 999)	(265 762)	(40 197)	-	(436 958)
Adjustments	-	-	307 909	-	-	307 909
31.12.2022	**-**	**23 449 604**	**88 070 131**	**4 110 496**	**-**	**115 630 231**
Depreciation charge	-	1 278 871	6 678 864	564 647	-	8 522 382
Accumulated depreciation of disposals	-	(8 457)	(1 465 999)	(168 868)	-	(1 643 324)
31.12.2023	**-**	**24 720 018**	**93 282 996**	**4 506 275**	**-**	**122 509 289**
NET CARRYING AMOUNT						
31.12.2022	**376 885**	**7 681 311**	**36 310 493**	**1 447 248**	**6 729 807**	**52 545 744**
31.12.2023	**382 933**	**8 670 809**	**43 279 974**	**1 692 382**	**3 473 811**	**57 499 909**

*During Q3 2023 the parent company of the GROUP put into operation a second high-silica glass melting furnace. The commissioning date of furnace is August 3rd 2023.

The GROUP's Parent Company has pledged all its property as a security for borrowings, see Note 13(a).

A number of assets that have been fully depreciated are still in active use. The total original cost value of these assets as at the end of the year was EUR 11 598 608 (31 December 2022: EUR 11 978 985).

In 2023, the GROUP's Parent Company recognised precious metal plate disposals with the carrying amount of EUR 658 996 as at the disposal date. The disposals were based on the technical depreciation of precious metals during the production process.

Equipment and machinery contain precious metal plates that are used in production, with the net carrying amount of EUR 13 729 876 as at 31 December 2023 (31 December 2022: EUR 12 199 592). According to the metal prices quoted on London Stock Exchange as at 31 December 2023, the market price of the precious metal stock of the GROUP's Parent Company was EUR 20 779 390 (31 December 2022: EUR 30 782 854). In 2023, the average annual technical depletion rate of the plates was 5.7% (2022: 2.6%).

The following table shows the carrying amounts of right-to-use assets (classified as property, plant and equipment) and their changes during the reporting year:

GROUP's Parent Company	Land and buildings	Equipment and machinery	Motor vehicles	Total
	EUR	EUR	EUR	EUR
31.12.2022	**206 845**	**390 676**	**58 251**	**655 772**
Additions	5 724	341 512	139 777	487 013
Depreciation	(39 346)	(312 141)	(53 036)	(404 523)
31.12.2023	**173 223**	**139 486**	**115 329**	**428 038**

8. INVENTORIES

	GROUP		GROUP's Parent Company	
	31.12.2023	**31.12.2022**	**31.12.2023**	**31.12.2022**
	EUR	**EUR**	**EUR**	**EUR**
Raw materials	14 259 636	14 642 382	11 235 362	11 543 300
Write-downs to net realizable value (raw materials)	(1 357 154)	(1 238 016)	(966 014)	(1 040 596)
Work in progress	6 867 881	5 258 013	5 111 535	4 658 753
Finished goods	19 278 312	18 804 433	13 838 830	13 420 730
Write-downs to net realizable value (finished goods)	(3 101 042)	(3 009 340)	(1 842 964)	(1 626 394)
Prepayments for inventories	634 235	700 033	634 235	552 141
Write-downs to net realizable value (advance payments for inventories)	-	(5 150)	-	(5 150)
Total	**36 581 868**	**35 152 355**	**28 010 984**	**27 502 784**

Change in allowances for inventory:

	GROUP	GROUP's Parent Company
	EUR	**EUR**
Allowance as at 31 December 2021	**5 598 118**	**2 957 327**
Release of allowance previously recognised	(1 464 185)	(403 760)
Write-downs of obsolete inventory	113 423	113 423
Allowance as at 31 December 2022	**4 247 356**	**2 666 990**
Increase in allowance	75 600	72 492
Write-downs of obsolete inventory	135 239	69 495
Allowance as at 31 December 2023	**4 458 195**	**2 808 977**

The GROUP and the GROUP's Parent Company recognise general 100% write-off for inventory items with no use in the period longer than one year. The GROUP estimates the net realizable value of goods for sale and unfinished production; if the carrying amount exceeds the net realizable value, the GROUP recognises additional specific allowances to reduce the carrying amount of such inventory items to their net realizable value. In addition, the GROUP's Parent company recognises specific allowances to write down the waste fibre stock to the net realizable value of 0.01 EUR/kg.

9. TRADE RECEIVABLES

	GROUP		GROUP's Parent Company	
	31.12.2023	**31.12.2022**	**31.12.2023**	**31.12.2022**
	EUR	**EUR**	**EUR**	**EUR**
Trade receivables	9 341 469	9 295 417	7 213 559	6 391 900
Expected credit loss	(117 532)	(140 034)	(117 532)	(140 034)
Total	**9 223 937**	**9 155 383**	**7 096 027**	**6 251 866**

Accounts receivable aging structure:

Days past due				
0-60 days	8 757 302	8 879 320	6 956 699	6 023 710
61-90 days	380 375	158 439	57 240	158 439
Over 90 days	86 260	117 624	82 088	69 717
Total	**9 223 937**	**9 155 383**	**7 096 027**	**6 251 866**

Changes in Expected credit losses of trade and other receivables:

	GROUP	GROUP's Parent Company
	EUR	**EUR**
31 December 2021	**30 062**	**30 062**
Charge for the year	111 279	111 279
Amounts written off	(1 307)	(1 307)
31 December 2022	**140 034**	**140 034**
Charge for the year	29 118	29 118
Amounts written off	(51 620)	(51 620)
31 December 2023	**117 532**	**117 532**

10. OTHER ASSETS

	GROUP		GROUP's Parent Company	
	31.12.2023	**31.12.2022**	**31.12.2023**	**31.12.2022**
	EUR	**EUR**	**EUR**	**EUR**
Current non-financial assets				
Prepayments for property, plant and equipment	3 210 800	2 966 144	3 210 800	2 966 144
VAT overpaid	1 489 577	2 028 866	1 404 262	1 922 550
Prepaid insurance expense	418 823	264 794	418 823	264 794
Prepaid CO_2 quota expense	242 919	242 919	242 919	242 919
Other receivables	189 500	18 589	14 900	18 427
Other prepaid expense	98 824	77 384	98 824	77 384
Accrued discount for mandatory procurement component discount	-	543 112	-	543 112
CIT overpaid	-	86 459	-	-
Total current	**5 650 443**	**6 228 267**	**5 390 528**	**6 035 330**

11. CASH AND CASH EQUIVALENTS

	GROUP		GROUP's Parent Company	
	31.12.2023	**31.12.2022**	**31.12.2023**	**31.12.2022**
	EUR	**EUR**	**EUR**	**EUR**
Cash at bank	841 838	1 456 717	727 283	976 725
Total	**841 838**	**1 456 717**	**727 283**	**976 725**

In accordance with IFRS 9 "Financial Instruments", the Group estimated the expected credit losses related to deposits with credit institutions. The assessment of expected credit losses was found to be insignificant and, as a result, no ECL allowance was made.

12. EQUITY

Share capital

As at 31 December 2023, the paid-up share capital of the GROUP's Parent Company consisted of 24 172 612 shares (31 December 2022: 24 172 612 shares) with equal rights. As at 31 December 2023 the share capital was EUR 2 417 261 (31 December 2022: EUR 2 417 261).

In 2014, the share capital was denominated from Latvian lats to euros. The nominal value per share was set at EUR 1.40 and the total share capital at EUR 33 464 487. The denomination resulted in a positive difference of EUR 546 709, which was recognised under the equity item "Other reserves" of the GROUP's Parent Company.

In order to improve the capital structure of the GROUP's Parent Company, in 2021 its shareholders decided on several share capital adjustments. To cover accumulated loss of the previous years, the par value of the shares of the GROUP's Parent Company was reduced from EUR 1.40 to EUR 0.10 leading to a reduction of both share capital and accumulated loss by EUR 31 074 166. Subsequently, the controlling shareholder Duke I S.à.r.l converted into equity the loan of EUR 45 391 205 issued to the GROUP's Parent Company. A number of minority shareholders participated in the share capital increase with cash contribution of EUR 564 603. After the share capital increase of EUR 45 955 808, the par value of the share capital of the GROUP's Parent Company amounted to EUR 48 346 129.

On 22 February 2022, the shareholders of the GROUP's Parent Company resolved to increase the par value of the shares from EUR 0.10 to EUR 2.00 and to reduce the number of shares. Consequently, the total share capital was slightly reduced from EUR 48 346 129 to EUR 48 345 224.

In April 2022, the shareholders of the GROUP's Parent Company resolved to reduce the par value of a share from EUR 2.00 to EUR 0.10, thus decreasing the share capital by EUR 45 927 963, i.e., to EUR 2 417 261. The decrease in the share capital was used to fully cover the accumulated loss of the GROUP'S Parent Company and to increase the reserves in the equity, leaving the total amount of the equity of the GROUP and the GROUP's Parent Company unchanged. The purpose of these equity changes was to improve the equity structure of the GROUP's Parent Company - as a result, starting from 14 April 2022, AS VALMIERAS STIKLA ŠĶIEDRA no longer qualified as a company in difficulty under European Union (EU) legislation and can receive EU funding, grants and subsidies that will contribute to the development and competitiveness of the GROUP and the GROUP's Parent Company.

In the reporting year, AS VALMIERAS STIKLA ŠĶIEDRA did not make any changes in equity.

As at 31 December 2023 and 2022, the shareholders of the GROUP's Parent Company, according to the Latvian Central Depository, were as follows:

	31.12.2023	31.12.2022
Duke I S.a.r.l.	97.37%	97.19%
P-D Management-Industries-Technologies GmbH	-	0.52%
Other	2.63%	2.29%
	100.00%	**100.00%**

As at 31 December 2023, the GROUP was ultimately controlled by Duke I S.a.r.l.

Other reserves and Reserves for accumulated actuarial differences

	GROUP		GROUP's Parent Company	
	31.12.2023	**31.12.2022**	**31.12.2023**	**31.12.2022**
	EUR	**EUR**	**EUR**	**EUR**
Accumulated actuarial differences	(2 477 114)	(1 990 232)	-	-
Other reserves	546 709	546 709	546 709	546 709
Total	**(1 930 405)**	**(1 443 523)**	**546 709**	**546 709**

13. BORROWINGS

	GROUP		GROUP's Parent Company	
	31.12.2023	**31.12.2022**	**31.12.2023**	**31.12.2022**
	EUR	**EUR**	**EUR**	**EUR**
Non-current:				
Borrowings from credit institutions	49 189 784	45 171 914	49 189 784	45 171 914
Borrowings from other related parties (Note 27(a))	18 702 702	17 635 731	18 702 702	17 635 731
Lease liabilities	505 076	428 651	204 940	216 110
Lease liabilities to related parties (Note 13(b), 27(b))	19 740	19 740	19 740	19 740
Total non-current	**68 417 302**	**63 256 036**	**68 117 166**	**63 043 495**
Current:				
Borrowings from credit institutions	6 204 502	4 263 159	5 274 542	3 609 496
Lease liabilities	267 857	285 896	101 353	178 526
Total current	**6 472 359**	**4 549 055**	**5 375 894**	**3 788 022**
Total	**74 889 660**	**67 805 091**	**73 493 060**	**66 831 517**

Movement of loans and borrowings:

2023

GROUP	31.12.2022 EUR	Cash flow		Non-cash			31.12.2023 EUR
		Received	Paid	New operating leases	Terminated leases	Accrued leases	
Borrowings from credit institutions	**49 435 073**	7 954 213*	(4 609 943)	-	-	2 614 943	**55 394 286**
Borrowings from other related parties	**17 635 731**	-	-	-	-	1 066 971	**18 702 702**
Lease liabilities	**734 287**	-	(464 864)	491 478	-	31 772	**792 673**
Total	**67 805 091**	**7 954 213**	**(5 074 807)**	**491 478**	**-**	**3 713 687**	**74 889 661**

GROUP's Parent Company	31.12.2023 EUR	Cash flow		Non-cash			31.12.2023 EUR
		Received	Received	New operating leases	Terminated leases	Accrued leases	
Borrowings from credit institutions	**48 781 410**	7 677 915 *	(4 609 943)	-	-	2 614 943	**54 464 325**
Borrowings from other related parties	**17 635 731**	-	-	-	-	1 066 971	**18 702 702**
Lease liabilities	**414 376**	-	(183 689)	86 264	-	9 082	**326 033**
Total	**66 831 517**	**7 677 915**	**(4 793 632)**	**86 264**	**-**	**3 690 996**	**73 493 060**

* In 2023, both the GROUP's Parent Company and the subsidiary used part of the overdraft facility granted by SEB Bank.

*In 2023, the GROUP's Parent Company used part of the non-current factoring granted by SEB Bank.

2022

GROUP	31.12.2021 EUR	Cash-flow		Non-cash			31.12.2022 EUR
		Received	Paid	New operating leases	Terminated leases	Accrued leases	
Borrowings from credit institutions	**45 372 492**	4 232 215*	(1 370 982)	-	-	1 201 348	**49 435 073**
Borrowings from other related parties	**16 627 450**	-	-	-	-	1 008 281	**17 635 731**
Lease liabilities	**969 699**	-	(508 171)	410 205	(159 077)	21 631	**734 287**
Total	**62 969 641**	**4 232 215**	**(1 879 153)**	**410 205**	**(159 077)**	**2 231 260**	**67 805 091**

GROUP's Parent Company	31.12.2021 EUR	Cash-flow		Non-cash			31.12.2022 EUR
		Received	Paid	New operating leases	Terminated leases	Accrued leases	
Borrowings from credit institutions	**45 372 492**	3 578 552	(1 370 982)	-	-	1 201 348	**48 781 410**
Borrowings from subsidiaries	**4 406 560**	-	(4 488 069)**	-	-	81 509	**-**
Borrowings from other related parties	**16 627 450**	-	-	-	-	1 008 281	**17 635 731**
Lease liabilities	**707 190**	-	(378 497)	230 086	(159 077)	14 674	**414 376**
Total	**67 113 692**	**3 578 552**	**(6 237 548)**	**230 086**	**(159 077)**	**2 305 812**	**66 831 517**

* In 2022, both the GROUP's Parent Company and the subsidiary used part of the overdraft facility granted by SEB Bank.
** In 2022, the GROUP's Parent Company fully repaid the loan to the subsidiary.

13 (a) Borrowings from credit institutions

	GROUP		GROUP's Parent Company	
	31.12.2023 **EUR**	**31.12.2022** **EUR**	**31.12.2023** **EUR**	**31.12.2022** **EUR**
Non-current:				
Repayable within 2 - 5 years	49 189 783	45 171 914	49 189 783	45 171 914
Total non-current	**49 189 783**	**45 171 914**	**49 189 783**	**45 171 914**
Current:				
Repayable within 1 year	6 204 502	4 263 159	5 274 541	3 609 496
Total current	**6 204 502**	**4 263 159**	**5 274 541**	**3 609 496**
Total	**55 394 286**	**49 435 073**	**54 464 325**	**48 781 410**

GROUP'S Parent Company

On 9 December 2020, the GROUP's Parent Company, SEB and Danske (hereinafter - the Lenders) and DUKE I S.A.R.L. (hereinafter – DUKE I) signed a number of financing and security agreements, to take effect and enter into legal force, when all conditions precedent to the completion of the share purchase agreement between DUKE I and the majority shareholders of the GROUP's Parent company had been fulfilled or waived and the title to the shares had been transferred to DUKE I. These agreements entered into legal force and consequently were carried out after 18 February 2021, when the share purchase agreement between DUKE I and the majority shareholders of the GROUP's Parent Company was executed and the title to the shares transferred to DUKE I. According to the agreements:

- SEB granted a non-current loan of EUR 45 575 443 maturing on 27 April 2026. The loan was used to refinance the existing SEB loans outstanding as at 31 December 2020, and the finance capital investment projects of the GROUP's Parent Company. The loan principal is repayable starting with the 36th month after the agreement date. The loan is secured with a commercial pledge on all assets of the GROUP and mortgages on the real estate of the GROUP's Parent Company. The loan interest rate is 3M EURIBOR + 1.5-2.5% p.a. depending on fulfilment of certain financial covenants;
- SEB granted an overdraft of EUR 10 million with the repayment date 5 years from the date of the first drawdown of the overdraft. The overdraft is secured with a commercial pledge on all assets of the GROUP and mortgages on the real estate of the GROUP's Parent Company. The loan interest rate is 3M EURIBOR + 1.5% p.a. As at 31 December 2023, the GROUP's Parent Company had used the overdraft of EUR 7 261 278 (2022: EUR 3 578 552);
- SEB extended the EUR 870 000 guarantee until 7 December 2021. The guarantee was secured with a commercial pledge on all the assets of the GROUP and mortgages on the real estate of the GROUP's Parent Company;
- The borrowings of the GROUP's Parent Company of EUR 45 568 799 from Danske were assigned to DUKE I. Repayment of the loan is subordinated to repayment of bank loans, and the final loan repayment date is the date falling 5 years from the date of the first drawdown of the loan. The loan is secured with a commercial pledge on all assets of the GROUP and mortgages on the real estate of the GROUP's Parent Company. The loan interest rate is 4.5% p.a.;
- DUKE I granted an unsecured loan of EUR 5 000 000. The DIP loan agreement was signed on 9 December 2020, while the loan itself was disbursed on 19 February 2021 upon our request of 4 February 2021. The loan is repayable after five years on the date of the first drawdown, but not before all liabilities to AS SEB Bank are settled;
- On 18 May 2023, the GROUP's Parent Company and AS SEB Banka signed a non-current receivables factoring agreement with a limit of EUR 5 000 000. The interest rate applicable to the factoring limit used is 3M EURIBOR + 3.25% and the agreement is valid for a period of three years until 18 May 2026. The performance of the contractual obligations by the GROUP's Parent Company is secured by a COFACE accounts receivable insurance policy.

The above loan agreements contain a number of financial covenants. The GROUP and the GROUP's Parent Company regularly monitor compliance with these financial covenants which have been met as at 31 December 2023 and as at the date of signing these financial statements.

Valmiera Glass UK Ltd

Valmiera Glass UK Ltd has concluded with SEB Bank a short-term GBP 1 000 000 overdraft facility agreement. The overdraft interest rate is SEB GBP base rate + 1% p.a. As at 31 December 2023, Valmiera Glass UK Ltd had used the overdraft of GBP 808 168 (EUR 929 959) (31 December 2022: GBP 579 745 (EUR 653 662)).

GROUP

As at 31 December 2023 and 2022, the indebtedness of the GROUP's Parent Company and Valmiera Glass UK Ltd. to the Lenders was secured with a commercial pledge on all assets of the GROUP's Parent Company and its subsidiaries and mortgage on the real estate of the GROUP Parent Company located at Cempu iela 13, Cempu iela 13A, Cempu iela 13B, Cempu iela 11A, Cempu iela 11B, as well as land plots "Pie Gaujas" and "Piebraucamais dzelzceļš". The mortgaged properties are located in Valmiera, Latvia. As at 31 December 2023, the carrying amount of the above properties amounted to EUR 2 418 125 (31 December 2022: EUR 2 424 262).

13 (b) Lease liabilities

	GROUP		GROUP's Parent Company	
	31.12.2023 EUR	**31.12.2022 EUR**	**31.12.2023 EUR**	**31.12.2022 EUR**
Non-current (up to five years)	524 816	448 391	224 680	235 850
Current	267 857	285 896	101 353	178 526
Total	**792 673**	**734 287**	**326 033**	**414 376**

The GROUP and the GROUP's Parent Company do not have any significant liabilities with maturity over 5 years.

Movement of lease liabilities during the reporting period:

2023

	GROUP	GROUP's Parent Company
	EUR	**EUR**
31.12.2022	**734 287**	**414 376**
Additions	491 478	86 264
Accrued interest	31 773	9 082
Payments	(464 864)	(183 689)
31.12.2023	**792 674**	**326 034**

2022

	GROUP	GROUP's Parent Company
	EUR	EUR
31.12.2021	**969 699**	**707 190**
Additions	410 205	71 009
Terminated leases	(159 077)	(159 077)
Accrued interest	21 631	14 674
Payments	(508 171)	(378 497)
31.12.2022	**734 287**	**414 376**

Amounts recognised in profit or loss:
2023

	GROUP	GROUP's Parent Company
	2023	2023
	EUR	EUR
Depreciation of right-of-use assets	404 523	150 803
Interest expense on lease liabilities	31 773	9 082
Total	**436 296**	**159 885**

2022

	GROUP	GROUP's Parent Company
	2022	2022
	EUR	EUR
Depreciation of right-of-use assets	434 978	316 806
Interest expense on lease liabilities	21 631	14 674
Total	**456 609**	**331 480**

The interest rates applied to the lease are as follows: floating 3-month EURIBOR and LIBOR and a fixed rate of 2.26%-2.91%.

14. TRADE AND OTHER PAYABLES

	GROUP		GROUP's Parent Company	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	EUR	EUR	EUR	EUR
Non-current financial liabilities:				
Payables to other related parties (Note 27)	4 035 303	4 035 303	4 035 303	4 035 303
Total non-current	**4 035 303**	**4 035 303**	**4 035 303**	**4 035 303**

Current financial liabilities:				
Payables to other related parties	157 569	-	157 569	-
Trade payables	10 786 693	9 828 710	10 167 492	9 064 881
Payables to subsidiaries (Note 27)	-	-	776 697	267 631
	10 944 262	**9 828 710**	**11 101 758**	**9 332 512**
Current non-financial liabilities:				
Taxes and statutory social insurance contributions (Note 14(a))	2 146 244	5 075 587	2 008 789	4 993 036
Accrued liabilities (Note 14(b))	2 342 987	2 501 812	2 342 987	2 501 812
Other payables (Note 14(c))	1 391 963	1 431 642	1 391 963	1 389 672
	5 881 194	**9 009 041**	**5 743 739**	**8 884 520**
Total current	**16 825 456**	**18 837 751**	**16 845 497**	**18 217 032**

14 (a) Taxes payable

	GROUP		GROUP's Parent Company	
	31.12.2023 EUR	**31.12.2022 EUR**	**31.12.2023 EUR**	**31.12.2022 EUR**
Republic of Latvia (Company)				
Statutory social insurance contributions *	1 467 189	3 418 686	1 329 734	3 336 135
Personal income tax*	659 415	1 625 212	659 415	1 625 212
Natural resource tax	11 926	8 465	11 926	8 465
Corporate income tax	6 949	22 364	6 849	22 364
Unemployment risk duty	865	860	865	860
Total	**2 146 244**	**5 075 587**	**2 008 789**	**4 993 036**

In 2022 and 2023, the GROUP's Parent Company agreed with the State Revenue Service on deferrals of social insurance contribution and personal income tax payments. As at 31 December 2023, the total amount of deferred tax payments was EUR 807 970 (31 December 2022: EUR 3 664 494).

14 (b) Accrued liabilities

	GROUP		GROUP's Parent Company	
	31.12.2023 EUR	**31.12.2022 EUR**	**31.12.2023 EUR**	**31.12.2022 EUR**
Vacation pay reserve	1 324 411	1 318 918	1 324 411	1 318 918
Accruals for employee bonuses	738 178	939 394	738 178	939 394
Other	215 872	243 500	215 872	243 500
Total	**2 278 461**	**2 501 812**	**2 278 461**	**2 501 812**

14 (c) Other payables

	GROUP		GROUP's Parent Company	
	31.12.2023	**31.12.2022**	**31.12.2023**	**31.12.2022**
	EUR	**EUR**	**EUR**	**EUR**
Current:				
Wages and salaries	1 347 372	1 366 026	1 347 372	1 330 746
Other	44 591	65 616	44 591	58 926
Total	**1 391 963**	**1 431 642**	**1 391 963**	**1 389 672**

15. DEFINED BENEFIT PLAN (OBLIGATIONS)/ASSETS

The GROUP's subsidiary Valmiera Glass UK Ltd (Employer) operates a defined benefit pension scheme for certain employees and for eligible employees, a scheme providing benefits based on final pensionable pay.

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

	31.12.2023	**31.12.2022**
	EUR	**EUR**
Corporate bonds	2 454 940	9 252 191
Index-linked assets	4 633 098	761 544
Cash and cash equivalents	4 945 982	261 426
Multi-asset credit	-	1 091 167
Total pension plan assets	**12 034 020**	**11 366 328**
Present value of pension plan obligations	(11 084 692)	(11 122 788)
Total pension plan (assets)/obligations, net	**(11 084 692)**	**(11 122 788)**
Net pension plan assets	949 328	243 540
Current portion	949 328	243 540

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.

The appointment of Trustees is determined by the trust documentation.

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

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

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

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

As part of the Scheme Funding Assessment as at 31 March 2019, a recovery plan was agreed between the Trustees and the Employer to meet the shortfall over the period ending 31 May 2024. The future contributions payable under the Recovery Plan January 2022 to December 2022 are GBP 92 970 (EUR 104 823) per month and from January 2023 to the end of 2024 – GBP 70 834 (EUR 79 865) per month; these amounts may be revised depending on further assessments of the financing of the plan.

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

The plan valuation is based on qualified actuarial valuation as at 31 December 2023. The present value of the defined benefit obligation/asset, the related current service cost and past service cost were measured using the projected unit credit method.

The principal assumptions at 31 December 2023 and 2022:

% p.a.	**2022**	**2022**
	%	**%**
Discount rate	4.45	4.95
Future increases in deferred pensions	2.45	2.70
Increase in pension payments – RPI (max 5%)	2.90	3.20
Increase in pension payments – CPI (max 3%)	2.00	2.25

Mortality assumptions
The assumed life expectations on retirement at age 65 are:

	2023	**2022**
	Years	**Years**
Retiring today		
- Males	21.40	21.90
- Females	23.90	24.30

Sensitivity of the net obligation to changes in assumptions

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

In 2023, the employer contributed GBP 944 000 (EUR 1 085 317) to the pension plan. The defined benefit pension plan has a 14-year commitment period.

	2023	**2022**
	EUR	**EUR**
0.25% p.a. decrease in discount rate	265 812	31 674
0.25% p.a. increase in inflation and related assumptions	34 521	48 097
One year increase in life expectancy	637 488	658 109

Changes in the fair value of plan assets:

	2023 EUR	2022 EUR
As at 1 January	11 366 328	20 422 115
Currency translation difference	233 878	(751 411)
Interest income	573 049	350 757
Return on plan assets (excl. interest)	(108 166)	(7 361 203)
Settlements	-	(1 778 420)
Benefits paid	(1 117 330)	(909 153)
Contributions by the employer	1 086 261	1 086 261
As at 31 December	**12 034 020**	**11 366 328**

Changes in the present value of defined benefit obligation:

	2023 EUR	2022 EUR
As at 1 January	(11 122 788)	(19 680 682)
Currency translation difference	(228 867)	766 163
Benefits paid	1 117 330	909 153
Actuarial gains and losses	(203 674)	6 036 773
Interest expense	(537 377)	(330 814)
Other	(109 317)	1 176 619
As at 31 December	**(11 084 692)**	**(11 122 788)**

Amounts recognised in other comprehensive income:

	2023 EUR	2022 EUR
Actuarial (gains) or losses	203 674	(6 036 773)
Return on plan assets (excl. interest)	108 166	7 361 203
Remeasurement of defined benefit obligation	**311 840**	**1 324 430**

16. DEFERRED INCOME

	GROUP		GROUP's Parent Company	
	31.12.2023 EUR	**31.12.2022 EUR**	**31.12.2023 EUR**	**31.12.2022 EUR**
EU and other grants	817 497	1 049 626	817 497	1 049 626
Total non-current	**817 497**	**1 049 626**	**817 497**	**1 049 626**
EU and other grants	232 128	232 128	232 128	232 128
Total current	**232 128**	**232 128**	**232 128**	**232 128**
Total	**1 049 625**	**1 281 754**	**1 049 625**	**1 281 754**

In the period from 2012 through 2016, the GROUP's Parent Company accomplished a number of investment projects co-financed by the funds of the European Union, Norwegian financial instrument and the Republic of Latvia so that it can develop manufacturing processes, facilitate new product development, reduce greenhouse gas emissions and improve wastewater treatment. Total amount of co-financing received amounted to EUR 3 956 672. As at 31 December 2023 and 2022, the GROUP's Parent Company had complied with the covenants of the agreements it had concluded with the financing providers.

17. REVENUE

The core business of the GROUP and the GROUP's Parent Company is manufacturing of glass fibre products, including both non-woven products and glass fibre fabrics.

17 (a) Net sales by geographical segments

	GROUP		GROUP's Parent Company	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
EU	102 748 011	110 147 108	89 233 168	99 677 708
North America	14 916 111	19 353 075	14 628 913	18 970 646
CIS	1 560 102	1 599 388	1 560 102	1 599 388
Other	16 459 393	13 108 362	12 374 180	7 674 385
Total	**135 683 617**	**144 207 933**	**117 796 363**	**127 922 127**

17 (b) Net sales by product types

	GROUP		GROUP's Parent Company	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
Glass fibre fabrics	92 863 674	94 023 706	74 976 419	77 737 900
Glass fibre non-woven products	42 819 943	50 184 227	42 819 944	50 184 227
Total	**135 683 617**	**144 207 933**	**117 796 363**	**127 922 127**

17 (c) Net sales – other information

No information is provided about the remaining performance obligations as at 31 December 2023 that have an original expected duration of one year or less, as allowed by IFRS 15 Revenue from Contracts with Customers.

The GROUP and the GROUP's Parent Company do not have any assets recognized from the costs relating to signing or fulfilling contracts with customers.

18. OTHER OPERATING INCOME

	GROUP		GROUP's Parent Company	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
EU funding	238 101	275 296	238 101	275 296
Sale of raw materials	107 837	134 576	107 837	134 576
Gain on disposal of fixed assets	33 730	-	33 730	-
Insurance indemnification	19 479	7 820	19 479	7 820
Income from rent of premises	9 635	6 786	9 635	6 786
PD-VGUSA liquidation proceeds	-	185 984	-	185 984
Settlement compensation from Ignitis	-	362 209	-	362 209
State support	-	2 000 000	-	2 000 000
Management services	-	-	623 362	586 276
Other	98 456	208 933	98 456	190 998
Total	**507 238**	**3 181 604**	**1 130 600**	**3 749 945**

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

19. RAW MATERIALS AND CONSUMABLES

	GROUP		GROUP's Parent Company	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
Raw materials and other costs	40 170 326	50 354 147	33 782 495	44 158 456
Electricity	11 860 217	17 401 754	10 675 871	16 319 138
Natural gas	10 617 283	14 018 303	9 497 983	12 972 406
Precious metal plates processing costs	1 303 994	661 152	1 303 994	661 152
Oxygen	969 358	1 421 188	969 358	1 421 188
Propane gas and fuel	312 198	610 373	312 198	610 373
Write-offs of low-value items	169 523	266 375	169 523	266 375
Other	7 132	27 911	16 346	22 829
Total	**65 410 031**	**84 761 203**	**56 727 768**	**76 431 917**

20. STAFF COSTS

	GROUP		GROUP's Parent Company	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
Wages and salaries	26 407 804	24 198 097	21 052 324	19 566 054
Statutory social insurance contributions	6 591 357	6 175 079	5 860 698	5 561 180
Sickness and vacation expenses	3 134 302	2 760 366	3 134 302	2 760 366
Bonuses	233 071	733 894	706 120	733 894
Employee insurance	706 120	223 319	233 071	172 607
Other	1 338 117	1 954 330	1 208 857	1 339 154
Total	**38 410 771**	**36 045 085**	**32 195 372**	**30 133 255**
Average number of employees	1 347	1 303	1 203	1 166

21. DEPRECIATION AND AMORTISATION

	GROUP		GROUP's Parent Company	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
Depreciation of property, plant and equipment on a straight-line basis	8 034 095	7 510 451	7 658 020	7 173 039
Amortisation of intangible assets	713 560	567 573	713 560	567 573
Depreciation of precious metal plates based on production volume	668 835	518 117	668 835	518 117
Depreciation of right-of-use assets	404 301	427 565	150 802	316 716
Total	**9 820 791**	**9 023 706**	**9 191 217**	**8 575 445**

See also Notes 4 and 6.

22. OTHER OPERATING EXPENSE

	GROUP		GROUP's Parent Company	
	2023 EUR	2022 EUR	2023 EUR	2022 EUR
Logistics and transportation	6 563 207	8 466 654	5 782 649	7 631 559
Cleaning and maintenance	4 614 038	4 451 940	3 866 191	3 916 726
Waste removal	1 336 529	1 103 749	1 142 947	972 251
Professional fees	985 841	1 249 622	753 195	608 903
Safety at work	867 336	776 756	861 524	697 981
Rent	645 289	275 523	632 409	237 701
Business trips	623 974	517 955	504 802	276 099
PR & Marketing	603 558	612 952	538 660	552 969
Insurance	489 187	374 387	341 844	281 209
Real estate tax	280 131	197 067	75 208	75 176
Postage and communication	265 175	145 094	118 610	101 121
Events and other non-business expense	223 456	230 439	222 951	229 266
CO_2 quota expense	215 872	-	215 782	-
Write-offs of inventories	191 395	425 594	191 395	425 594
Training	174 759	288 417	174 759	288 417
Office expenses	143 428	142 261	118 830	70 104
Research and development	85 020	135 090	46 120	73 548
Write-down of inventories to net realizable value (Note 8)	75 600	(1 464 185)	72 492	(403 760)
Natural resource tax	42 189	36 038	42 189	36 038
Loss on disposal of property, plant and equipment	11 227	301 856	11 227	301 856
Other	315 868	244 166	134 854	182 332
Total	**18 753 079**	**18 511 375**	**15 848 638**	**16 555 090**

In 2023, no non-audit services were received from the auditors of the financial statements (2022: EUR 0). In 2023, the auditors of the GROUP's Parent Company provided audit services to the GROUP for EUR 48 550 (2022: EUR 40 250).

23. FINANCE INCOME

	GROUP		GROUP's Parent Company	
	2023 EUR	**2022 EUR**	**2023 EUR**	**2022 EUR**
Interest income	8 626	-	-	-
Foreign currency exchange gain, net	-	390 720	-	248 873
Other	18 249	8 050	18 249	8 050
Total	**26 875**	**398 770**	**18 249**	**256 923**

24. FINANCE EXPENSE

	GROUP		GROUP's Parent Company	
	2023 EUR	**2022 EUR**	**2023 EUR**	**2022 EUR**
Interest expenses on liabilities carried at amortized cost	4 120 332	2 418 816	4 085 930	2 478 875
Foreign currency exchange loss, net	217 065	-	101 115	-
Penalties	167 819	43 610	167 819	43 610
Interest expenses related to retirement benefit	73 581	29 328	-	-
Other	83 043	23 656	49 404	15 301
Total	**4 661 840**	**2 515 410**	**4 404 268**	**2 537 786**

25. CURRENT AND DEFERRED CORPORATE INCOME TAX

25 (a) Corporate income tax

	GROUP		GROUP's Parent Company	
	2023 EUR	**2022 EUR**	**2023 EUR**	**2022 EUR**
Corporate income tax recognised in profit or loss:				
Current corporate income tax	51 219	64 930	51 219	64 930
Deferred tax	(121 203)	(387 115)		
Total recognised in profit or loss	**(69 984)**	**(322 185)**	**51 219**	**64 930**
Deferred tax recognized in OCI:				
Deferred tax on retirement benefit obligation	(175 042)	119 363	-	-
Changes in deferred tax recognized in OCI	**(175 042)**	**119 363**	-	-

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

	GROUP		GROUP's Parent Company	
	2023 EUR	**2022 EUR**	**2023 EUR**	**2022 EUR**
Profit before tax	2 063 814	6 511 576	1 445 233	6 219 180
Tax effect of tax rate in United Kingdom 19%	(123 088)	(76 061)	-	-
Tax effect of non-deductible items	(52 709)	(32 796)	(51 219)*	(64 930)*
Tax effect of change in deferred tax asset	245 781	431 042		
Corporate income tax and deferred tax	**69 983**	**322 185**	**(51 219)**	**(64 930)**
Effective tax rate	**2.55%**	**0.50%**	**3.54%**	**1.04%**

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

* Deemed profit distribution.

25 (c) Deferred tax at the end of the reporting year

GROUP

	31.12.2023 EUR	**31.12.2022 EUR**
Temporary difference on depreciation of fixed assets	1 134 980	973 400
Total deferred tax liabilities	**1 134 980**	**973 400**
Temporary difference on retirement benefit	237 332	60 885
Total deferred tax liabilities	**237 332**	**60 885**
Temporary difference on tax loss	(1 203 678)	(922 593)
Total deferred tax (assets)	**(1 203 978)**	**(922 593)**
Net deferred tax (asset) / liabilities	**168 634**	**111 692**
Presented in the statement of financial position		
Deferred tax asset / (liabilities), net	**168 634**	**111 692**

25 (d) Deferred tax at the end of the reporting year

GROUP

	Temporary difference originated on:			
	Tax loss	**Property, plant and equipment**	**Defined benefit plan obligations**	**Total**
		EUR	**EUR**	**EUR**
31.12.2021	**-**	**446 353**	**185 358**	**631 711**
Currency exchange effect	37 312	(45 744)	(5 110)	(13 542)
Charged to profit or loss	(959 905)	572 791	-	(387 114)
Charged to OCI	-	-	(119 363)	(119 363)
31.12.2022	**(922 593)**	**973 400**	**60 885**	**111 692**
Currency exchange effect	(19 211)	20 152	1 405	2 346
Charged to profit or loss	(261 874)	141 427	-	(120 447)
Charged to OCI	-	-	175 041	175 042
31.12.2023	**(1 203 678)**	**1 134 979**	**237 332**	**168 633**

26. MANAGEMENT REMUNERATION

	GROUP		**GROUP's Parent Company**	
	2023	**2022**	**2023**	**2022**
	EUR	**EUR**	**EUR**	**EUR**
Board Members:				
Remuneration	1 182 011	1 213 394	936 214	962 594
Statutory social insurance contributions	252 300	258 854	221 156	227 076
Total	**1 434 311**	**1 472 248**	**1 157 370**	**1 189 670**

In 2023 and 2022, the GROUP and the GROUP's Parent Company neither granted nor received any loans to/from the Members of the Council or the Board, or other management personnel nor received any loans from the said persons.

The Council Members do not receive any remuneration for their functions in the Council of the GROUP's Parent Company.

27. RELATED PARTY DISCLOSURES

27 (a) Borrowings from related companies

GROUP and the GROUP's Parent Company Parent company is Duke I S.a.r.l.

	Interest rate	**31.12.2023**	**31.12.2022**
		EUR	**EUR**
GROUP			
Parent company	4%-10%	18 702 702	17 635 731
Total non-current borrowings		**18 702 702**	**17 635 731**
GROUP Parent Company			
Parent company	4%-10%	18 702 702	17 635 731
Total non-current borrowings		**18 702 702**	**17 635 731**

27 (b) Lease liabilities to related companies

	31.12.2023 EUR	31.12.2022 EUR
GROUP		
Parent company	19 740	19 740
Total non-current lease liabilities	**19 740**	**19 740**
GROUP Parent Company		
Parent company	19 740	19 740
Total non-current lease liabilities	**19 740**	**19 740**

27 (c) Receivables from and payables to related parties

GROUP	31.12.2023 Receivables EUR	31.12.2023 Payables EUR	31.12.2022 Receivables EUR	31.12.2022 Payables EUR
Parent company	-	4 035 303	-	4 035 303
Total	**-**	**4 035 303**	**-**	**4 035 303**

GROUP Parent Company	31.12.2023 Receivables EUR	31.12.2023 Payables EUR	31.12.2022 Receivables EUR	31.12.2022 Payables EUR
Parent company	-	4 035 303	-	4 035 303
Subsidiary	1 726 466	771 919	664 581	267 631
Total	**1 726 466**	**4 807 222**	**664 581**	**4 302 934**

27 (d) Transactions with related parties

GROUP	2023 EUR	2022 EUR
Parent company		
Interest expenses	(1 066 971)	(999 141)

GROUP's Parent Company	2023 EUR	2022 EUR
Subsidiary		
Sale of goods	4 864 050	5 433 736
Purchase of goods	1 416 134	1 060 643
Services provided	574 886	586 276
Interest expenses	-	81 509
Parent company		
Interest expenses	(1 066 971)	(999 141)

28. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

This note provides information about the financial instruments of the GROUP and the GROUP's Parent Company, including a summary of all financial instruments held by the GROUP, specific information about each type of financial instrument and information about determining the fair value of the instruments, including judgements and estimation uncertainty.

The Group holds the following financial instruments:

GROUP **31.12.2023**	**Financial assets at amortised cost** **EUR**	**Financial liabilities at amortised cost** **EUR**	**Total** **EUR**
Financial assets			
Trade and other receivables	9 223 937	-	9 223 937
Cash and cash equivalents	841 838	-	841 838
	10 065 775	**-**	**10 065 775**
Financial liabilities			
Borrowings	-	(74 096 987)	(74 096 987)
Lease liabilities	-	(792 673)	(792 673)
Trade and other payables	-	(14 979 565)	(14 979 565)
	-	**(89 869 225)**	**(89 869 225)**
31.12.2022	**EUR**	**EUR**	**TOTAL**
Financial assets			
Trade and other receivables	9 155 383	-	9 155 383
Cash and cash equivalents	1 456 717	-	1 456 717
	10 612 100	**-**	**10 612 100**
Financial liabilities			
Borrowings	-	(67 070 804)	(67 070 804)
Lease liabilities	-	(734 287)	(734 287)
Trade and other payables	-	(13 864 013)	(13 864 013)
	-	**(81 669 104)**	**(81 669 104)**

The GROUP's Parent Company holds the following financial instruments:

GROUP's Parent Company 31.12.2023	**Financial assets at amortised cost EUR**	**Financial liabilities at amortised cost EUR**	**Total EUR**
Financial assets			
Trade and other receivables	8 882 494	-	8 882 494
Cash and cash equivalents	727 283	-	727 283
	9 609 777	**-**	**9 609 777**
Financial liabilities			
Borrowings	-	(73 167 027)	(73 167 027)
Lease liabilities	-	(326 034)	(326 034)
Trade and other payables	-	(15 137 060)	(15 137 060)
	-	**(88 630 121)**	**(88 630 121)**

31.12.2022.	**EUR**	**EUR**	**TOTAL**
Financial assets			
Trade and other receivables	6 896 447	-	6 896 447
Cash and cash equivalents	976 725	-	976 725
	7 873 172	**-**	**7 873 172**
Financial liabilities			
Borrowings	-	(66 417 141)	(66 417 141)
Lease liabilities	-	(414 376)	(414 376)
Trade and other payables	-	(13 367 815)	(18 360 851)
	-	**(80 199 332)**	**(80 199332)**

Information on the exposure of the GROUP and GROUP's Parent Company to various risks related to financial instruments is presented in Note 29.

29. FINANCIAL RISK MANAGEMENT

Fair value of financial assets and financial liabilities

Due to the short-term nature of cash and cash equivalents, trade receivables, trade payables and other current financial assets and liabilities, it is considered that their carrying amounts approximate their fair value. Majority of non-current borrowings bear floating interest rates, which are adjusted based on the current financial performance and perceived credit risk, and it is considered that fair values of non-current liabilities are also not significantly different to their carrying amounts.

Fair value hierarchy

The following fair value hierarchy is used by the GROUP and the GROUP's Parent Company to measure and disclose the fair value of financial instruments applying an appropriate valuation technique:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

All financial assets and financial liabilities of the GROUP and the GROUP's Parent Company are classified at Level 3, except for cash and cash equivalents, which are classified at Level 2.

GROUP

31.12.2023	**Level 1 EUR**	**Level 2 EUR**	**Level 3 EUR**	**Total EUR**
Financial assets				
Trade and other receivables	-	-	9 223 937	9 223 937
Cash and cash equivalents		841 838	-	841 838
	-	**841 838**	**9 223 937**	**10 065 775**
Financial liabilities				
Borrowings	-	-	(74 096 987)	(74 096 987)
Finance lease obligations	-	-	(792 673)	(792 673)
Trade and other payables	-	-	(14 979 565)	(14 979 565)
	-	**-**	**(89 869 225)**	**(89 869 225)**

31.12.2022	**EUR**	**EUR**	**EUR**	**Total**
Financial assets				
Trade and other receivables	-	-	9 155 383	9 155 383
Cash and cash equivalents		1 456 717	-	1 456 717
	-	**1 456 717**	**9 155 383**	**10 612 100**
Financial liabilities				
Borrowings	-	-	(67 070 804)	(67 070 804)
Finance lease obligations	-	-	(734 287)	(734 287)
Trade and other payables	-	-	(13 864 013)	(13 864 013)
	-	**-**	**(81 669 104)**	**(81 669 104)**

GROUP's Parent Company

31.12.2023	**Level 1 EUR**	**Level 2 EUR**	**Level 3 EUR**	**Total EUR**
Financial assets				
Trade and other receivables	-	-	8 882 494	8 882 494
Cash and cash equivalents	-	727 283	-	727 283
		727 283	**8 882 494**	**9 609 777**
Financial liabilities				
Borrowings	-	-	(73 167 027)	(73 167 027)
Finance lease obligations	-	-	(326 034)	(326 034)
Trade and other payables	-	-	(15 137 060)	(15 137 060)
	-	**-**	**(88 630 121)**	**(88 630 121)**

31.12.2022	**Level 1 EUR**	**Level 2 EUR**	**Level 3 EUR**	**Total EUR**
Trade and other receivables				
Cash and cash equivalents	-	-	8 818 997	8 818 997
Trade and other receivables	-	976 725	-	976 725
		976 725	**8 818 997**	**9 795 722**
Financial liabilities				
Borrowings	-	-	(66 417 141)	(66 417 141)
Finance lease obligations	-	-	(414 376)	(414 376)
Trade and other payables	-	-	(13 367 815)	(13 367 815)
	-	**-**	**(80 199 332)**	**(80 199 332)**

The principal financial instruments of the GROUP and the GROUP's Parent Company comprise trade receivables, trade payables, loans and borrowings, finance lease, cash and cash equivalents. The main purpose of these financial instruments is to ensure financing for the operations of the GROUP and the GROUP's Parent Company. The GROUP and the GROUP's Parent Company have various other financial instruments such as trade and other receivables and trade and other payables, which arise directly from its operations has other financial instruments, which arise due to its operating activities.

The main financial risks arising from financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

Market risk

Interest rate risk

As at 31 December 2023, the GROUP and the GROUP's Parent Company had an outstanding loan from a credit institution with a variable 3-month EURIBOR interest rate (see Note 13 (a)).

GROUP

Interest rate sensitivity analysis	**31.12.2023**		**31.12.2022**	
Currency	% rate increase	Impact on statement of profit or loss	% rate increase	Impact on statement of profit or loss
EUR	+1.0	(544 643)	+1.0	(487 814)
EUR	-1.0	544 643	-1.0	487 814
GBP	+1.0	(9 300)	+1.0	(6 537)
GBP	-1.0	9 300	-1.0	6 537

GROUP's Parent Company

Interest rate sensitivity analysis	**31.12.2023**		**31.12.2022**	
Currency	% rate increase	Impact on statement of profit or loss	% rate increase	Impact on statement of profit or loss
EUR	+1.0	(544 643)	+1.0	(487 814)
EUR	-1.0	544 643	-1.0	487 814

Foreign currency risk
The GROUP and the GROUP's Parent Company operate internationally and perform transactions mainly in EUR, USD and GBP. The GROUP and the GROUP's Parent Company are mainly exposed to foreign currency risk of USD and EUR. In 2023, approximately 13% of total sales resulted from contracts denominated in USD (2022: 15%).

The financial assets and liabilities of the GROUP and the GROUP's Parent Company, which are exposed to foreign currency risk, comprise loans, cash and cash equivalents, trade receivables and trade payables.

The net positions in USD and EUR are directly exposed to a possible FX fluctuations thus resulting in direct impact on the GROUP's profit/(loss) before tax.

GROUP

31.12.2023	**USD**	**Total**
Trade and other receivables	2 568 071	2 568 071
Cash and cash equivalents	396 011	396 011
Trade and other payables	187 714	187 714
Total financial assets, net	**3 151 796**	**3 151 796**
% of net assets	**15%**	**15%**

GROUP

31.12.2022	**USD**	**Total**
Trade and other receivables	3 246 957	3 246 957
Cash and cash equivalents	963 883	963 883
Trade and other payables	(47 734)	(47 734)
Total financial assets, net	**4 163 106**	**4 163 106**
% of net assets	**21%**	**21%**

* The reporting and functional currency of the GROUP's subsidiary Valmiera Glass UK Ltd. is GBP. The subsidiary is exposed to currency risks mainly through its financial assets and liabilities in EUR and USD.

	31.12.2023		**31.12.2022**	
Currency	Exchange rate fluctuation	Impact on statement of profit or loss	Exchange rate fluctuation	Impact on statement of profit or loss
	%	**EUR**	**%**	**EUR**
USD	+10%	315 180	+10%	416 311
USD	-10%	(315 180)	-10%	(416 311)

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

GROUP's Parent Company		
31.12.2023	**USD**	**Total**
Trade and other receivables	2 366 828	2 366 828
Cash and cash equivalents	396 011	396 011
Trade and other payables	(187 714)	(187 714)
Total financial assets, net	**2 575 125**	**2 575 125**
% of net assets	**15%**	**15%**

GROUP's Parent Company		
31.12.2022	**USD**	**TOTAL**
Trade and other receivables	2 921 948	2 921 948
Cash and cash equivalents	24 450	24 450
Trade and other payables	(2 157 705)	(2 157 705)
Total financial assets, net	**788 693**	**788 693**
% of net assets	**2%**	**2%**

	31.12.2023		**31.12.2022**	
Currency	Exchange rate fluctuation	Impact on statement of profit or loss	Exchange rate fluctuation	Impact on statement of profit or loss
	%	**EUR**	**%**	**EUR**
USD	+10%	257 513	+10%	391 407
USD	-10%	(257 513)	-10%	(391 407)

Credit risk

Credit risk is the risk that the GROUP and the GROUP's Parent Company could suffer a financial loss if a client or counterparty to a financial instrument fails to meet its contractual obligations. The carrying amount of financial assets and contract assets represent the maximum credit exposure.

In 2023, allowances for expected credit losses on trade receivables, other payables and contract assets amounting to EUR 29 118 (2022: EUR 111 279) were made. The GROUP's Parent Company recognised individual provisions of EUR 29 118 (2021: EUR 111 279).

The GROUP and the GROUP's Parent Company are exposed to significant credit risk in relation to its clients. The GROUP and the GROUP's Parent Company's policy is to ensure that sales of products are carried out with clients having appropriate credit history. Some of the trade receivables are insured. The GROUP and the GROUP's Parent Company have also set credit limits for each client. For clients operating in high-risk countries and/or without credit insurance, a prepayment is usually required.

As at 31 December, the credit risk related to trade receivables, other receivables and contract assets by geographical region can be presented as follows:

GROUP	**31.12.2023**	**31.12.2022**
Europe	6 517 175	6 967 192
North America	1 329 539	1 569 580
CIS countries	-	61 642
Other	1 494 755	697 003
Total	**9 341 469**	**9 295 417**

GROUP's Parent Company	**31.12.2023**	**31.12.2022**
Europe	4 976 874	4 327 598
North America	1 160 774	1 495 553
CIS countries	-	61 642
Other	1 075 911	507 107
Total	**7 213 559**	**6 391 900**

Expected credit losses as at 31 December 2023

The following table provides information on the credit risk and expected credit losses related to trade receivables, other receivables and contract assets that are assessed on a collective basis as at 31 December 2023 and 31 December 2022.

	31.12.2023		**31.12.2022**	
GROUP	**Carrying amount, gross**	**ECL allowance**	**Carrying amount, gross**	**ECL allowance**
Not past due	5 812 694	-	6 437 800	-
1 – 30 days past due	2 441 973	-	1 947 273	-
31 - 60 days past due	502 635	-	493 893	-
61 - 90 days past due	380 375	-	158 439	-
91 - 180 days past due	56 984	-	54 734	-
180 - 360 days past due	29 275	-	85 843	22 598
Above 360 days past due	117 532	117 532	117 436	117 436
	9 341 469	117 532	**9 295 417**	**140 034**

GROUP's Parent Company	Average loss ratio	31.12.2023 Carrying amount, gross	31.12.2023 ECL allowance	31.12.2022 Carrying amount, gross	31.12.2022 ECL allowance
Not past due		4 787 565	-	3 835 434	-
1 – 30 days past due		1 887 270	-	1 709 119	-
31 - 60 days past due		281 864	-	478 803	-
61 - 90 days past due		57 240	-	158 439	-
91 - 180 days past due		54 452	-	6 826	-
180 - 360 days past due		27 635	-	85 843	22 598
Above 360 days past due		117 532	117 532	117 436	117 436
		7 213 559	117 532	**6 391 900**	**140 034**

As at 31 December 2023, the GROUP's Parent Company had not made any allowances for up to 360 days past due receivables as the related expected credit losses were not significant.

As at 31 December 2023 and 2022, the GROUP and the GROUP's Parent Company had established the following allowances for expected credit losses for loans and receivables:

	GROUP		GROUP's Parent Company	
	2023 EUR	**2022 EUR**	**2023 EUR**	**2022 EUR**
Allowances for trade receivables (Note 9)	117 532	140 034	117 532	140 034
Total	**117 532**	**140 034**	**117 532**	**140 034**

Movements in the ECL allowances for trade and other receivables and contract assets

The movement in the ECL allowances for trade and other receivables and contract assets in the reporting period can be specified as follows:

GROUP	**2023 EUR**	**2022 EUR**
Balance at 1 January	140 034	30 062
Allowances made	29 118	111 279
Write-offs	(51 620)	(1 307)
Balance at 31 December	**117 532**	**140 034**
GROUP's Parent Company		
Balance at 1 January	140 034	30 062
Allowances made	29 118	111 279
Write-offs	(51 620)	(1 307)
Balance at 31 December	**117 532**	**140 034**

Credit risk related to cash and cash equivalents is limited, as the counterparties are banks with adequate credit histories.

The GROUP assesses the expected credit losses regarding balances due from credit institutions. The GROUP keeps its cash with banks with long-term and short-term ratings above S&P BBB/A-3, Moody's Baa2/P-3 or Fitch BBB/F3, respectively.

Assessing the expected level of credit losses, it was concluded that it was immaterial and no ECL allowances were made.

Loans issued

As at 31 December 2023, the GROUP's Parent Company had not issued any loans to related parties.

The GROUP and the GROUP's Parent Company monitor changes in credit risk by regularly reviewing financial statements of debtors and external ratings, if any.

The GROUP and the GROUP's Parent Company do not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Credit risk related to cash and cash equivalents is limited, as the counterparties are banks with adequate credit histories.

Guarantees

As at 31 December 2023, the GROUP companies had not issued any guarantees.

Liquidity risk

Liquidity risk is the risk that the GROUP and the GROUP's Parent Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The GROUP and the GROUP's Parent Company manage their liquidity risk ensuring adequate liquidity at all times to meet their obligations when due without causing unacceptable losses and damage to the reputation of the GROUP.

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

The GROUP and the GROUP's Parent Company use a liquidity planning tool. The GROUP and the GROUP's Parent Company constantly monitor their liquidity and performs weekly rolling cash flow forecasting.

As disclosed in Note 13(a), on 9 December 2020, the GROUP's Parent Company concluded and later carried out a number of agreements including additional EUR 10 million overdraft facility provided by SEB and EUR 5 million loan provided by DUKE I.

As disclosed in Note 13(a), on 18 May 2024, the GROUP Parent Company and AS SEB Banka signed a non-current receivables factoring agreement with a limit of EUR 5 000 000. The interest rate applicable to it is 3M EURIBOR + 3.25% and the agreement is valid for a period of three years until 18 May 2026. The performance of the contractual obligations by the GROUP's Parent Company is secured by a COFACE accounts receivable insurance policy.

Undiscounted cash flows of financial liabilities:

GROUP

31.12.2023	**Less than 6 months**	**6-12 months**	**From 1-2 years**	**From 2-5 years**	**More than 5 years**	**Total**
EUR						
Borrowings and finance lease	2 826 186	3 682 051	5 472 281	62 904 396	4 746	**74 889 660**
Loan interest	1 356 097	1 315 677	2 484 062	5 953 112	-	**11 108 948**
Trade payables	10 786 693	-	-	4 035 303	-	**14 821 996**
Total, EUR	**14 968 976**	**4 997 728**	**7 956 343**	**72 892 810**	**4 747**	**100 820 604**

31.12.2022	**Less than 6 months**	**6-12 months**	**From 1-2 years**	**From 2-5 years**	**More than 5 years**	**Total**
EUR						
Borrowings and finance lease	4 440 873	108 182	3 921 577	59 329 336	5 122	**67 805 090**
Interest expense	1 503 015	1 554 534	2 518 451	2 342 531	-	**7 918 531**
Trade and other payables	9 828 710	-	-	4 035 303	-	**13 864 013**
Total, EUR	**15 772 598**	**1 662 716**	**6 440 028**	**65 707 170**	**5 122**	**89 587 634**

GROUP's Parent Company

31.12.2023	**Less than 6 months**	**6-12 months**	**From 1-2 years**	**From 2-5 years**	**More than 5 years**	**Total**
EUR						
Borrowings and finance lease	2 734 684	2 660 771	5 318 193	62 775 419	3 814	**73 492 881**
Interest expense	1 356 097	1 315 677	2 484 062	5 953 111	-	**11 108 947**
Trade and other payables	10 944 189	-	-	4 035 303	-	**14 979 492**
Total, EUR	**15 034 970**	**3 976 448**	**7 802 255**	**72 763 832**	**3 814**	**99 581 499**

31.12.2022	**Less than 6 months**	**6-12 months**	**From 1-2 years**	**From 2-5 years**	**More than 5 years**	**Total**
EUR						
Borrowings and finance lease	3 733 525	54 497	3 836 635	59 206 860	-	**66 831 517**
Interest expense	1 503 015	1 554 534	2 518 451	2 342 531	-	**7 918 531**
Trade and other payables	9 332 512	-	-	4 035 303	-	**15 092 432**
Total, EUR	**14 569 052**	**1 609 031**	**6 355 086**	**65 584 694**	**-**	**88 117 863**

Capital management

The capital structure of the GROUP and the GROUP's Parent Company consists of borrowings, which are disclosed in Note 13, and items presented within equity in the statement of financial position. The Board of the GROUP manages the capital structure of the GROUP and the GROUP's Parent Company and makes adjustments to it in light of changes in economic conditions. The capital structure is reviewed on an ongoing basis.

	GROUP		GROUP's Parent Company	
	31.12.2023 EUR	31.12.2022 EUR	31.12.2023 EUR	31.12.2022 EUR
Loans and borrowings	74 889 660	67 805 091	73 493 060	66 831 517
Cash and cash equivalents	(841 838)	(1 456 717)	(727 283)	(976 725)
Net debt	**74 047 823**	**66 348 374**	**72 765 777**	**65 854 792**
Equity	**21 490 685**	**19 496 460**	**17 418 915**	**16 024 911**
Debt to equity	**345%**	**340%**	**418%**	**411%**

On 18 February 2021, the Share Sale and Purchase Agreement between the majority shareholders of the GROUP's Parent Company and DUKE I S.a.r.l. was concluded and relevant measure were taken to improve the capital management structure as disclosed in the Management Report and Note 12(a).

As disclosed in Notes 12 and 13, in order to improve the GROUP's Parent Company's capital structure, during 2021 Duke I S.à.r.l converted the loan of EUR 45 391 205 issued to the GROUP's Parent Company into equity. A number of minority shareholders participated in the share capital increase with cash contribution of EUR 564 603. The total share capital increase amounted to EUR 45 955 808.

On 22 February 2022, the shareholders of the GROUP's Parent Company resolved to increase the par value of the shares from EUR 0.10 to EUR 2.00 and to reduce the number of shares. Consequently, the total share capital was slightly reduced from EUR 48 346 129 to EUR 48 345 224.

In April 2022, the shareholders of the GROUP's Parent Company resolved to reduce the par value of a share from EUR 2.00 to EUR 0.10, thus decreasing the share capital by EUR 45 927 963, i.e., to EUR 2 417 261. The decrease in the share capital was used to fully cover the Company's accumulated loss and to increase the reserves in the equity, leaving the total equity of the GROUP and the GROUP's Parent Company unchanged.

In the reporting year, AS VALMIERAS STIKLA ŠĶIEDRA did not make any changes in equity.

30. EVENTS AFTER THE END OF THE REPORTING PERIOD

In Q1 2024, AS VALMIERAS STIKLA ŠĶIEDRA launched a new era of glass fibre products made of innovative, patented High-Resist glass (HR-glass) with a temperature resistance of up to 800°C (1472°F). This provides customers with the product missing in the market with a temperature resistance midpoint between E-glass at 600°C (1112°F) and that of high SiO^2-content glass at 1000+°C (1832+°F).

The patented glass composition sets a new standard in the glass fibre industry and its downstream product application industries. HR-glass is an alkali-free aluminosilicate glass which does not contain boron oxide and fluorine. This glass can completely replace E-glass in various aspects. Most importantly, this type of glass has a temperature resistance of up to 800°C (1472°FF).

As of the last day of the reporting year through the date of signing these financial statements no events have occurred that would have a material effect on the financial position of the GROUP and the GROUP's Parent Company as at 31 December 2024.

31. DISTRIBUTION OF PROFIT PROPOSED BY THE BOARD

Profit of the GROUP's Parent company to be distributed	1 394 004 EUR
Proposed profit distribution:	
Transfer to retained earnings	1 394 004 EUR

Independent Auditor's Report

To the Shareholders of AS Valmieras stikla šķiedra

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the financial position of AS Valmieras stikla šķiedra (the "Group's Parent Company") and its subsidiary (together the "Group") as at 31 December 2023, and the Group's consolidated and the Group's Parent Company's separate financial performance and the Group's consolidated and the Group's Parent Company's separate cash flows for the year ended 31 December 2023 in accordance with the IFRS Accounting Standards as adopted by the European Union (EU).

What we have audited

The Group's consolidated and the Group's Parent Company's separate financial statements (together the "financial statements") comprise:

- the statement of financial position of the Group as at 31 December 2023,
- the statement of comprehensive income of the Group for the year ended 31 December 2023,
- the statement of financial position of the Group's Parent Company as at 31 December 2023,
- the statement of comprehensive income of the Group's Parent Company for the year ended 31 December 2023,
- the statement of changes in equity of the Group for the year ended 31 December 2023,
- the statement of changes in equity of the Group's Parent Company for the year ended 31 December 2023,
- the statements of cash flows of the Group and the Group's Parent Company for the year ended 31 December 2023, and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the Group and the Group's Parent Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Law on Audit Services that are relevant to our audit of the financial statements in the Republic of Latvia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Law on Audit Services.

Reporting on Other Information Including the Management Report

Management is responsible for the other information. The other information comprises:

- General information about the Group and the Group's Parent Company as set out on page 4 of the annual report,
- the Management Report, as set out on pages 5 to 13 of the annual report,
- the Statement on Management Responsibility, as set out on page 14 of the annual report,

but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

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

With respect to the Management Report, we also performed the procedures required by the Law on Audit Services of the Republic of Latvia. Those procedures include considering whether the Management Report is prepared in accordance with the requirements of the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

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

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

In addition, in light of the knowledge and understanding of the Group and the Group's Parent Company and their operating environment obtained in the course of our audit, we are required to report if we have identified material misstatements in the other information. We have nothing to report in this respect.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Group's Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Group's Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Group's Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

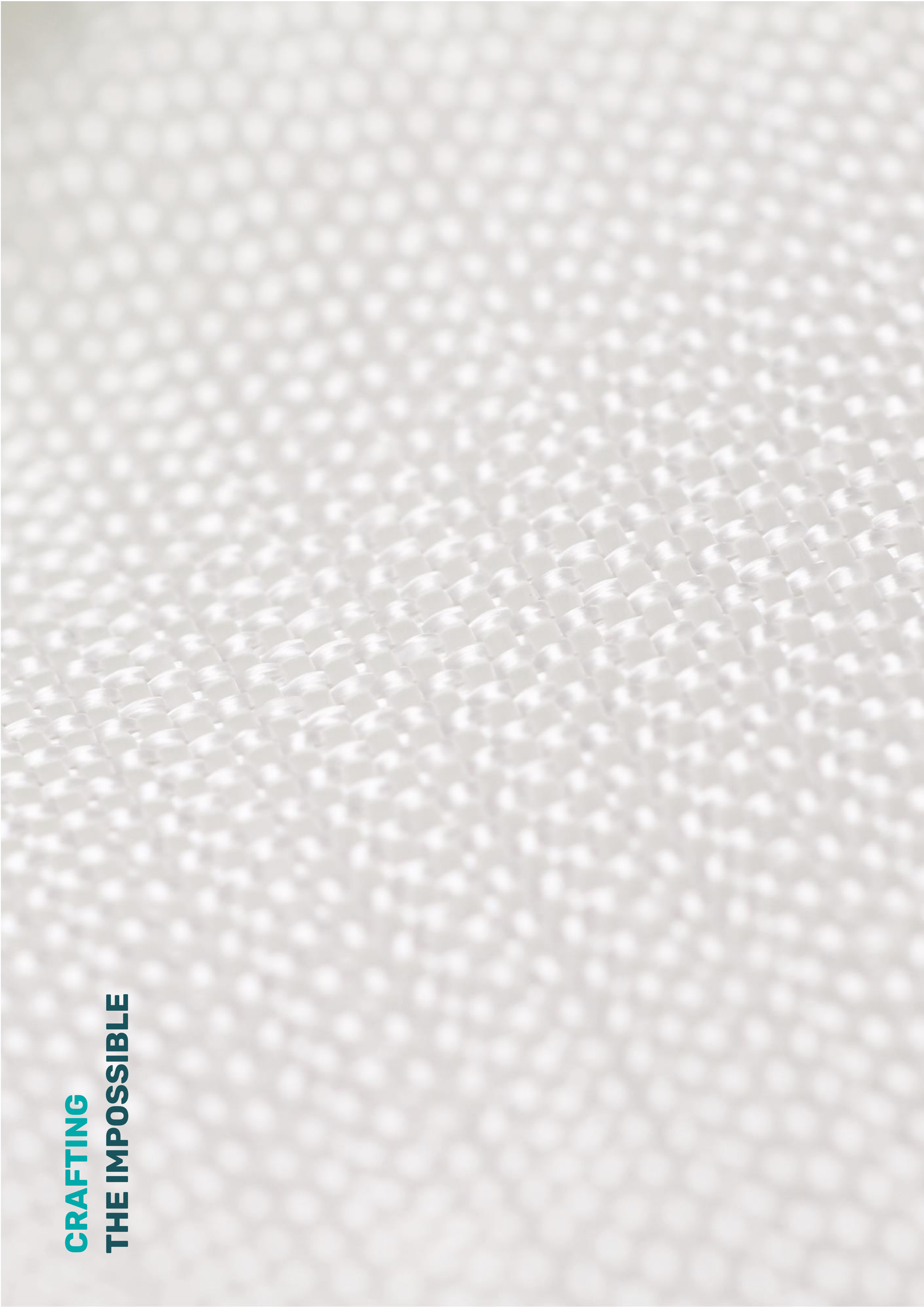
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

Ilandra Lejiņa
Member of the Board
Certified auditor in charge
Certificate No. 168

Riga, Latvia
5 July 2024

Independent Auditor's Report is signed electronically with a secure electronic signature and contains a time stamp.


CRAFTING
THE IMPOSSIBLE