

28.05.2019.

# VALMIERA GLASS GROUP

CRAFTING THE IMPOSSIBLE

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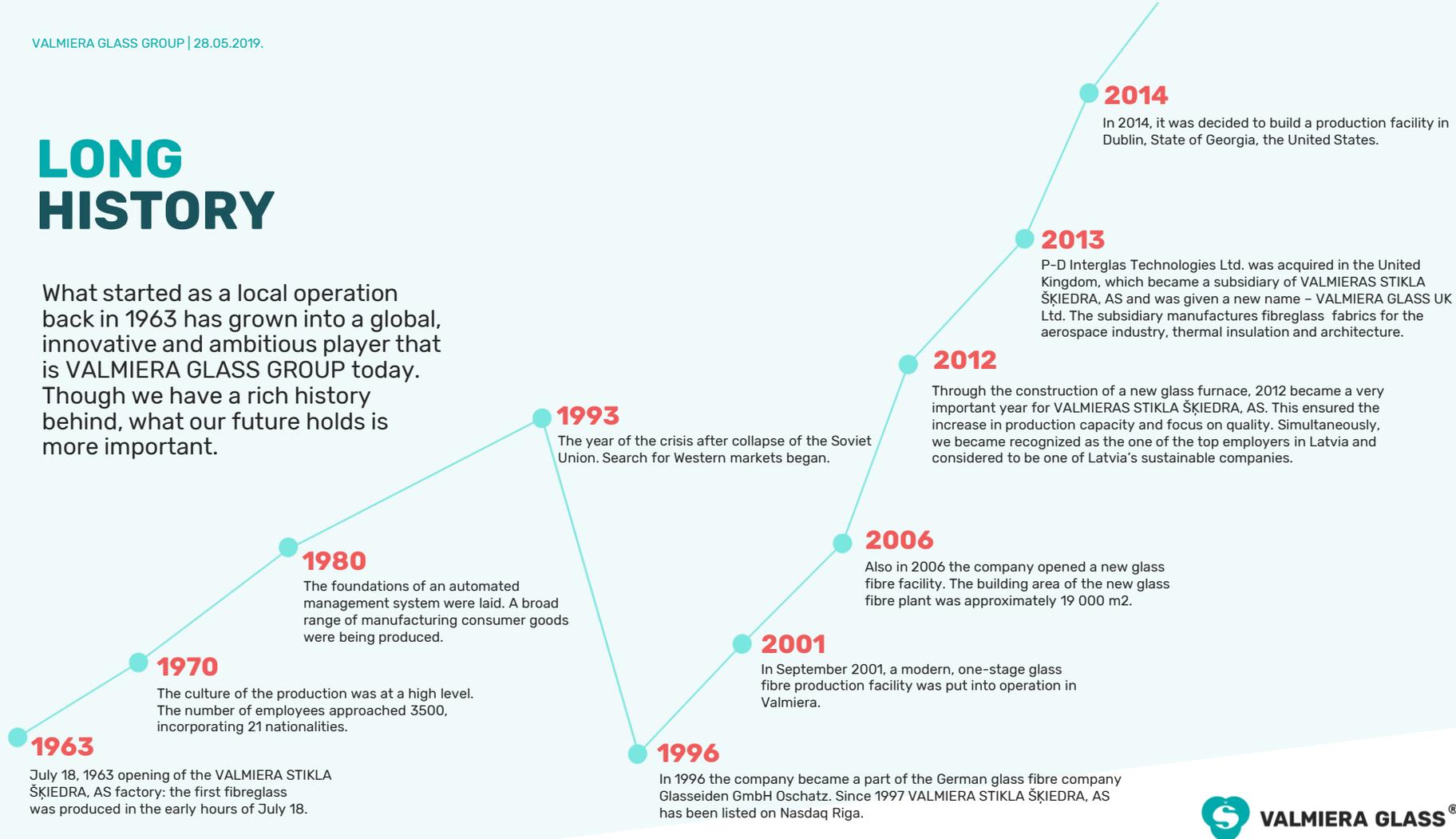
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**STEFAN JUGEL,  
CHAIRMAN OF THE  
BOARD  
VALMIERAS STIKLA  
ŠĶIEDRA, AS**



# LONG HISTORY

What started as a local operation back in 1963 has grown into a global, innovative and ambitious player that is VALMIERA GLASS GROUP today. Though we have a rich history behind, what our future holds is more important.



# GLOBAL PLAYER

With over 55 years of experience, AS VALMIERAS STIKLA ŠĶIEDRA is exporting to 47 countries across the world, with export sales portion reaching 97%.

The GROUP companies are located on two continents in three countries: in Latvia, the United Kingdom and the United States.



**3 companies**  
**324 000 m<sup>2</sup>**

**A strong  
manufacturing  
infrastructure\***



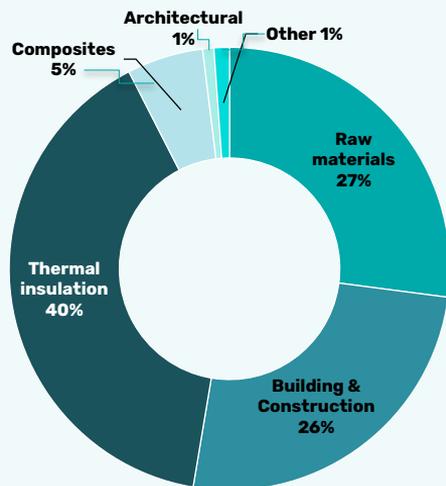
**Employees**  
**1700 +**

**Knowledgeable,  
highly skilled  
employees\***

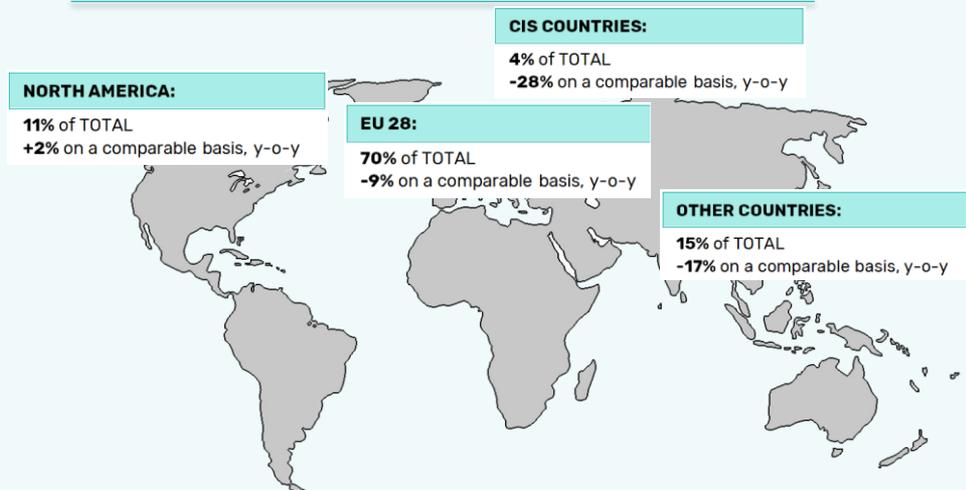
\*Overall combined data on  
the GROUP level.

# MARKET OUTLOOK

## NET SALES BY SEGMENT, 2018\*:



## NET SALES BY REGION, 2018\*:



\*Unaudited

# PRODUCTS FROM SAND TO FIBREGLASS

We are a vertically-integrated production facility - we cover all production stages of fibreglass, starting from raw materials right through to final products.

**4 operating glass-melting furnaces**

**3 types of glass with different temperature resistance:  
600+°C, 800+°, 1000+°C**

**Wide range of manufactured products**



CHOPPED STRANDS



SINGLE YARNS



TEXTURED YARNS, ROVING



TECHNICAL FABRICS



TEXTURED FABRICS



COMPOSITE FABRICS



MESH



NEEDED MATS



STITCH-BONDED MATS



COATED FABRICS



LAMINATED FABRICS



ATEX®

# OUR MISSION CRAFTING THE IMPOSSIBLE

At VALMIERA GLASS GROUP we make the impossible things possible and improve the quality of life for millions of people.

With our unique fibreglass we are offering people unbelievable possibilities. We are shielding people from fire, making heavy products fly, creating forever lasting constructions and allowing one to explore the depths of oceans and the Earth.

**SHIELDING  
PEOPLE  
FROM FIRE**



**LETTING EXPLORE  
THE DEPTHS OF  
OCEANS AND EARTH**



**MAKE HEAVY  
OBJECTS FLY**



**HELPING PEOPLE  
TO REACH  
THE STARS!  
LITERALLY!**



**BEING IMMUNE  
TO WATER**



**CREATING  
CONSTRUCTIONS  
THAT LAST**



# FINANCIAL PERFORMANCE

- Solid financial performance over the past 20 years.
- The companies in Latvia and the UK reached their profit budgets in 2018, however the solid results did not fully offset the losses incurred by the US entity.
- Good demand continued in all market segments with consolidated net sales of the GROUP in the year 2018\* reaching EUR 112.9 million.
- Strong financial support from main shareholders.

CONSOLIDATED NET SALES 1999-2018:



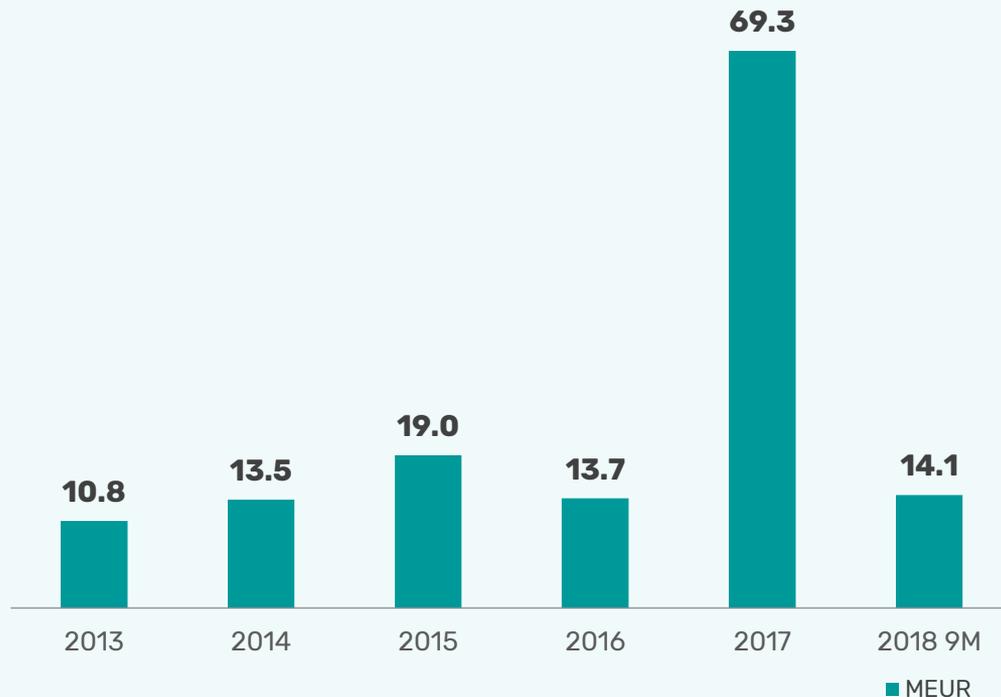
\*Unaudited

# INVESTMENTS GROWING FAST AND STABLE

VALMIERA GLASS GROUP has been undertaking very sizeable investments in order to expand its global presence, modernize technological solutions and develop new and innovative products.

**Total investments in the GROUP for the period from 1997 until 2018 [22 years]: more than 245 M EUR**

**Largest investment project: U.S.-based production plant; planned total investments for the period from 2014 till 2022 [9 years]: 110 M USD**



# INVESTMENTS FIVE-YEAR OVERVIEW

<b>2013</b> <b>MEUR 10.8</b>	<b>2014</b> <b>MEUR 13.5</b>	<b>2015</b> <b>MEUR 19.0</b>	<b>2016</b> <b>MEUR 13.7</b>	<b>2017 &amp; 9M 2018</b> <b>MEUR 83.4</b>
<b>MAIN PROJECTS:</b>				
<p>Production capacity increase of impregnated mesh and silica-products (with thermal resistance of 1000+°C) (LV).</p>	<ul style="list-style-type: none"> <li>• Insulation of production facilities to improve the energy efficiency of the buildings (LV).</li> <li>• New equipment for needle mat production (LV).</li> <li>• Investments in the US company Phase I.</li> </ul>	<ul style="list-style-type: none"> <li>• Production capacity increase of furnace 3 (LV).</li> <li>• New machines for needle mat production (LV).</li> <li>• Environmentally-oriented investments into industrial wastewater treatment infrastructure (LV).</li> </ul>	<ul style="list-style-type: none"> <li>• Reconstruction of furnace 1 (LV).</li> <li>• New furnace for HR-glass (LV).</li> <li>• Weaving capacity relocation from UK to LV.</li> </ul>	<p>Investments in the US company Phase II.</p>

# FIVE-YEAR OVERVIEW

TEUR (unless stated otherwise)	2014	2015	2016	2017	2018
Net sales	108 441	121 192	124 814	125 864	112 983
EBITDA	17 758	16 149	17 818	19 604	2 924
EBIT/operating profit	8 389	6 851	7 270	8 480	-13 605
Net profit (Loss)	7 155	5 475	4 807	8 216	-4 932
ROA, %	5.8%	4.1%	3.4%	4.0%	-2.4%
ROE, %	14.5%	10.3%	8.7%	13.5%	-8.1%
ROCE, %	9.1%	7.1%	7.4%	10.3%	-10.7%
Sales growth, %	24%	11.8%	3%	0.8%	-10.2%
EBITDA margin, %	16.4%	13.3%	14.3%	15.6%	2.6%
EBIT margin/operating profit margin, %	7.7%	5.7%	5.8%	6.7%	-12.0%
Net profit margin, %	6.6%	4.5%	3.9%	6.5%	-4.4%
Earnings per share (EUR)	0.30	0.23	0.20	0.34	-0.21

# FUTURE PLANS 2019 - 2021

- Increase employee know-how, productivity as well as employee satisfaction.
  - Pursue profitability levels in the US subsidiary comparable to the company in Latvia.
  - In May, 2019 the Company received an approach from a party interested in the Phase 2 facility in the US (the vertically-integrated fiberglass yarn producing operation).
  - Implementation of the existing and new glass types.
  - Increasing the level of automation in the companies in Latvia and the UK.
- Scheduled repair of the two glass melting furnaces in Latvia, planned investments up to EUR 10 million until 2021.
  - It is planned to return to historical rates of profitability as of 2020.\*

\* The forecast is expected to be achieved, if the earnings situation of the US Company improves as described in the company's unaudited consolidated financial report.

# FPO A LONG-TERM DECISION

The Company has taken a long-term decision to diversify its funding sources and undertake a greater engagement of capital markets.

The main purpose is to strengthen the Company's overall capital base as well as financing capital expenditure-related items at its operational locations.

**It has been approved by the Annual General Meeting of Shareholders held in 2018 to issue up to 7.17 million new shares.**

**The plan is to address the issue of shares during H2 2019, subject to all corporate and regulatory approvals.**

**The Company also plans to move its shares to the Nasdaq Baltic Main List to increase their liquidity and appeal.**



# ANYONE CAN CONSIDER BECOMING AN INVESTOR

We are planning to attract international institutional investors as well as retail investors based in the Baltic region.

**A rare opportunity to invest in a Latvian company operating in a fast growing industry of the future.**

**The majority shareholder retains an active presence in the company also after the intended FPO.**

**Subject to financial performance and lender approvals, it is planned to pay dividends as of 2021.**

# QUESTIONS WELCOME

**Fibreglass fabrics and non-wovens are commonly used for a diverse range of complex structures and pipe insulations at oil refineries.**



# THANK YOU!

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**IR related questions:**

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# APPENDIX FINANCIAL STATEMENTS

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

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

\*Unaudited for 2018

# STATEMENT OF FINANCIAL POSITION OF THE GROUP (I)\*

	GROUP	
	31.12.2018	31.12.2017
	EUR	EUR
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
<b>Intangible assets</b>		
Software, licences, patents, trade marks, similar rights	947 809	973 318
Software in acquisition process	13 736	14 700
Goodwill	3 662 559	3 692 694
<b>Total intangible assets</b>	<b>4 624 104</b>	<b>4 680 712</b>
<b>Property, plant and equipment</b>		
Land and buildings	71 600 875	15 761 318
Equipment and machinery	80 136 434	54 939 092
Other fixed assets	1 402 153	1 035 040
Construction in progress	4 246 566	69 258 750
Advance payments for fixed assets	1 406 603	13 163 704
<b>Total property, plant and equipment</b>	<b>158 792 631</b>	<b>154 157 903</b>
<b>Non-current financial investments</b>		
Investments in subsidiaries	-	-
Loans to subsidiaries	-	-
Receivables from related companies	-	-
Deferred expenses	216 640	206 831
<b>Total non-current financial investments</b>	<b>216 640</b>	<b>206 831</b>
<b>Deferred tax asset</b>	1 000 626	1 185 747
<b>Total non-current assets</b>	<b>164 634 002</b>	<b>160 231 193</b>

\*Unaudited for 2018

# STATEMENT OF FINANCIAL POSITION OF THE GROUP (II)\*

	GROUP	
	31.12.2018 EUR	31.12.2017 EUR
<b>CURRENT ASSETS</b>		
<b>Inventories</b>		
Raw materials	11 181 739	9 114 716
Work in progress	5 684 402	5 110 754
Finished goods	17 888 422	12 702 827
Advance payments for inventories	267 577	177 455
<b>Total inventories</b>	<b>35 022 141</b>	<b>27 105 752</b>
<b>Debtors</b>		
Trade receivables	4 039 442	11 948 523
Amounts due from related parties	72 672	337 091
Other receivables	832 947	4 311 953
Deferred expenses	1 724 160	777 887
<b>Total debtors</b>	<b>6 669 221</b>	<b>17 375 454</b>
<b>Cash and cash equivalents</b>	<b>281 270</b>	<b>2 633 591</b>
<b>Total current assets</b>	<b>41 972 632</b>	<b>47 114 797</b>
<b>TOTAL ASSETS</b>	<b>206 606 635</b>	<b>207 345 990</b>

\*Unaudited for 2018

# STATEMENT OF FINANCIAL POSITION OF THE GROUP (III)\*

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

\*Unaudited for 2018

# STATEMENT OF CASH FLOWS OF THE GROUP\*

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

\*Unaudited for 2018