

WEBINAR
16.12.2019.

VALMIERA GLASS GROUP

FINANCIAL RESULTS & LATEST CORPORATE NEWS

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AGENDA

- / ABOUT THE COMPANY**
- / AUDITED RESULTS OF 2018**
- / PERFORMANCE IN 9M 2019**
- / LATEST CORPORATE NEWS**
- / Q & A**

AUDITED CONSOLIDATED FINANCIAL
STATEMENTS OF 2018 AVAILABLE HERE:
[YEAR 2018](#)

CONSOLIDATED FINANCIAL STATEMENTS OF
2019 NINE MONTHS AVAILABLE HERE:
[9M 2019](#)

TODAY WITH YOU



STEFAN JUGEL, CEO of VALMIERAS STIKLA ŠĶIEDRA AS

COMPANY OVERVIEW

- / One of the leading glass fibre and its products' manufacturers in Europe
- / Integrated manufacturing process: *From yarn to fabric*
- / A wide range of products and a diverse client base across industries and geographic markets
- / Well-established brand and products applied in a number of industries with promising growth potential.



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 us, what our future holds is more important.

1963

July 18, 1963 is the birthdate of the VALMIERA STIKLA ŠĶIEDRA, AS factory: the first glass fibre was produced in the early hours of July 18.

1970

The culture of the production was at a high level. The number of employees approached 3500, incorporating 21 nationalities.

1980

The foundations of an automated management system were laid. A broad range of manufacturing consumer goods were being produced.

1993

The year of the crisis after collapse of the Soviet Union. Search for Western markets began.

1996

In 1996 the company became a part of the German glass fibre company Glasseiden GmbH Oschatz.

2001

In September 2001, a modern, single-stage glass fibre production facility was put into operation in Valmiera.

2006

Another new glass fibre facility. The building area of the new glass fibre plant was approximately 19 000 m2.

2012

Through the construction of a new glass furnace, 2012 became a very important year for VALMIERAS STIKLA ŠĶIEDRA, AS. This ensured the increase in production capacity and focus on quality. Parallel to this, we became recognized as the one of the top employers in Latvia and considered one of Latvia's sustainable companies.

2013

P-D Interglas Technologies Ltd. was acquired in the United Kingdom, which became a subsidiary of VALMIERAS STIKLA ŠĶIEDRA, AS and was given a new name – VALMIERA GLASS UK Ltd. This subsidiary manufactures glass fibre fabrics for the aerospace industry, thermal insulation and architecture.

2019

Operating production facilities in 3 continents, generating annual sales of 114.2 mil EUR. Reaching more than 45 countries around the world.

PRODUCTS FROM SAND TO GLASS FIBRE

We are a full-scale production facility - we cover all production stages of fibre glass, starting from scratch through to final products. One of only 2 in Europe.

4 glass-melting furnaces

600+°C (E-glass)
800+°C (HR-glass)
1000+°C (Silica glass)

Wide range of manufactured products



CHOPPED STRANDS



SINGLE YARNS



TEXTURED YARNS, ROVING



TECHNICAL FABRICS



TEXTURED FABRICS



COMPOSITE FABRICS



MESH



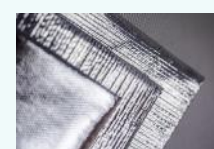
NEEDED MATS



STITCH-BONDED MATS



COATED FABRICS



LAMINATED FABRICS



ATEX®

PRODUCTS APPLICATION

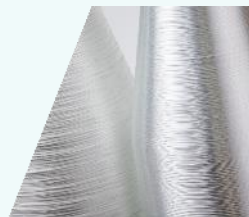
We take a mineral which is over 25 000 million years old – quartz sand –, and create products that serve and protect, make the impossible happen and improve the quality of life of millions of people.

This makes us the leaders in the industry.

Diversified through industries and individual customers

Know-how in aerospace, thermo insulation and other markets

**RAW
MATERIALS**



**AVIATION
AND SPACE**



**THERMAL
INSULATION –
INDUSTRIAL
APPLICATION**



**AUTOMOTIVE
INDUSTRY**



**SMOKE
AND FIRE
PROTECTION**



**ARCHITECTURE
& BUILDING
INDUSTRY**



GROUP'S AUDITED FINANCIAL RESULTS 2018

GROUP

Net sales

€ 114.2 Million (-9%¹)

EBITDA

€ -98.6 Million (-636%¹)

EBITDA margin

-86.3% (-101 p.p.¹)

Net profit

€ -114.7 Million** (-1980%¹)

Net profit margin

-100.4% (-105.3 p.p.¹)

€ -56.9 Million* (-901%¹)

-49.8%* (-55.5 p.p.¹)

AS VALMIERAS STIKLA ŠĶIEDRA

Net sales

€ 90.5 Million (-13%¹)

EBITDA

€ -64.0 Million** (-557%¹)

EBITDA margin

-70.7%** (-84.2 p.p.¹)

Net profit

€ -92.1 Million** (-2242%¹)

Net profit margin

-101.8% (-105.9 p.p.¹)

¹ On a comparable basis, y-o-y
p.p. - percentage points

* Attributable to the owners of the Parent

** Differs from the previously published table due to a misprint

GROUP'S FINANCIAL PERFORMANCE IN 9M 2019

GROUP

Net sales

€ 99.1 Million (+9%¹)

EBITDA

€ 4 Million (-18%¹)

EBITDA margin

4.0% (-1.3 p.p.¹)

Net profit

€ -6.1 Million (+30%¹)

€ -0.9 Million* (+89%¹)

Net profit margin

-6.2% (+3.5 p.p.¹)

-0.9% (+8.3 p.p.¹)

AS VALMIERAS STIKLA ŠĶIEDRA

Net sales

€ 71.8 Million** (+0.6%¹)

EBITDA

€ 13.6 Million** (-2%¹)

EBITDA margin

18.9% (-0.5 p.p.¹)

Net profit

€ 2.8 Million (-55%¹)

Net profit margin

3.9% (-4.8 p.p.¹)

¹ On a comparable basis, y-o-y
p.p. - percentage points

* Attributable to the owners of the Parent

** Differs from the previously published table due to a misprint

INSIGHTS

FINANCIAL RESULTS 2018 & 9M 2019

2018

The GROUP'S & COMPANY'S one-off non-cash expenses:

/ AS VALMIERAS STIKLA ŠĶIEDRA RECOGNIZED IMPAIRMENT LOSSES – **EUR 95.8 mil.**

/ THE GROUP RECOGNIZED IMPAIRMENT LOSSES – **EUR 99.2 mil.**

9M 2019

/ SINCE JUNE 2019, AS VALMIERAS STIKLA ŠĶIEDRA IS NOT FINANCING THE OPERATIONS OF P-D VALMIERA GLASS USA CORP.

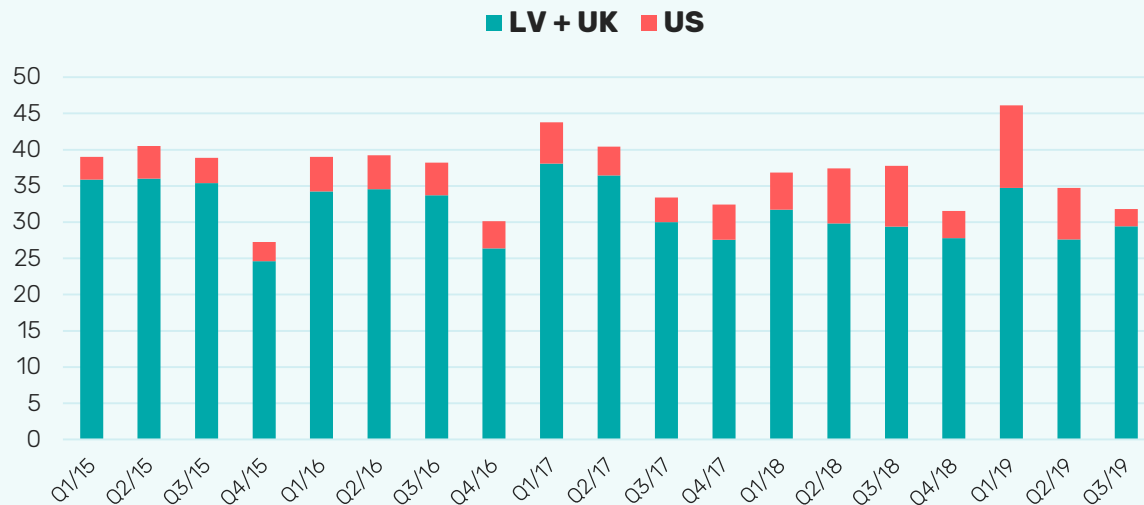
/ AS VALMIERAS STIKLA ŠĶIEDRA HAS RECOGNIZED ALL EXPENSES AND LIABILITIES RELATED P-D VALMIERA GLASS USA CORP. IN THE UNAUDITED FINANCIAL STATEMENTS FOR THE 9 MONTH PERIOD ENDED ON 30 SEPTEMBER 2019.

/ ON 17 JUNE 2019, P-D VALMIERA GLASS USA CORP. FILED A VOLUNTARY PETITION FOR RELIEF UNDER CHAPTER 11 IN THE US BANKRUPTCY COURT.

/ AS VALMIERAS STIKLA ŠĶIEDRA REMAINS IN CONTROL OF THE US SUBSIDIARY, AND THE US SUBSIDIARY IS INCLUDED IN THE GROUP CONSOLIDATION ACCORDING TO IFRS 10

GROUP'S FINANCIALS DIGGING INTO THE DETAILS #1

SALES DEVELOPMENT (EUR mil.)



/ To get a better idea of the financial performance of the GROUP it is essential to split the Latvian and UK operations from the US activity.

/ 2019 figures for Latvia were lower than they could have been due to support provided to the US operations in various ways.

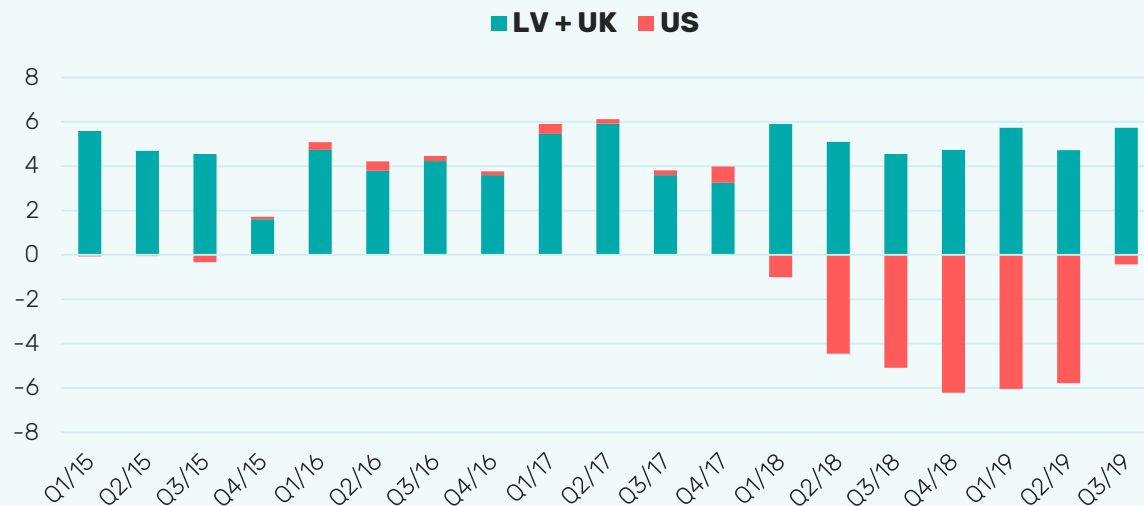
/ Nevertheless, it shows that the background sales levels are largely intact.

/ In a further slide we address some cyclicity and long-term aspects about our activities.

GROUP'S FINANCIALS

DIGGING INTO THE DETAILS #2

EBITDA DEVELOPMENT (EUR mil.)



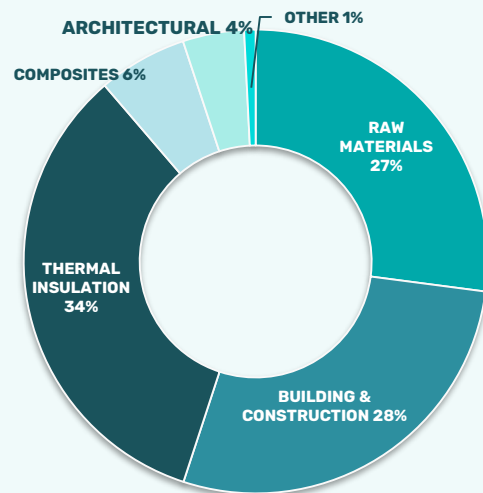
Carving out the EBITDA is particularly useful in seeing not only sustainability but ongoing consistent improvement of the Latvian and UK operations together.

Were the US Phase 2 operations (vertically-integrated fibreglass yarn facility) excluded altogether, then the US contribution from Phase 1 (needle mat) would also be positive. This can be seen in 2016 and 2017 prior to the Phase 2 ramp-up.

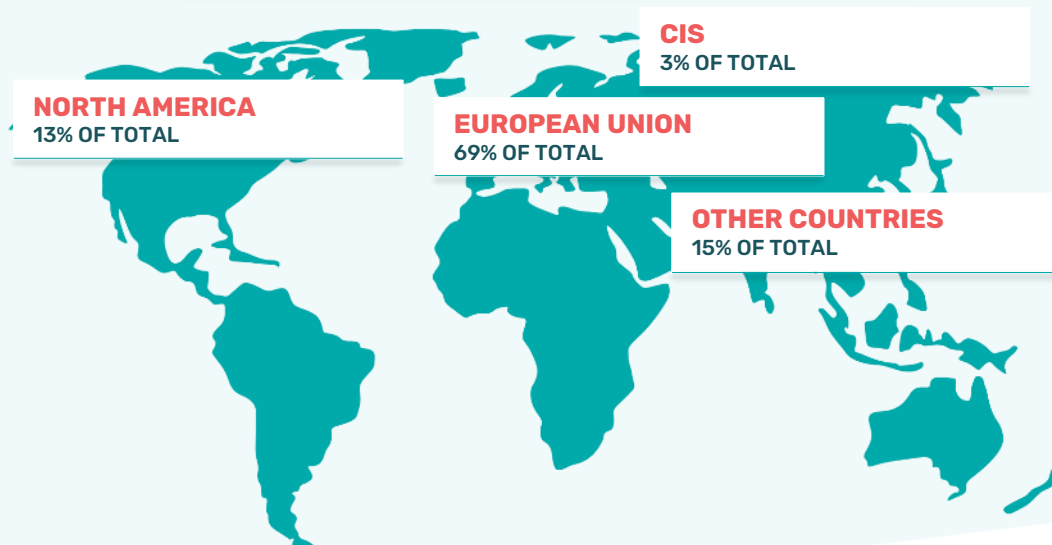
US operations are currently in a Chapter 11 process (both Phases 1 and 2 as they are a single entity).

MARKET OUTLOOK

NET SALES BY SEGMENT, 9M 2019:



NET SALES BY REGION, 9M 2019:



INCREASED SALES IN SEGMENTS: BUILDING & CONSTRUCTION, COMPOSITES & ARCHITECTURAL MATERIALS

DECREASED SALES IN SEGMENTS: RAW MATERIALS AND THERMAL INSULATION

LATEST CORPORATE NEWS

/ 16TH SEPTEMBER 2019 – CONCLUDED AGREEMENT
WITH AS DANSKE BANK AND AS SEB BANKA

/ LPP PLAN EXECUTION PROCEDURE AND ACTIVITIES

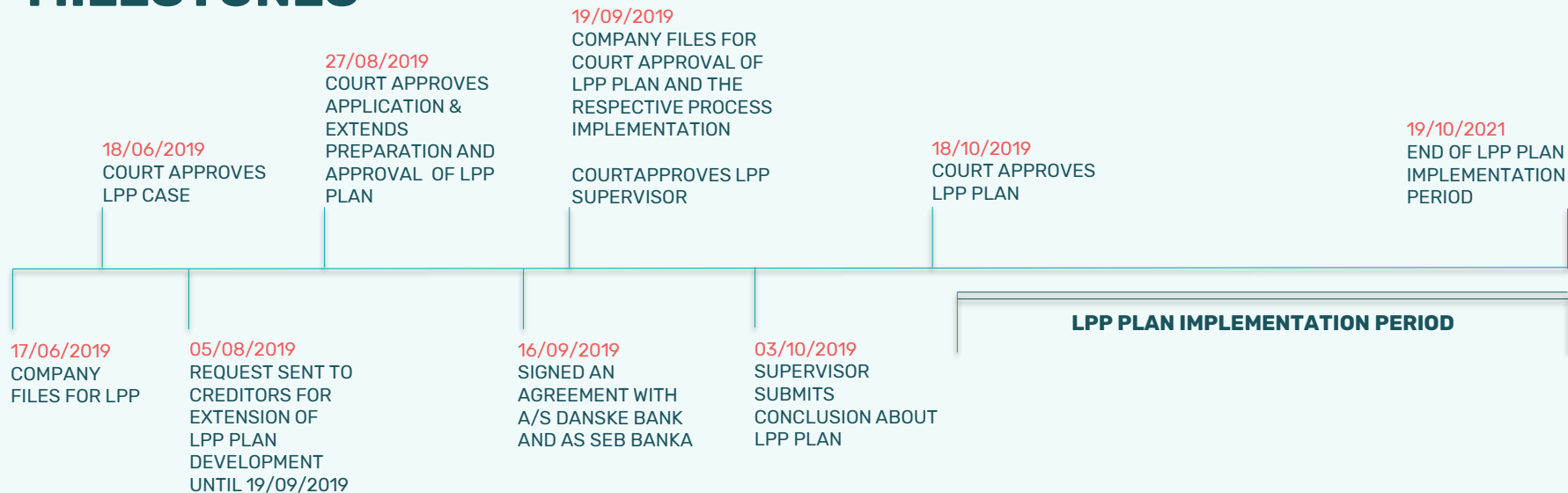
/ SUCCESSFULLY FINISHED HIGH SILICA OXIDE
CONTENT GLASS MELTING FURNACE
RECONSTRUCTION:

- FIRST THREAD DRAWN ON 3RD DECEMBER, 2019
- ON 5TH DECEMBER CAPACITY UTILISATION: 93%
- ESTIMATED CAPACITY INCREASE: 38% (Q1 2020)

/ 20TH DECEMBER 2019 - EXTRAORDINARY GENERAL
MEETING OF SHAREHOLDERS



LPP PLAN MILESTONES



ANNOUNCEMENT & LPP PLAN AVAILABLE HERE:
[LPP PLAN](#)

LPP PLAN LIABILITIES & APPROACH

THE TOTAL LIABILITIES OF THE COMPANY AT THE DATE OF THE PREPARATION OF THE LPP PLAN IN 2019 AMOUNTED TO EUR 118.3 OUT OF WHICH:

1. PAYMENT LIABILITIES TO UNSECURED CREDITORS: **EUR 7.9 MIL.;**
2. PAYMENT LIABILITIES TO CREDITORS THAT ARE TO BE CONSIDERED RELATED COMPANIES IN THE MEANING OF THE ENTERPRISE INCOME TAX LAW: **EUR 19.4 MIL.;**
3. TOTAL PAYMENT LIABILITIES TO SECURED CREDITORS: **EUR 91.1 MIL.**

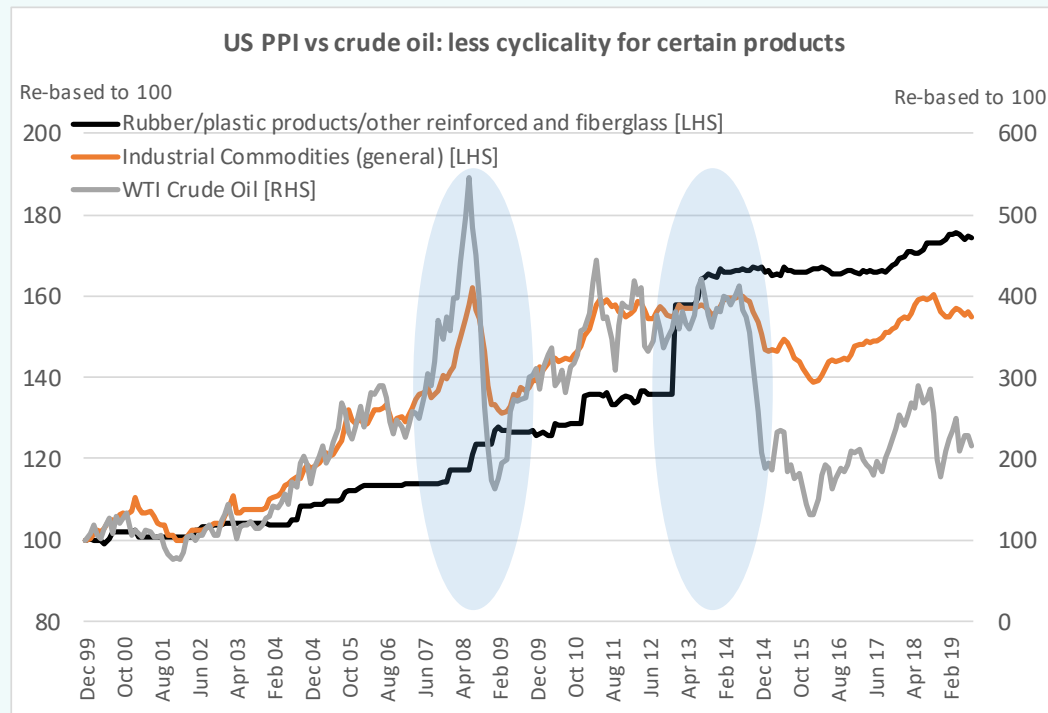
APPROACH:

/ RESTORE THE ABILITY OF THE COMPANY TO PAY DEBTS DUE

/ THE PAYMENT SCHEDULE FOR MOST OF THE CREDITORS IS 24 MONTHS

INDUSTRY VS. COMPANY INSIGHTS

WHAT IS THE CYCLICALITY?



Source: BLS

/ Our glass fibre products typically occupy niche and sophisticated areas while the upstream components to produce glass fibre are the actual basic commodities.

(i.e. sand, limestone, soda ash and kaolin).

/ This includes very broad qualities and complexity from yarns to mesh and technical fabrics, e.g. the ATEX® textile membrane found at London's Heathrow Terminal 2.

/ Our broad product portfolio is not something which typically applies to others. Most larger producers typically only focus on a very narrow mix with maximum volumes (and without vertical integration).

BIG PICTURE INSIGHTS THE EU'S GREEN AGENDA

- / The European Commission is focused on moving the EU towards a climate neutral economy by 2050, with 2020 and 2030 efficiency targets.
- / This includes becoming more efficient in buildings, which currently account for 40% of energy consumption. There will therefore be a high demand for improved insulation methods for the existing building stock, which is likely to remain as most of the 2050 stock.
- / Mesh and fabrics for various insulation purposes formed more than 50% of the Company's sales to Europe in H1 2019, which positions the company well for participating in such public sector sponsored/supported initiatives.
- / The price of mesh has continued to rise in recent years and already the Company is one of the leading producers in Europe in terms of market share in this niche.

ADDITIONAL INSIGHTS QUO VADIS?

/ The Company is working under an LPP arrangement. This requires a strict fulfilment of the agreed terms negotiated with both secured and unsecured creditors, including the €35 mil. + €5 mil. monetary injections foreseen by the LPP.

/ Various development scenarios for the GROUP can be foreseen. However, these would require additional capital sources for capex items and would also mean re-opening the LPP arrangement. It may include further investments into automation and additional operational efficiency improvements. No fixed plans are presently in place and they are entirely dependent on external capital being deployed efficiently together with appropriate shareholder decisions where necessary.

/ Impact of the operational improvements would be expected to lead to greater product mix diversification. This in turn could produce stronger revenue growth and improved cost efficiency together with improved EBITDA.

/ Purely for illustration of the scale of resources required, one particular management development scenario with additional capex of EUR 50-55 mil. estimates the possibility to more than double present EBITDA levels in 2024.

QUESTIONS: WE WELCOME YOUR QUESTIONS

THANK YOU!

IR related questions:

Stefan Jugel, CEO of VALMIERAS STIKLA ŠĶIEDRA, AS

E-mail: stefan.jugel@valmiera-glass.com

Phone: +371 6420 2216

valmiera-glass.com



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