

WEBINAR
05.09.2019.

VALMIERA GLASS GROUP

UNAUDITED CONSOLIDATED FINANCIAL RESULTS
OF Q1 & 6M 2019 AND LATEST CORPORATE NEWS

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AGENDA

- **Company overview**
- **Highlights during 6M 2019**
- **Financial performance in 6M 2019**
- **Update on recent events**
- **Q & A**

UNAUDITED CONSOLIDATED FINANCIAL
STATEMENTS OF Q1 & 6M 2019 AVAILABLE HERE:
[Q1 2019](#) | [6M 2019](#)



Presenting:
STEFAN JUGEL, CEO of VALMIERAS STIKLA ŠĶIEDRA AS

A Latvian export
champion:
97% of sales exported to
45 countries worldwide.

COMPANY OVERVIEW

- / One of the leading glass fibre and its products' manufacturers with firmly-established position in Europe and more than 55 years of experience.
- / Integrated manufacturing process, covering all production stages of glass fibre: from glass fibre yarn production to finished fabric.
- / Solid financial performance in the last 22 years, with more than EUR 245 Million of investments.
- / 1 326 employees altogether in Latvia, UK and USA (on average in 6M 2019)
- / A wide range of products and a diverse client base across industries and geographic markets with unique know-how and high added value products certified for aviation, thermal insulation and other markets.
- / Well-established brand and products applied in a number of industries with promising growth potential.

HIGHLIGHTS DURING 6M 2019

/ Changed timing to planned follow-on public offering ('FPO') – postponed

/ Legal protection proceedings to ensure sustainable continuation of GROUP-level operations (deadline: plan and agreement with creditors by 19 September, 2019)

/ Suspension of Phase 2 (vertically-integrated fiberglass yarn producing operations) of USA subsidiary on 17th June 2019, filing petition under Chapter 11

/ USA subsidiary's Phase 1 (needle mat division) continues production



CHANGES TO 2018 AFFECTING RESULTS OF 2019

A WRITE-DOWN IN AS VALMIERAS STIKLA ŠĶIEDRA BALANCE SHEET OF:

/ WRITE - DOWN INVESTMENTS IN P-D VALMIERA
GLASS USA Corp. **14 696 889 EUR**

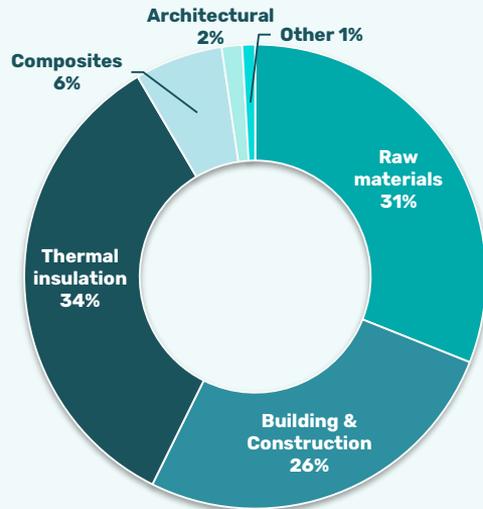
/ LOAN LOSS PROVISION P-D VALMIERA GLASS USA
Corp.: **79 565 549 EUR**

/ PROVISIONS FOR GUARANTEES
PAYMENTS: **7 151 097 EUR**

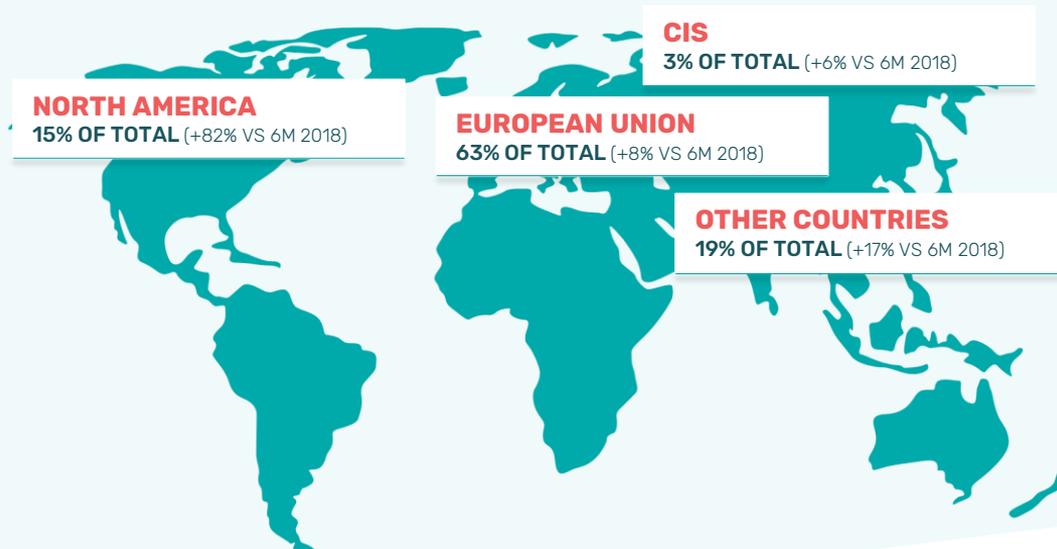
/ PROVISIONS FOR BAD DEBT AND ISSUED LOANS IN
2019 NOT DONE YET

MARKET OUTLOOK

NET SALES BY SEGMENT, 6M 2019:



NET SALES BY REGION, 6M 2019:



A strong global fibreglass market indicating continuous stable demand for various fibreglass materials

GROUP'S FINANCIAL PERFORMANCE IN Q1 & 6M 2019

Q1 2019

Net sales

€ 35.8 Million (+15%¹)

LV: 26.5 Mil. | UK: 6.5 Mil. | US: 11.0 Mil.

EBITDA

€ 159 Thousand (-97%¹)

LV: 5.2 Mil. | UK: 0.9 Mil. | US: -6.1 Mil.

Net profit

€ -2.6 Million (-344%¹)

LV: 1.9 Mil. | UK: 0.5 Mil. | US: -5.1 Mil.

EBITDA margin

0.4% (-16 p.p.¹)

LV: 19.5% | UK: 13.6% | US: -55.2%

Net profit margin

-7.2% (-10.5 p.p.¹)

LV: 7.2% | UK: 7.2% | US: -46.7%

EBIT margin

-7% (-13.2 p.p.¹)

LV: 9.9% | UK: 11.9% | US: -55.3%

6M 2019

Net sales

€ 70.9 Million (+16%¹)

LV: 48.3 Mil. | UK: 12.8 Mil. | US: 18.0 Mil.

EBITDA

€ -1.17 Million (-122%¹)

LV: 8.7 Mil. | UK: 1.8 Mil. | US: -11.8 Mil.

Net profit

€ -7.4 Million (-164%¹)

LV: 2.4 Mil. | UK: 1.4 Mil. | US: -11.5 Mil.

EBITDA margin

-1.6% (-10.5 p.p.¹)

LV: 18.0% | UK: 13.7% | US: -65.6%

Net profit margin

-10.5% (-5.9 p.p.¹)

LV: 5.0% | UK: 11.2% | US: -63.6%

EBIT margin

-9% (-5.9 p.p.¹)

LV: 7.7% | UK: 12.3% | US: -65.7%

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

GROSS REVENUE

AS VALMIERAS STIKLA ŠĶIEDRA

(Latvia – mother company)

Gross revenue	MEUR	MEUR	2019 vs.
	2019 6M	2018 6M	2018
<i>Own production</i>	47.6	46.8	2%
<i>Traded goods</i>	1.7	2.9	-42%
TOTAL	49.3	49.7	-1%

P-D VALMIERA GLASS Corp.

(USA – subsidiary)

MEUR	MEUR	2019 vs.
11.4	5.9	95%
6.6	5.3	25%
18.0	11.2	61%
1,1298*	1,2104*	

VALMIERA GLASS UK Ltd.

(United Kingdom – subsidiary)

MEUR	MEUR	2019 vs.
12.4	11.4	9%
0.6	0.7	-14%
13.0	12.1	8%
0,87363*	0,87977*	

* The average exchange rate for 1 EUR for the corresponding years (ref. European Central Bank)

FINANCIAL KEY INDICATORS

6M 2015 – 6M 2019

VALMIERA GLASS GROUP



AS VALMIERAS STIKLA ŠĶIEDRA



VALMIERA GLASS UK Ltd.



P-D VALMIERA GLASS USA Corp.



THREE-YEAR GROUP OVERVIEW

INDICATOR, TEUR (unless stated otherwise)	6M 2017	6M 2018	6M 2019	6M 2019 vs 6M 2018
NET SALES	69 116	60 934	70 938	16%
EBITDA	11 709	5 432	-1 172	-122%
EBIT	6 106	-1 854	-6 364	-243%
NET PROFIT	5 595	-2 809	-7 419	-164%
SALES GROWTH, %	3.6%	-11.8%	16.4%	239%
EBITDA margin, %	16.9%	8.9%	-1.6%	-10.5 (p.p.)
EBIT margin, %	8.8%	-3.0%	-8.9%	-5.9 (p.p.)
NET PROFIT margin, %	8.1%	-4.6%	-10.5%	-5.9 (p.p.)
ROE, %	3.5%	-4.0%	16.1%	502%
ROA, %	1.4%	-1.3%	-6.6%	-395%
ROCE, %	3.3%	-1.2%	-16.4%	-1244%

UPDATE ON RECENT EVENTS

/ Legal Protection Process – preparation of legal protection proceedings plan and its coordination with creditors until **19th September 2019**

/ Audited consolidated financial statements of 2018 – by **31st October 2019**

/ The Company also plans to move its shares to the Nasdaq Baltic Main List in order to increase their liquidity and appeal to the regional investment community, including pension funds. **Currently postponed. Further steps depending on LPP process.**

/ Changes in the Management Board and Supervisory Board

QUESTIONS: WE WELCOME YOUR QUESTIONS

THANK YOU!

IR related questions:

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Phone: +371 6420 2216

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

APPENDIX FINANCIAL STATEMENTS & PRODUCTS' INFORMATION

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	VALMIERA GLASS GROUP		
	30.06.2019 EUR	30.06.2018 EUR	31.12.2018 EUR
Sales	70 938 754	60 934 594	115 724 318
Change in inventories	(4 119 598)	657 743	3 201 864
Costs capitalized to non-current assets	-	1 433 592	1 524 807
Other operating income	1 437 979	(1 767 350)	1 149 491
Raw materials and consumables	(33 338 067)	(28 189 347)	(55 594 862)
Personnel expenses	(21 659 319)	(18 986 218)	(40 069 363)
Depreciation and amortization	(5 191 801)	(7 286 989)	(113 982 534)
Other operating expenses	(14 432 202)	(8 650 538)	(25 064 027)
Profit from operations	(6 364 254)	(1 854 513)	(113 110 305)
Interest and similar income	3 838 477	1 102 220	2 982 040
Interest and similar expenses	(5 748 091)	(1 543 902)	(3 661 227)
Profit before tax	(8 273 868)	(2 296 195)	(113 789 492)
Corporate income tax	854 548	(513 645)	1 028 217
Profit for the period	(7 419 320)	(2 809 840)	(112 761 275)
<i>Attributable to:</i>			
Non-controlling interest	(5 500 089)	(3 059 663)	(57 199 893)
Owners of the Parent Company	(1 919 231)	249 822	(55 561 382)
Earnings per share	(0,080)	0,0105	(2,324)

STATEMENT OF FINANCIAL POSITION OF THE GROUP (I)

	VALMIERA GLASS GROUP		
	30.06.2019 EUR	30.06.2018 EUR	31.12.2018 EUR
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Software, licenses, patents, trademarks, similar rights	885 224	1 006 239	871 120
Software in acquisition process	84 888	-	94 052
Goodwill	3 697 069	3 697 612	3 662 559
Total intangible assets	4 667 181	4 703 851	4 627 731
Property, plant and equipment			
Land and buildings	10 307 970	15 136 130	10 846 392
Equipment and machinery	32 089 764	43 103 259	35 868 081
Other fixed assets	705 160	980 211	765 468
Precious metals	7 645 625	7 430 263	7 787 981
Right-of- use assets	1 512 615	-	-
Construction in progress	786 296	85 340 585	433 023
Advance payments for fixed assets	610 403	3 032 940	501 664
Total property, plant and equipment	53 657 833	155 023 388	56 290 609
Non-current financial investments			
Deferred expenses	208 955	212 775	204 119
Total non-current financial investments	208 955	212 775	204 119
Deferred tax asset	1 990 873	1 187 326	904 799
Total non-current assets	60 524 843	161 127 340	62 027 258

STATEMENT OF FINANCIAL POSITION OF THE GROUP (II)

CURRENT ASSETS

Inventories

Raw materials	10 785 976	10 087 738	10 749 912
Work in progress	6 681 163	5 828 773	8 375 109
Finished goods	12 493 996	11 446 801	14 484 118
Advance payments for inventories	540 321	1 204 686	361 324
Total inventories	30 501 456	28 567 997	33 970 463

Debtors

Trade receivables	10 199 487	15 629 335	7 722 789
Amounts due from related parties	304 908	197 655	74 152
Other receivables	909 293	2 806 509	3 202 157
Deferred expenses	8 698 515	1 053 941	8 163 073
Total debtors	20 112 203	19 687 439	19 162 171

Cash and cash equivalents

	1 171 280	1 025 495	349 477
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Total current assets

	51 784 939	49 280 931	53 482 111
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TOTAL ASSETS

	112 309 782	210 408 271	115 509 369
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STATEMENT OF FINANCIAL POSITION OF THE GROUP (III)

LIABILITIES AND EQUITY	VALMIERA GLASS GROUP		
	30.06.2019	30.06.2018	31.12.2018
	EUR	EUR	EUR
SHAREHOLDERS' EQUITY			
Share capital	33 464 487	33 464 487	33 464 487
Foreign currency translation reserve	(1 319 722)	1 379 566	(3 076 335)
Other reserves	(1 153 450)	(3 145 849)	(1 153 450)
Retained earnings			
Profit brought forward	(24 440 226)	32 260 584	31 121 157
Profit for the current reporting period	(1 919 231)	249 822	(55 676 495)
Total equity attributable to owners of the parent company	4 631 858	64 208 610	4 679 364
Non-controlling interest	(50 639 391)	5 885 580	(44 081 439)
Total equity	(46 007 534)	70 094 189	(39 402 075)
LIABILITIES			
Non-current liabilities			
Borrowings from credit institutions	55 523 806	64 785 607	55 426 558
Borrowings from other related parties	12 157 348	5 557 348	5 557 348
Finance leases	257 628	2 639	329 282
Finance leases from related parties	5 015	64 675	86 875
Other borrowings	6 318 411	1 098 571	1 118 528
Liabilities of right-to-use assets	1 205 715	-	-
Deferred tax liabilities	587 688	1 111 236	582 202
Defined benefit obligation	3 933 738	4 810 112	4 372 128
Deferred income	4 436 278	4 261 736	4 331 946
Derivatives	430 190	328 369	293 677
Total non-current liabilities	84 855 818	82 020 294	72 098 543

Current liabilities

Borrowings from credit institutions	30 991 496	25 531 043	30 445 265
Borrowings from related companies	350 000	-	350 138
Finance leases	163 012	26 640	169 056
Finance leases from related parties	37 460	93 795	-
Liabilities of right-to-use assets	391 306	-	-
Other borrowings	190 945	183 197	186 525
Advance payments from customers	1 462 765	2 007 970	3 084 814
Trade payables	21 347 233	20 817 871	26 944 980
Payables to related parties	5 979 656	2 646 418	6 189 077
Taxes and social security contributions	(91 855)	(209 406)	2 258 817
Other accounts payable	978 453	897 365	1 569 810
Accrued liabilities	10 454 838	5 094 859	10 172 783
Defined benefit obligation	959 173	959 314	950 220
Deferred income	247 018	244 720	491 415
Total current liabilities	73 461 499	58 293 787	82 812 899
Total liabilities	158 317 316	140 314 082	154 911 443
Total equity and liabilities	112 309 782	210 408 271	115 509 369

STATEMENT OF CASH FLOWS OF THE GROUP

	VALMIERA GLASS GROUP		
	30.06.2019	30.06.2018	31.12.2018
	EUR	EUR	EUR
Cash flows from operating activities			
Profit before tax	(8 273 867)	(2 296 195)	(113 789 492)
<i>Adjustments:</i>			
Change in fair value of derivative	31 535	(328 369)	156 134
Depreciation and amortization	5 191 801	7 286 989	113 982 534
Profit from disposal of fixed assets	-	-	(94 400)
Cash paid to pension plan not recognized in profit or loss	-	-	(960 755)
Unpaid defined benefit pension plan cost	-	-	(449 859)
Interest expenses	5 271 319	1 265 060	3 482 766
Interest income	(3 083 030)	(61 852)	(523 354)
Income tax paid	-	-	(960 765)
Gain on government grants	(441 022)	(920 001)	(656 527)
Changes in working capital:			
Increase in inventories	(3 713 199)	(1 462 245)	(8 714 200)
Increase in accounts receivable	(13 944 315)	(2 127 026)	(4 202 301)
Increase in accounts payable	5 255 603	(3 834 310)	6 285 133
Cash provided by operating activities	(13 705 174)	(2 477 949)	(6 445 086)

Cash flows from investing activities

Purchase of fixed and intangible assets	5 664 057	(8 124 380)	(13 867 870)
Loans to related parties	-	2 400 000	-
Income from sales of fixed assets	-	-	130 159
Received interest	3 083 030	61 852	-

Net cash used in investing activities

8 747 087 (5 662 528) (13 737 711)

Cash flows from financing activities

Income from non-controlling interest contribution	-	-	7 419 890
Income from sale of non-controlling interest	-	-	11 134 000
Loans received	10 364 327	9 788 688	3 080 278
Loans paid	-	(5 053 679)	-
Change in credit line	(3 057 863)	3 121 623	(3 353 363)
Finance lease paid	(54 217)	(59 191)	336 608
Paid interest expenses	(1 913 378)	(1 265 060)	(1 494 125)
Received EU and state grants	441 022	-	775 395

Net cash (used in) / provided by financing activities

5 779 891 6 532 381 17 898 683

Net change in cash and cash equivalents

Cash and cash equivalents at the beginning of the reporting period	349 477	2 633 591	2 633 591
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Cash and cash equivalents at the end of the reporting period

1 171 280 1 025 495 349 477

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.

3 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



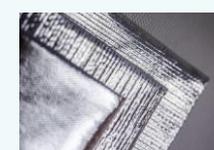
NEEDED MATS



STITCH-BONDED MATS



COATED FABRICS



LAMINATED FABRICS



ATEX®

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**



OUR MISSION CRAFTING THE IMPOSSIBLE

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

With our unique glass fibre we are supplying humans with 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**



ALTERNATIVE PERFORMANCE MEASURES

Alternative Performance Measures (APM)	Formulas
EBITDA (Earnings before interest, tax, depreciation and amortization.) EBITDA shows company's profitability with existing assets and activities in production and sales.	<i>Operating profit + depreciation and amortization</i>
EBIT (Earnings before interest and taxes.) Earnings before and taxes measures the profit a company generates from its operations, making it synonymous with operating profit.	<i>Operating profit</i>
Net profit (loss) (The actual profit after expenses not included in the calculation of gross profit have been paid.)	<i>Earnings after interest and taxes (Profit for the year)</i>
EBITDA margin, % (Assessment of a firm's operating profitability as a percentage of its total revenue.)	<i>EBITDA / Net sales</i>
EBIT margin/operating profit margin, % (operating earnings over operating sales.)	<i>EBIT / Net sales</i>
Net profit margin, % (The net profit margin is equal to how much net income or profit is generated as a percentage of revenue.)	<i>Net profit / Net sales</i>
ROE, % (Measure of financial performance calculated by dividing net income by shareholders' equity.) The indicator reflects the effective use of equity capital by the company	<i>Net profit / Average Total equity for the period</i>
ROA, % (Indicator of how profitable a company is relative to its total assets.) The indicator reflects how effectively company is profiting from the use of its assets	<i>Net profit / Average Total assets for the period</i>
ROCE, % (Measures a company's profitability and the efficiency with which its capital is used.)	<i>EBIT/Total assets-current liabilities</i>
Current ratio (The ability of a party to use current assets to settle current liabilities.)	<i>Current assets / Current liabilities</i>
Earnings per share (EUR) (The portion of a company's profit allocated to each share of common stock.)	<i>Net profit/ weighted average common shares outstanding</i>

The above - described alternative performance measures are used by VALMIERA GLASS GROUP management of the Company to evaluate Group's performance for a particular financial period. These APM are also used together with other information to make Group-related decisions.