

WEBINAR  
07.03.2019.

# VALMIERA GLASS GROUP

UNAUDITED CONSOLIDATED FINANCIAL RESULTS  
OF 2018 AND LATEST CORPORATE NEWS

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# AGENDA

- **Company overview**
- **Highlights during the year 2018**
- **Market outlook 2018**
- **Financial performance 2018**
- **Five-year overview**
- **Update on recent events**
- **Future outlook 2019-2020**

FULL MANAGEMENT REPORT AND UNAUDITED  
CONSOLIDATED FINANCIAL STATEMENTS OF  
2018 AVAILABLE [HERE](#)



**Presenting:**  
**STEFAN JUGEL, CEO of VALMIERAS STIKLA ŠĶIEDRA AS**

## 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.
- 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.

A Latvian export  
champion:  
97% of sales exported  
to 47 countries  
worldwide.



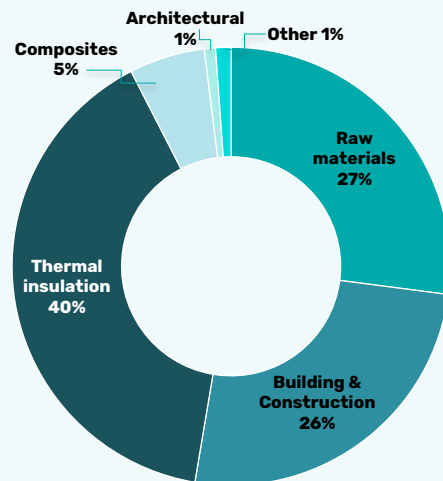
## HIGHLIGHTS DURING THE YEAR

- Start up and opening of the new facility in Dublin, GA, USA.
- Settlement with Latvian financing banks on covenant breaches in 2018.
- Capital increase and acquisition by a new strategic investor for the US company.
- Sale of shares of the US company to the major shareholder P-D Management Industries Technologies GmbH Wilsdruff / Germany.
- Changes in the Management Board and Supervisory Board.

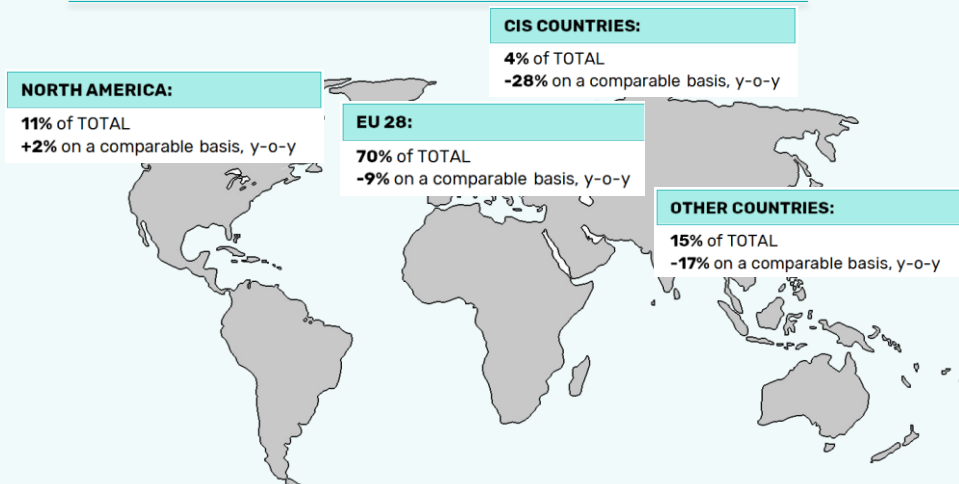


# MARKET OUTLOOK

## NET SALES BY SEGMENT, 2018:



## NET SALES BY REGION, 2018:



A strong global fibreglass market and promising and perspective market is North America - the biggest glass fibre market with the biggest growth opportunities.

# FINANCIAL PERFORMANCE

- The companies in Latvia and the UK have reached their profit budgets. Nevertheless, these good results can't offset the losses of the US entity.
- Continued good demand in all market segments; the consolidated net sales of the GROUP in the year 2018 reached EUR 112.9 Million.
- Strong market position in Europe and in the USA give the possibility to increase prices and consolidate portfolio.
- Only producer of glass yarn with significant capacity in North America.
- Stable raw material costs and hedged energy cost in Latvia.
- Wide product range from building, infrastructure to transportation provides greater revenue risk diversification.
- Strong financial support from main shareholders.

Net sales  
**€ 112.9 Million**  
-10.2%<sup>1</sup>

Net profit  
**€ -4.9 Million**  
-160.0%<sup>1</sup>

Net profit margin  
**-4.4%**  
-10.9 p.p.<sup>1</sup>

EBITDA  
**€ 2.9 Million**  
-85.1%<sup>1</sup>

EBITDA margin  
**2.6%**  
-13 p.p.<sup>1</sup>

EBIT margin  
**-12.0%**  
-18.8 p.p.<sup>1</sup>

<sup>1</sup> On a comparable basis, y-o-y

p.p. - percentage points

# 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, %	5.82%	4.11%	3.41%	3.96%	-2.39%
ROE, %*	14.47%	10.27%	8.73%	13.47%	-8.13%
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

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



# GROSS REVENUE

## AS VALMIERAS STIKLA ŠĶIEDRA

(Latvia - headquarter)

Gross revenue	MEUR 2018	MEUR 2017	2018 vs. 2017
<i>Own production</i>	87.7	100.6	-13%
<i>Traded goods</i>	4.2	5.2	-19%
<b>TOTAL</b>	<b>91.9</b>	<b>105.8</b>	<b>-13%</b>

Costs purchased semi-finished products for production	5.1	14.6	-65%
<i>from related parties</i>	2.4	0.1	1685%
<i>from third parties</i>	2.7	14.5	-81%

## P-D VALMIERA GLASS Corp.

(USA - subsidiary)

MEUR 2018	MEUR 2017	2018 vs. 2017
14.5	5.7	153%
9.9	11.0	-10%
24.4	16.7	46%
1.181*	1.130*	

## VALMIERA GLASS UK Ltd.

(Great Britain - subsidiary)

MEUR 2018	MEUR 2017	2018 vs. 2017
21.8	23.3	-6%
1.6	1.6	0%
23.4	24.9	-6%
0.885*	0.877*	

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

Company has  
platform and  
knowledge for  
growth.

## UPDATE ON RECENT EVENTS

Decided to take additional steps towards raising additional capital resources through a potential follow-on public offering (FPO) of the Company's shares, which will be subject to corporate and regulatory approvals.

The purposes are to strengthen its overall capital base as well as financing capital expenditure-related items at its operational locations.

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. As per the Listing Rules this requires a material increase in the free float level.

Read more [here](#).



# OUTLOOK FOR 2019\*

- Scheduled repair of the glass melting furnace 3 in Latvia.
- Finalizing of production ramp up in the US subsidiary.
- Structuring of production capacities between the operations.
- Implementation of existing and new glass types.
- Increase of special glass capacities in the capex.
- Internationalization of the workforce:
  - increase of profitability in Latvia and the UK;
  - achievement of an acceptable profitability level at the US subsidiary.

Net sales  
**€ 151.7 Million**  
+34.3%<sup>1</sup>

EBITDA  
**€ 23.5 Million**  
+703.7%<sup>1</sup>

Net profit  
**€ 4.8 Million**  
+197.3%<sup>1</sup>

EBITDA margin  
**15.49%**  
+12.9 p.p.<sup>1</sup>

EBIT  
**€ 8.16 Million**  
+160.0%<sup>1</sup>

EBIT margin  
**5.38%**  
+17.4 p.p.<sup>1</sup>

<sup>1</sup> On a comparable basis, y-o-y

\* 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.

## OUTLOOK FOR 2020

- Scheduled repair of the glass melting furnace 2 in Latvia.
- Reach profitability levels in the US subsidiary comparable to the company in Latvia.
- Increase cooperation between the companies in Latvia, the UK and the US to save administrative costs.
- Increasing the level of automation in the companies in Latvia and the UK.
- Investments in higher customer added value products:
  - increase of profitability in all GROUP companies - Latvia, the US and the UK;
  - payment of dividends for these financial years.
- From 2020 it's planned to return to historical rates of profitability\*.

\* 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.





# QUESTIONS: WE WELCOME YOUR QUESTIONS

**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 & PRODUCTS' INFORMATION**

# 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>

# STATEMENT OF FINANCIAL POSITION OF THE GROUP (I)

	GROUP	
	31.12.2018 EUR	31.12.2017 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>

# 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>

# 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>
<b>Non-controlling interest</b>	<b>(186 529)</b>	<b>7 642 772</b>
<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>

# 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>(1598 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>





# 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.

**5 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



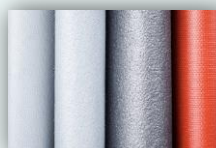
MESH



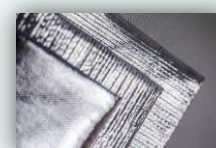
NEEDED MATS



STITCH-BONDED MATS



COATED FABRICS



LAMINATED FABRICS



ATEX®

# PRODUCTS APPLICATION

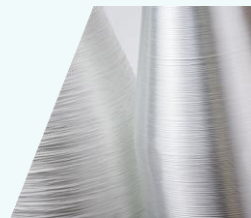
We take a mineral which is over 25 000 million years old – quartz sand –, and create products that serve and protect, make the impossible happen and improve the quality of life of millions of people.

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**

