

JOINT STOCK COMPANY "VALMIERAS STIKLA ŠĶIEDRA"

uniform registration No. 40003031676

registered office: Cempu iela 13, Valmiera, LV-4201, Latvia

**PLAN
OF
LEGAL PROTECTION PROCEEDINGS**

Valmiera, 5 September 2019

1. DEFINED TERMS

The following defined terms used in this Plan of Legal Protection Proceedings shall be ascribed the following meaning:

Company	AS "VALMIERAS STIKLA ŠĶIEDRA", registration number: 40003031676, legal address: Cempu iela 13, Valmiera, LV-4201, Latvia
US Subsidiary	P-D VALMIERA GLASS USA Corp., legal address: 168 Willie Paulk Parkway, Dublin, State of Georgia, 31021, USA
VALMIERA GLASS GROUP	AS "VALMIERAS STIKLA ŠĶIEDRA" and its subsidiaries and affiliated companies
LBBW Bank	Landesbank Baden-Württemberg USA branch, legal address: 280 Park Avenue, West Building, New York, 10017, State of New York, USA
Danske	Danske Bank A/S, (registered in Denmark with CVR registration Nr.61126228, address: Denmark, Copenhagen, Holmens Kanal 2-12), represented in the Republic of Latvia by Danske Bank A/S branch in Latvia, registered in the Commercial Register of Latvia with unified registration No. 40103163202, legal address: Riga, Cēsu iela 31/8, LV-1012, Latvia
SEB	AS "SEB banka", registration number: 40003151743, legal address: Meistaru iela 1, Valdlauči, Ķekavas pag., Ķekavas nov., Latvia, LV-1076
Development Authority	City of Dublin and County of Laurens Development Authority
Secured Creditors	AS "SEB banka" un Danske Bank A/S
US Facility	The production facility of the US Subsidiary in Dublin, the State of Georgia, USA
Phase Two	The vertically integrated fiberglass production in the USA
LPP	Legal protection proceedings
LPP Plan	The plan of legal protection proceedings
EUR	The single European currency, the euro, which replaced the national currencies of most European countries, including Latvia
USD	The official national currency of the United States of America, the dollar.
Principal Claims	The claims for the repayment of principal debt
Ancillary Claims	The claim for the repayment of interest, default interest, contractual penalty, etc.

2. BACKGROUND INFORMATION ON SOLVENCY RISKS AND CONTINUATION OF SUSTAINABLE LONG-TERM BUSINESS OF THE COMPANY

The Company and VALMIERA GLASS GROUP is a leading European fiberglass manufacturer with more than 55 years of experience within pultrusion and industrial production of fiberglass.

The Company was established in 2004. Its core business, fiberglass production, is carried out in a plant which has been in operation since 1963. At present, the Company delivers high-quality fiberglass products and solutions to ensure efficient operation of a range of technologies and industries world-wide. From the early years of operation, the plant has been undergoing continuous development in terms of technological

improvement, diversification of product range and optimisation of processes deployed. Quality enhancement initiatives are being regularly introduced throughout all departments.

From its inception, the Company has been pursuing opportunities aimed at expansion of operations and production capacity. To this end, in 2013, the Company acquired a fiberglass production facility in the UK. The UK subsidiary of the Company, *VALMIERA GLASS UK Ltd.*, registration Nr. 496751302, is engaged in manufacture of fiberglass fabrics for aviation industry, thermal insulation and building construction. As a result of the acquisition, VALMIERA GLASS GROUP was able to position itself internationally as a vertically integrated supplier of multiple composite materials to aviation industry, construction industry and other sectors of the economy.

To further enhance its position internationally, the Company established the US Facility. The development and integration of the production infrastructure in the US with the US Facility at its centre required comprehensive investment on the part of VALMIERA GLASS GROUP companies, in particular, in order to attain Phase Two. At present, in excess of EUR 80,000,000 have been invested to attain the objectives of Phase Two production. Regrettably, due to a series of unanticipated obstacles, Phase Two failed to achieve the desired production capacity, while rapidly consuming cash funnelled from other parts of the Company's operation.

In order to fund the operation of the US Facility, the US subsidiary entered into Credit Facility Agreement with the LBBW Bank. The Company issued in favour of LBBW Bank a guarantee covering performance by the US Subsidiary of all obligations under the Credit Facility Agreement.

Regrettably, the US Subsidiary failed to meet the obligations set forth in the Credit Line Agreement. Because of that, on 10 June 2019, LBBW Bank demanded the Company to repay immediately the principal amount of the loan, together with accrued interest, outstanding under the Credit Facility Agreement in the total amount of USD 3,013,148.92 (equivalent to EUR 2,693,437.85) by invoking the guarantee undertaking of the Company. Given considerable investments made by the Company into the US Facility and other existing liabilities of the Company, the Company was unable to satisfy the demand to repay USD 3,013,148.92 (equivalent to EUR 2,693,437.85) immediately.

The Latvian production facility of the Company is profitable. It manufactures the major part of the Company's product-line and ensures delivery of products to customers world-wide. The Company employs in excess of 1,000 employees. In 2018, the Company has paid to the State budget of Latvia in excess of EUR 10,936,000 of taxes and duties. Considering the fact that the core business of the Company, including manufacture of fiberglass products, has not sustained any adverse effects and remains profitable, the current financial difficulties faced by the Company are believed to be short-term in nature.

The Company has indebtedness outstanding to Secured Creditors in the total amount of EUR 91,046,242.24*¹ The Company has used financing provided by Secured Creditors to set up and develop the US Facility and fund its own business activities. The amount and division of the obligations between Secured Creditors is specified in Annex 6. As a security for the performance of its obligations in relation to Secured Creditors the Company has pledged the properties specified in Annex 5. The Company has no other secured creditors.

The Company believes that, as part of LPP and within the framework of the LPP Plan, it will be able to satisfy claims of all of its creditors. Compliance with the LLP Plan, therefore, envisages the best possible outcome for each of the involved parties.

The aspiration of VALMIERA GLASS GROUP is to become the European market leader in terms of industrial fiberglass production. The Group is dedicated to satisfying the individual needs of each customer, while simultaneously maintaining the highest level of manufacturing productivity, creating and implementing innovative solutions, efficient resource management and preserving environment.

At VALMIERA GLASS GROUP, technical progress and sustainability go hand in hand. The way the Group perceives and implements corporate social responsibility rests on four pillars – the company, the society at large, the industry in general, and the environment. The socially responsible approach of the Company encompasses eco-friendly manufacturing processes, efficient utilization of resources and orderly production processes; employee care and ensuring employee-friendly working conditions, provision to employees of training and education; support to social and charitable events, etc. The Company views social responsibility, above anything else, as establishment of a relationship of trust between the Company, its

¹ * The amounts have been adjusted in accordance with the USD-EUR exchange rate published by the European Central Bank on 16 September 2019.

workforce and customers by manufacturing reliable and high-quality products.

3. ALL PAYMENT OBLIGATIONS OF THE COMPANY AND LEGAL BASIS THEREOF, INCLUDING OBLIGATIONS TO RELATED COMPANIES WITHIN THE MEANING OF CORPORATE INCOME TAX LAW, AND PAYMENT OBLIGATIONS FOR THE BENEFIT OF SECURED CREDITORS
(Section 40, Paragraph 4, Point 1 of Insolvency Law)

According to accounting entries of the Company, the total liabilities of the Company amount to EUR 118,333,109.10*, out of which:

- 1) payment obligations to unsecured creditors amount to EUR 27,286,866.86*, including EUR 19,411,303.67* due to creditors treated as "related companies" within the meaning of Corporate Income Tax Law;
- 2) total payment obligations to Secured Creditors: in the amount of EUR 91,046,242.24*, out of which the payment obligations to SEB amount to EUR 45,477,442.88* and the payment obligations to Danske amount to EUR 45,568,799.36*².

The amount of indebtedness of the Company outstanding to Secured Creditors is calculated on the basis of ECB reference exchange rate, US dollar/Euro, as of 3 September 2019. Considering that Secured Creditors have notified the Company of termination of the agreements entered into between the Company and Secured Creditors and considering, further, that as part of termination of such agreements the exact amount of indebtedness of the Company to Secured Creditors should be set in Euro and adjusted based on the status as of 10 September 2019 but prior to submission of LPP Plan to the court. As a result of such adjustment, the amount of liabilities of the Company outstanding to Secured Creditors to be specified in LPP Plan submitted to the court for approval will be different compared to the amount of liabilities outstanding to Secured Creditors that is specified in the current edition of LPP Plan. As a result of adjusting the claims of the Secured creditors mentioned above, the claims of the Secured creditors specified in the Plan intended for submission to the court will differ from the claims of the Secured creditors specified in this Plan, however, by giving their consent (acknowledgement) to the Plan, the creditors confirm their consent to the fact that such adjustment to the claims of the Secured creditors does not affect the amounts payable to Secured Creditors during LPP, nor shall it be treated as an amendment of LPP Plan and, as such, shall not result in the obligation for the Company to seek another approval of the adjusted LPP Plan by the creditors.*³

A complete list of the Company's creditors, the amount due to each creditor and the legal basis underlying the respective creditor claim (including the percentage of votes belonging to each creditor in the total creditor pool within each creditor category) is contained in Annex 1 of this LPP Plan, of which the Annex forms an integral part.

4. OBLIGATIONS TO CREDITORS WHICH FELL DUE OR BECAME PAYABLE PRIOR TO INITIATION OF LPP, OR WILL FALL DUE OR BECOME PAYABLE DURING LPP *(Section 40, Paragraph 4, Point 2 of Insolvency Law)*

The total amount of payment obligations of the Company which fell due or became payable prior to initiation of LPP, or during LPP is EUR 99,266,102.25**, out of which:

- 1) payment obligations which became payable as of 18 June 2019 in accordance with accounting data of the Company amount to EUR 8,219,860.01;
- 2) other payment obligations which will become payable during LPP amount to EUR 91,046,242.24**.⁴

With respect to the information in this Section covering the obligations which fell due prior to LPP or will fall due during LPP, the list of such obligations is included in Annex 2. The list reflects data on the relevant creditors and obligations. Considering that the Company is a large manufacturing business, and its turnover of raw materials, goods and services is significant (the continuation of the Company's manufacturing operations is in the best interests of the creditors), according to the accounting data of the Company, the

² * The amounts have been adjusted in accordance with the USD-EUR exchange rate published by the European Central Bank on 16 September 2019.

³ * The version of the paragraph as of 5 September 2019 not considering the adjustments in accordance with the USD-EUR exchange rate published by the European Central Bank on 16 September 2019.

⁴ ** The amounts have been adjusted in accordance with the Notice on the Correction of Clerical Errors published on 6 September 2019.

extent of its obligations since 18 June 2019 has been subject to fluctuations. It has been adjusted accordingly in alignment with booking records of the Company.

Claims by Secured Creditors are listed in Annex 6. As a result of failure by the Company to perform its obligations, Secured Creditors demanded the Company to immediately pay the obligations specified in Sections 1 and 2 of Annex 6.

The obligations of the Company to Secured Creditors specified in Section 3 of Annex 6 of LPP Plan are contingent upon certain conditions. These obligations of the Company arise from guarantees issued by Secured Creditors with respect to performance by the Company of contractual undertakings against its business partners (please be referred to the additional information below concerning obligations in respect of which Secured Creditors have issued guarantees). According to the terms of agreements entered into between the Company and Secured Creditors, in the event a Secured Creditor is obligated to perform its guarantee undertakings in relation to third parties, the amount of claims by the respective Secured Creditor against the Company shall be increased by the amount of performed obligations. Having evaluated the state of collaboration with its business partners, the Company has concluded that during implementation of LPP business partners of the Company will, in all likelihood, demand performance by Secured Creditors of their guarantee obligations. Whenever guarantee undertaking by a Secured Creditor is called on, the Company will be bound to perform its obligations against Secured Creditor. Because of that, the Company treats such obligations as obligations which will become payable during LPP. Whenever this condition is triggered, no changes are envisaged to occur during implementation of LPP Plan in the amount or the order of repayment of the Principal Claim.

The agreements entered into between the Company and Secured Creditors establish an obligation for the Company to pay to Secured Creditors a monthly consideration in the amount corresponding to 4.5% per year of the guarantee obligations which continue to be outstanding. As long as guarantee undertakings by the Secured Creditors continue to remain outstanding, during LPP, the Company shall pay to Secured Creditors the consideration since the validity of such guarantees is necessary to ensure continuous production. In case a guarantee undertaking by any of Secured Creditors is called on during LPP, the Company shall cease making payments of the consideration with respect to such undertaking and shall increase the amount of monthly compensation to the respective Secured Creditor payable in consideration of restriction of creditor rights in the amount of 4.5% per annum of the amount of obligations that were called on

No performance by any of Secured Creditors of their respective guarantee undertakings, as a result of which Secured Creditors acquire a claim on the Company, nor increase in the amount of compensation payable to Secured Creditors in consideration of restriction of creditor rights shall constitute amendment of LPP Plan or cause an obligation for the Company to amend LPP Plan.

As at the time prior to LPP, the Company has no payment obligations to the State Revenue Service which, pursuant to the Insolvency Law, would have to be included into Annex 3 of LPP Plan, Schedule for Satisfying Creditor Claims. During implementation of LPP, however, the current liabilities of the Company with respect to payment to the State budget of tax and duties will be discharged in accordance with the order established under applicable laws.

No creditor has brought up court action against the Company to recover any of the payables.

Liabilities of the Company secured by guarantee:

- 1) On 4 April 2018, the Company issued a guarantee in the amount of USD 3,000,000.00 with respect to obligations by the US Subsidiary to perform under the Credit Line Agreement entered into between the US Subsidiary and LBBW Bank on 2 April 2018. The guarantee was called on by LBBW Bank on 10 June 2019, when the bank demanded repayment by the Company of the principal amount of the loan, together with accrued interest, in the total amount of USD 3,013,148.92 (equivalent to EUR 2,693,437.85).
- 2) On 22 June 2017, the Company issued a letter of guarantee for the benefit of US commodities trader J.ARON & COMPANY as a surety in relation to any loss that may be incurred by reason of obligations continuing to be outstanding between the US Subsidiary and J.ARON & COMPANY involving lease of certain platinum and rhodium commodities. The maximum amount covered by the guarantee is USD 2,500,000. The guarantee is irrevocable, i.e. remains in force as long as the US Subsidiary continues to use precious commodities belonging to J.ARON & COMPANY and/or continues to be liable in relation to J.ARON & COMPANY with respect to any obligations. Secured Creditors have undertaken to be liable in equal amounts with respect to the indebtedness arising from the performance guarantee

obligations under the specified lease agreement in the amount of USD 1,500,000. On 26 August 2019, SEB satisfied the demand to pay invoked by J.ARON & COMPANY with respect to the lease agreement and paid USD 750,000 toward discharge of its undertaking. On 30 August 2019, J.ARON & COMPANY notified Danske of its obligation to satisfy claims based on the letter of credit in the amount of USD 750,000, as well as in accordance with agreement entered into between the parties. Danske unilaterally terminated the agreement entered into between the Company and Danske, thereby causing an immediate increase in the amount of USD 750,000 in the extent of liability of the Company against Danske. The claims by Secured Creditors against the Company in connection with the guarantee obligations mentioned in this paragraph are included in Annex 6 of this LPP Plan.

- 3) On 3 September 2014, the Company issued a guarantee in favour of the Development Authority with respect to obligations by the US Subsidiary to perform in accordance with the Memorandum of Understanding entered into between the Development Authority and the US Subsidiary on 28 July 2014 and Short Term Lease and Right of Early Entry Agreement entered into on 29 September 2014. The Company is not aware of any obligations arising from the above-mentioned agreements, nor does the Company foresee the possibility of any such obligations arising during implementation of LPP.

Moreover, the Company has incurred the following obligations that are subject to guarantee undertakings by Secured Creditors:

- 1) On 15 April 2015, the Company entered into precious commodities lease agreement with Goldman Sachs International. Based on a mutual agreement entered into between SEB and the Company, SEB undertook a guarantee obligation with respect to performance by the Company of the obligation to pay USD 5,700,000. The obligation to pay will fall due during implementation of LPP. According to the guarantee, SEB undertook to pay Goldman Sachs International in the event of failure by the Company to perform its obligations under the lease agreement. Considering payment by SEB of USD 5,549,183.90 under the specified guarantee undertaking, a demand to pay the remaining USD 150,816.10 may be made during implementation of LPP. As a result of making the payment under the guarantee, SEB has acquired a claim against the Company in the total amount of USD 5,549,183.90. The claim by SEB against the Company arising out of the guarantee mentioned in this paragraph of LPP Plan is included in Annex 6 of this LPP Plan.
- 2) On 31 July 2017, the Company entered into a precious metals lease agreement with Skandinaviska Enskilda Banken AB. Based on agreement entered into between the Company and SEB, SEB issued a guarantee in the amount of EUR 870,000 with respect to performance by the Company of its obligations under the lease agreement in relation to Skandinaviska Enskilda Banken AB. The term of validity of the guarantee undertaking will expire during implementation of LPP.
- 3) Since the Company had applied to receive funding by the European Regional Development Fund, it was required under applicable regulations to deliver to the Central Finance and Contracting Agency a first demand letter of guarantee with respect to performance of its contractual obligations. Based on agreement entered into between SEB and the Company, SEB issued a letter of guarantee in the amount of EUR 98,000. In accordance with the letter of guarantee, SEB undertook to be liable with respect to performance by the Company of its obligations against the Central Finance and Contracting Agency in accordance with the Regulations of the Cabinet of Ministers No. 293 of 10 May 2016 on the Development Program "Growth and Employment". The term of validity of the guarantee undertaking will expire during implementation of LPP.

5. LIABILITIES NOT TREATED AS PAYMENT OBLIGATIONS BUT CAPABLE OF AFFECTING THE COMPOSITION OF ASSETS OF THE COMPANY (*Section 40, Paragraph 4, Point 3 of Insolvency Law*)

Assets of the Company in the form of real estate, movable property, including under shared ownership, as well as cash belonging to the Company, have been pledged in favour of secured creditors to secure performance by the Company of its obligations under existing loan agreements.

Obligations of the Company subject to guarantee undertakings are specified in Section 4 of LPP Plan.

6. SCHEDULE FOR SATISFYING CREDITOR CLAIMS ARISING FROM PAYMENT OBLIGATIONS OF THE COMPANY WHICH FELL DUE OR BECAME PAYABLE PRIOR TO INITIATION OF LPP,

OR WILL FALL DUE OR BECOME PAYABLE DURING LPP (*Section 40, Paragraph 4, Point 4 of Insolvency Law*)

The schedule for satisfying creditor claims arising from payment obligations which fell due or became payable prior to initiation of LPP, or will fall due or become payable during LPP, has been prepared by applying the methodology identified in this LPP Plan.

Annex 3, Schedule for Satisfying Creditor Claims, sets out the schedule of payments by the Company in relation to each creditor, provided the obligation to pay fell due or became payable prior to LPP, or will fall due or become payable during LPP.

During implementation of LPP, the Company contemplates to fully satisfy Principal Claims by unsecured creditors in the total amount of EUR 6,873,141.09 and by Secured Creditors in the total amount of EUR 45,500,000.

In accordance with Section 40, Paragraph 1, Point 14 of the Insolvency Law, during implementation of LPP Secured Creditors shall be entitled to receive a compensation in consideration of the restriction of creditor rights. The amounts of compensation payable are specified in Annex 3 of this LPP Plan, Schedule for Satisfying Creditor Claims.

The implementation of LPP envisages payment of applicable taxes and other mandatory contributions to the State budget in compliance with procedures established by law, along with payment of daily expenditures attributable to ordinary course business operations of the Company as specified in the cashflow forecast of the Company attached as Annex 4, Income and Expenditure Forecast.

Under Section 167, Paragraph 3 of the Insolvency Law, the Schedule for Satisfying Creditor Claims does not reflect costs of the Company incurred during LPP. The Company will cover such costs in accordance with the cash flow forecast of the Company included in Annex 4, Income and Expenditure Forecast.

During implementation of LPP, the payments included in Annex 3, Schedule for Satisfying Creditor Claims, should be evaluated in conjunction with Annex 4, Income and Expenditure Forecast.

A part of the Company's creditors have agreed to become subject to a less favourable treatment within the framework of LPP compared to other creditors of the Company. For this reason, in order to comply with the applicable requirements of Section 40, Paragraph 7 of the Insolvency Law, consents and/or acknowledgements by the respective creditors will be attached to the set of documentation filed with the court.

7. TOTAL ESTIMATED REVENUE OF THE COMPANY DURING LPP, JUSTIFICATION OF ESTIMATES, ASSUMPTIONS UNDERLYING THE ESTIMATES AND STEPS TOWARD REDUCING THE COSTS OF DEBTOR (*Section 40, Paragraph 4, Point 5 of Insolvency Law*)

The Company has prepared a revenue forecast covering the period of LPP. A calculation of the total estimated revenue during implementation of LPP is included in Annex 4, Income and Expenditure Forecast, which Annex forms an integral part of LPP Plan.

The estimated revenue from business operations of the Company during implementation of LPP is EUR 206,403,940.25. In addition, the Company plans to generate revenue from sale of assets and/or investment by third parties. The Company estimates that such revenue may amount to at least EUR 40,000,000. Irrespective of the legal form of contributing such revenue to the Company (for example, share capital injection, loan, etc.) and subject to the provisions of subordination agreements entered into with Secured Creditors, any obligations of the Company arising out of such contribution shall be subordinated to the obligations of the Company in relation to Secured Creditors.

The estimated revenue from business operations of the Company in the amount of EUR 206,403,940.25 is based on the assumption that the Company will continue to carry out the entire scope of its operations. Accordingly, the main revenue stream is attributable to business operations and is based, partly, on the results of operations in previous reporting periods and forecasted market trends. The income from business operations includes, among others, payments made by VALMIERA GLASS UK Ltd. The Company would like to emphasize that, in preparing the revenue estimates, it has been relying on the prudence concept of accounting and a positive development forecast of economic growth.

A detailed forecast of estimated revenue covering the entire period of implementation of LPP is contained in Annex 4, Income and Expenditure Forecast.

The Company is taking steps designed to attain cost reduction. Considering the current financial situation of the Company, the Company will no longer participate in sponsorship initiatives forming part of its social responsibility activities.

The revenue and profits of the Company will, primarily, be directed toward implementation of LPP.

The Company is a large manufacturing business in Latvia, and its ability to satisfy creditor claims is directly dependent on the performance and capacity of its production, the possibilities of reducing costs related to operation of the Company's business are limited. A reduction in costs related to power supply, purchase of materials and raw resources would inevitably cause a drop in production. In turn, the ability to retain production at current levels is critical to successful implementation of LPP.

8. TOTAL ESTIMATED EXPENDITURE OF THE COMPANY DURING LPP, JUSTIFICATION OF ESTIMATES, ASSUMPTIONS UNDERLYING THE ESTIMATES AND STEPS TOWARD REDUCTION OF COSTS *(Section 40, Paragraph 4, Point 6 of Insolvency Law)*

The Company has prepared costs forecast covering the period of implementation of LPP. The costs forecast containing an explanation of cost items incurred during one month of operation of the Company is annexed to this LPP Plan as Annex 4, Income and Expenditure Forecast, which Annex forms an integral part of LPP Plan.

The total estimated costs of the Company during implementation of LPP amount to EUR 185,890,655.67*.⁵

The costs forecast is based on operating results of the Company in the previous reporting periods adjusted to reflect future market trends. The Company plans to continue carrying out the entire spectrum of its business operations during implementation of LPP. Accordingly, assumption is made that the Company will continue to generate revenue and incur costs related to business operations in the amounts comparable to previous reporting periods.

The amount of monthly costs which the Company estimates to incur during implementation of LPP is smaller compared to the amount of total estimated monthly revenue.

In accordance with provisions of Section 167, Paragraph 3 of the Insolvency Law, the costs that shall be included into LPP of the Company are current taxes and duties payable by the Company, salaries payable to employees, costs necessary for the maintenance and preservation of the Company's properties and costs incurred toward operation of the Company's business.

During LPP, all costs incurred by the Company will be paid in accordance with the relevant agreements entered by the Company setting forth the terms of consideration payable by the Company to third parties and applicable laws establishing the procedure for payment of taxes and duties.

The Company has requested the State Revenue Service to extend the term of payment by the Company of individual income tax and social security contributions. To accommodate the request, the State Revenue Service has adopted decisions postponing the term of payment. In accordance with the data presented by the State Revenue Service as of 27 August 2019, the liabilities of the Company to the State Revenue Service amounted in EUR 1,800,844,37. Therefore, during LPP, all taxes and duties payable to the State budget will be paid in the order and in accordance with the provisions established under applicable tax laws and decisions of the State Revenue Service. Such payments, along with other payments related to business operations of the Company will be made in compliance with the cash flow forecast of the Company included in Annex 4, Income and Expenditure Forecast.

The cost forecast of the Company has been prepared by applying the prudence concept in accounting and assuming positive economic growth.

In accordance with Section 167, Paragraph 1 of the Insolvency Law, all costs incurred by the Company during LPP shall be covered from the assets of the Company.

⁵ ** The amount has been adjusted in accordance with the Income and Expenditure Forecast attached in Annex 4.

9. APPROACH TO LPP, JUSTIFICATION FOR APPLYING THE SELECTED APPROACH TO IMPLEMENT LPP *(Section 40, Paragraph 4, Point 7 of Insolvency Law)*

According to Section 38, Paragraph 1 of the Insolvency Law, during LPP, there shall be applied approaches corresponding to the aims of LPP which do not impose restrictions upon rights of creditors more than necessary to successfully implement and attain the statutory objective of LPP.

In order to implement LPP successfully and attain the objective of LPP, namely, to restore the ability of the Company to pay debts due, the Company will apply the following approaches:

With respect to secured creditors:

- 1) partial postponement of payment terms by the Company (principal creditor claims);
- 2) settling the payment obligations of the Company (Ancillary Claims);
- 3) alienation of the Company's share in the capital of the US Subsidiary and/or its properties and/or investment into the Company by third parties;
- 4) entering into an agreement with Secured Creditors (related parties) to partially postpone the performance of payment obligations under after implementation of LPP.

With respect to unsecured creditors:

- 1) postponement of satisfaction of principal creditor claims and break-down of payment obligations into obligations maturing within 24 months;
- 2) settling the obligations of the Company (Ancillary Claims);
- 3) entry into agreements with LBBW Bank on the division of payments into instalments over period not to exceed 48 months.
- 4) receipt of consent from some of the unsecured creditors (related parties) to partially postpone the performance of payment obligations under after implementation of LPP.

With respect to both secured and unsecured creditors:

- 1) Undertaking by the Company to secure availability of additional funding in the amount of EUR 5,000,000.

9.1. THE APPROACH IN RELATION TO SECURED CREDITORS

9.1.1. Partial postponement of the Company's payment obligations (Principal Claims of the creditors)

The principal obligations of the Company which fell due or became payable prior to LPP will be paid in accordance with the schedule of payments specified in Annex 3.

From 1 January 2020, the Company shall direct EUR 500,000 monthly toward repayment of the principal claims outstanding to the Secured Creditors. In March 2020, the Company shall make a separate payment toward repayment of the Principal Claim in the amount of EUR 35,000,000. Moreover, during LPP, the Company shall be paying to the Secured Creditors the compensation for the restriction of creditor rights.

The postponement of the term of repayment will allow the Company to stabilise cash flow during implementation of LPP and, ultimately, help satisfy creditor claims. In applying such approach within the framework of LPP, the Company will be taking into consideration the data included into the Income and Expenditure Forecast.

The repayment of Principal Claims to the Secured Creditors shall be made by means of payments to the

bank accounts designated by the Secured Creditors. The Company shall divide the repayment of the principal claims to the Secured Creditors in the proportion to the amount of claims continuing to be outstanding, whereby SEB shall receive 50.55% of the principal claims and Danske shall receive 49.45% of the amount of principal claims. Each of the Secured Creditors can decide, in its own discretion, which of the obligations specified in Annex 6 shall be redeemed by the repayment thus received.⁶

9.1.2. Settling of payment obligations of the Company (Ancillary Claims) *(Section 38, Paragraph 1, Point 5 of Insolvency Law)*

The payment obligations of the Company against the Secured Creditors arising by reason of contractual penalties and default interest which became due and payable prior to initiation of LPP, or will become due and payable during LPP, shall be performed in full.

The payment obligations of the Company against Secured Creditors with respect to interest accruals made from the date of approval of LPP Plan by the court until completion of LPP shall be performed in full.

The implementation of LPP will be associated with limited availability to the Company of cash. As a result, the discharge of obligations related to interest, contractual penalties and default interest will create for the Company cash savings which shall be used toward funding of business operations of the Company and satisfying creditor claims.

9.1.3. Alienation of share in the capital of the US Subsidiary and/or alienation of its property and/or investment into the Company by third parties *(Section 38, Paragraph 1 of Insolvency Law):*

The Company has undertaken, until 31 March 2020, to sell the share in P-D VALMIERA GLASS USA belonging to the Company and/or ensure sale of pledged properties of the US Subsidiary and/or ascertain investment into the US Subsidiary by third parties in the total amount of no less than **EUR 35,000,000**.

The alienation of all properties of the Company pledged in favour of Secured Creditors shall be subject to consent by Secured Creditors. All income from the alienation of such properties shall be directed toward satisfying the claims of Secured Creditors.

The additional investment contemplated in this Section of LPP Plan may occur by means of sale by the Company of shares in the capital of the US Subsidiary and/or sale of properties belonging to the US Subsidiary and/or re-financing of the debt outstanding to Secured Creditors and/or by means of contribution into the share capital of the Company.

9.1.4. Entry into agreement with Secured Creditors on partial postponement of payment obligations until after implementation of LPP Plan

The Company shall enter into agreement with Secured Creditors whereby Secured Creditors will agree to accept performance by the Company of its obligations during LPP in the amount and within the term specified in accordance with Section 9.1.1 of LPP Plan and postpone the maturity date of other obligations of the Company against Secured Creditors until after completion of LPP. Such agreement shall not restrict or waive the rights, claims or security interest of Secured Creditors in relation to the US Subsidiary or other persons which have issued guarantees or provided security with respect to performance by the Company of its obligations.

The entry into the agreement partly postponing the maturity of the payment obligations until after implementation of LPP will enable postponement of the term of repayment of the major part of the Company's payment obligations, thereby, facilitating access to incoming cash flow, ensuring cover of costs, and making possible successful implementation of LPP.

⁶ The secured creditor proportion has been adjusted after the conversion of the claims to USD currency in accordance with the USD-EUR exchange rate published by the European Central Bank on 16 September 2019.

9.2. APPROACH IN RELATION TO UNSECURED CREDITORS

9.2.1. Postponement and break-down of Company's payment obligations (Principal Claims of the creditors) into obligations maturing within 24 months

LPP envisages satisfying the Principal Claims of all unsecured creditors of the Company on a pro rata basis to the amount of claims outstanding within 24 months, with the exception of creditors who have agreed to divide the claims into claims with a longer maturity.

Considering production revenue of the Company and anticipated cash flow during implementation of LPP, the break-down of payment obligations of the Company into obligations with different maturity would enable the Company to gradually satisfy the outstanding claims of all of its unsecured creditors.

The Company has agreed a longer maturity with respect to obligations outstanding to some of its creditors and long-term business partners.

9.2.2. Settling of obligations of the Company (Ancillary Claims); discharge of obligations related to contractual penalties and default interest (Section 38, Paragraph 1, Point 5 of Insolvency Law)

Ancillary Claims related to contractual penalties and default interest, which became due and payable prior to initiation of LPP, or will become due and payable during LPP, will be discharged as follows - in relation to unsecured creditors: the unsecured creditors will discharge or cause to be discharged 100% of Ancillary Claims (i.e. default interest, contractual or statutory penalties or fines) ancillary to the principal claims, which became due and payable prior to LPP or will become due and payable during LPP.

The implementation of LPP will be associated with a limited availability to the Company of cash. Because of that, the discharge of obligations related to contractual penalties and default interest will create for the Company cash savings which will be funnelled toward funding of business operations.

9.2.3. Entry into agreements with LBBW Bank with respect to division of payments into instalments over period not to exceed 48 months

The Company has entered into a written agreement on 4 September 2019 with the largest unsecured creditor LBBW Bank setting forth the terms and conditions of repayment by the Company of its claims and undertaking by the Company to repay the principal claim of LBBW Bank on the Company subject to the terms less favourable to LBBW Bank as other unsecured creditors, namely, within 48 months from the date of initiation of LPP Plan, during the implementation of the LPP by way of making to the benefit of LBBW Bank of regular monthly payments.

While implementing the LPP Plan, the fulfilment of payment obligations to LBBW Bank will be made in USD currency, meaning, the currency in which the principal claim of LBBW Bank was created and exists. In order to fulfil the requirements set by the Insolvency Law and to calculate the number of votes required to adjust the Plan and to show the total and monthly payment obligations of the Company in regards to the LBBW Bank, the principal claim of the LBBW Bank (and the respective total and monthly payment obligations of the Company) has been indicated in the Plan and its Annexes in EUR currency according to which the main claim USD 3,013,148.92 of LBBW Bank amounts to EUR 2,693,437.85.

9.2.4. Receipt of consent by certain unsecured creditors (related persons) to postpone the term of performance of payment obligations until after completion of LPP Plan

The Company has received, or will receive during the period of approval of LPP Plan, consents by unsecured creditors (related persons) that no payments whatsoever shall be made in favour of such creditors during implementation of LPP, including toward repayment of the principal indebtedness or payment of interest. The consents received by the Company shall be attached to the Annex of the submitted LPP Plan.

9.3. JUSTIFICATION OF THE APPROACH TO CREDITORS IN THE COLLECTIVE SECURED AND

UNSECURED CREDITOR CATEGORY

9.3.1. Undertaking by the Company to secure availability of additional funding in the amount of EUR 5,000,000

The Company has undertaken to secure availability of additional funding in the amount of EUR 5,000,000 until 31 March 2020 with the aim of injecting cash and cash equivalents and improving liquidity. Such funding shall be made available to the Company without obligation of any kind for the Company to make repayments of Principal Claims or pay interest thereon during implementation of LPP.

The additional funding contemplated in this Section of LPP Plan may occur by means of sale by the Company of shares in the capital of the US Subsidiary and/or sale of properties belonging to the US Subsidiary and/or re-financing of the debt outstanding to Secured Creditors and/or by means of contribution into the share capital of the Company.

9.4. WHY THE SELECTED APPROACHES ARE APPROPRIATE TO LPP OBJECTIVES

The LPP approach in relation to secured and unsecured creditors outlined in this LPP Plan is necessary in order to ascertain performance by the Company of previously undertaken obligations. The proposed approach will enable satisfying creditor claims. The schedule of payments to creditors contemplated by LPP Plan has been reconciled with the forecasted cash flow of the Company (the Income and Expenditure Forecast).

Application of the selected approach will facilitate consolidation of cash flows of the Company, while enabling continued discharge of current liabilities, making scheduled payments to creditors and carrying out ordinary course business activities.

The approach selected is appropriate to LPP objective. The approach will enable the Company to execute the Plan and make payments to creditors within the timeframe and amount specified in the schedule for satisfying creditor claims and to restore solvency of the Company.

LPP envisages satisfying creditor claims in the total amount of EUR 52,373,141.09.

The selected approach will not in any way be applied toward satisfying the claims raised by revenue authorities concerning payment of tax, or employee claims related to the making of salary or redundancy payments. Nor will the selected approach be applied toward ascertaining of current payments related to business activities of the Company. All of the payments with respect to current tax liabilities, employee salaries and LPP costs will be made in accordance with applicable laws, decisions adopted by the State Revenue Service, and in a manner commensurate with the cash flow forecasts of the Company.

10. CORE BUSINESS OF THE COMPANY *(Section 40, Paragraph 4, Point 8 of Insolvency Law)*

The core business of the Company is manufacture of fiberglass (23.14 NACE). During implementation of LPP, the Company intends to continue carrying out the full spectrum of its business operations. Such operations will be carried out while taking into account conditions of LPP Plan, including with respect to the schedule of payments to the benefit of creditor claims.

11. COMPLETION DATE OF LPP *(Section 40, Paragraph 4, Point 9 of Insolvency Law)*

The completion date of LPP Plan under Section 40, Paragraph 1 of the Insolvency Law shall be 24 months from the date of entry into legal force of the court decision approving LPP Plan.

12. PERMITTED TRANSACTIONS NOT REQUIRING APPROVAL BY THE PERSON SUPERVISING LPP AND THE PERMITTED SCOPE OF SUCH TRANSACTIONS *(Section 40, Paragraph 4, Point 10 of Insolvency Law)*

According to the provisions of Section 49, Paragraph 2 of the Insolvency Law, the Company shall be

permitted, subject to written approval by the person supervising LPP and without having to amend LPP Plan, to make payments (pay invoices) which do not form part of LPP Plan, provided such payments during the period of implementation of LPP do not exceed 2% (two percent) of the total amount of creditor claims outstanding at the time of approval of LPP Plan. The restriction does not apply to daily transactions ensuring ordinary course business activities of the Company and such transactions as were entered into and payments made prior to the date of preparation of the current version of LPP Plan.

In addition, the Company is permitted to enter into transactions related to [engagement of services by professional consultants, alienation of property, other than pledged property, maintenance and repair of] without having to seek approval with respect to such transactions by the person supervising LPP. The total value of such transactions shall not exceed EUR 20,000.00 per month.

13. PROCEDURE FOR NOTIFYING CREDITORS ON BUSINESS RESULTS OF THE COMPANY DURING IMPLEMENTATION OF LPP *(Section 40, Paragraph 4, Point 11 of Insolvency Law)*

Please be informed that, under applicable provisions of Section 42, Paragraph 1 of the Insolvency Law, each creditor of the Company will receive LPP Plan of the Company by [registered mail] at the registered office address of the respective creditor.

Upon receipt of creditor request, the Company will inform the requesting creditor about the results of operation of the Company. In addition, upon receipt of creditor request, the person supervising LPP will inform the requesting creditor of progress attained toward implementation of LPP, or will examine creditor complaint.

Under applicable provisions of Section 50, Paragraph 2, Point 4 of the Insolvency Law, the Company will deliver to the person supervising LPP all the necessary information on the progress of LPP and business activities of the Company.

In addition, the Company will be delivering to each of its creditors monthly updates on the progress of implementation of LPP.

14. THE PERSON SUPERVISING LPP *(Section 40, Paragraph 4, Point 12 of Insolvency Law)*

The Company proposes to the court to appoint Jānis Lagzdīņš, Attorney-at-Law, personal number: 220984-11091, office address: PricewaterhouseCoopers Legal, Kr. Valdemāra Street 21, LV-1010 Riga, email address: janis.lagzdins@pwc.com, phone number: 29109747, as LPP Supervisor.

The proposed LPP Supervisor has not had any involvement toward preparation of this LPP Plan and has responded positively to the proposed appointment.

In consideration of the services encompassing supervision of LPP, LPP Supervisor Jānis Lagzdīņš would be paid monthly remuneration in the amount of EUR 7,500.00 plus 21% VAT, in the total amount of EUR 9 075.00.

The acknowledgment of compliance by the LPP Supervisor candidate Jānis Lagzdīņš with requirements of the law is attached to this LPP Plan as Annex 7.

15. LIST OF PLEDGED PROPERTY NECESSARY FOR IMPLEMENTATION OF LPP *(Section 40, Paragraph 4, Point 13 of Insolvency Law)*

In accordance with Section 40, Paragraph 4, Point 13 of the Insolvency Law, we hereby inform that, in order to attain the objectives of LPP, the Company possesses all properties necessary for ensure efficient operation of the Company's business, including cash on bank accounts. Pledged properties of the Company which are subject to certain restrictions prohibiting secured creditors from exercising their rights with respect to secured claims until completion of LPP are specified in Annex 5, List of pledged properties of the Company necessary for the attainment of objectives of LPP Plan.

The specified properties are necessary from the successful implementation of LPP. The revenue, liabilities and costs parts of LPP Plan are based on the assumption of availability of such properties and utilization

thereof to ensure generation of revenue which would subsequently be used toward satisfying creditor claims. As such, the identified properties constitute core element of LPP and no secured creditor should be allowed to exercise any security rights whatsoever with respect thereto.

16. COMPENSATION TO SECURED CREDITORS FOR THE RESTRICTION OF THEIR RIGHTS DURING LPP AND SATISFYING SECURED CREDITOR CLAIMS AND THE PROCEDURE FOR PAYMENT OF SUCH COMPENSATION *(Section 40, Paragraph 4, Point 14 of Insolvency Law)*

Considering that, during LPP, the Company will continue to utilise funds made available to the Company by Secured Creditors, while Secured Creditors will not be able to satisfy their claims by taking possession of the pledged property, the Company shall, during implementation of LPP, pay to Secured Creditors compensation in the consideration of the restriction of Secured Creditor rights in the form of interest for the use of money lent.

The payments of such interest shall be made in the amount and subject to the payment term specified in Annex 3. In the event of performance by Secured Creditors of guarantee undertakings during implementation of LPP, the Company shall increase monthly compensation for the restriction of creditor rights payable to Secured Creditors in accordance with Section 4 of LPP Plan, without having to modify LPP Plan in any manner.

No other payments for the benefit of secured creditors are envisaged during implementation of LPP.

Expenses arising as a result of any loss occurring to the value of pledged properties included in LPP Plan will be deemed to constitute expense of the secured creditor in insolvency proceedings corresponding to the diminishment in value of pledged property.

17. JUSTIFICATION OF BENEFITS TO CREDITORS NOT APPROVING LPP PLAN; THE BENEFITS ARE AT LEAST COMMENSURATE WITH THE POTENTIAL BENEFITS WHICH WOULD BE AVAILABLE TO CREDITORS IF INSOLVENCY PROCEEDINGS WERE DECLARED AGAINST THE COMPANY AT THE TIME OF APPROVAL OF LPP PLAN *(Section 40, Paragraph 4, Item 15 of Insolvency Law)*

The LPP Plan has been approved in accordance with requirements of Section 42 of the Insolvency Law. The LPP Plan has been approved by all (100%) Secured Creditors and unsecured creditors whose principal claims account for more than ½ of the principal claims of the creditors in the unsecured creditor category. These creditors consider LPP Plan to be fair, feasible and appropriate to the objectives upheld by the Insolvency Law, i.e. to facilitate return of the Company to solvency and to protect the collective interests of creditors.

The Company believes that the implementation of LPP Plan is in the collective interests of its creditors. In particular, the Company believes that the benefit to creditors not approving LPP Plan is at least as large as if insolvency were declared against the Company at the time of approval of LPP Plan, for reasons enumerated below:

- Firstly, in the event of declaration against the Company of insolvency proceedings, business activity and, in particular, production of the Company would, in all likelihood, be suspended. Management of the Company's business would be taken over by an insolvency administrator. The insolvency administrator would not have the set of skills, experience or ability to ascertain continued business operation of the Company, a large and complex production enterprise. The eventual continued business operation of the Company would be contrary to the principles of statutory law governing insolvency proceedings, in particular, the principle of speedy and expedient administration of insolvency stipulating that the insolvency proceedings should be completed and all of the debtor's property should be sold within six months from the date of declaration of the insolvency.
- Secondly, nearly all of the property belonging to the Company has pledged in favour of Secured Creditors. The Company anticipates that, in the event of declaration against the Company of insolvency, Secured Creditors would seek to exercise their security rights to take possession of the pledged property, including real property (plots of land, buildings), fixed assets, structures and equipment, capital shares in other companies, in order to cover the secured part of their claims. In the Company's estimates based on real-life observations, the average liquidation value of assets sold in insolvency proceedings tends to amount to 50% of book value of the respective assets, since

liquidated sale of assets in insolvency proceedings tends to be deeply discounted and occurs in the absence of customary practices designed to raise purchaser awareness of the goods sold. This is attributable, partly, to the interest to comply with the principle of speedy and expedient administration of insolvency proceedings on which the applicable provisions of the Insolvency Law are based. In the assessment of the Company, therefore, the sale of even the entirety of assets of the Company in insolvency proceedings would potentially satisfy claims of Secured Creditors only. Moreover, secured creditor claims would not get satisfied in full. Considering the above, a sale of the entirety of the Company's properties would not suffice to satisfy even a fraction of the existing claims of unsecured creditors.

- Thirdly, the investment value of assets of the Company, as well as its ability to satisfy creditor claims, is retained, to a large extent, as long as the Company continues production, ensures realisation of its products and, thereby, and generates a positive cash flow applied toward satisfying creditor claims. Because of this, continued production is a pre-requisite to the ability by the Company to fully satisfy all creditor claims, which would not be possible in the event of insolvency of the Company for the reasons identified above.
- Fourthly, insolvency proceedings entail speedy and expedient alienation of all property belonging to the debtor. The decisive factor underlying insolvency proceedings is the ability to satisfy creditor claims within a short time frame. However, equipment and other assets of the Company are highly specialised and unique to its business. Because of that, a speedy and expedient alienation of such equipment and assets against payment of a reasonable price would be cumbersome and highly unlikely to occur, even in the circumstances assuming suspension of business operation of the Company. Since the fiberglass production market comprises only a handful of players, the level of demand for equipment and other assets of the Company would be very limited.
- Lastly, during implementation of LPP, the Company will continue discharging current tax liabilities, employing personnel and taking measures designed to promote export of the goods that it manufactures and increasing such export. The Company will continue complying with its other undertakings incurred in the ordinary course of business and satisfying creditor claims in accordance with LPP Plan.

18. PRIORITY WITH RESPECT TO ASSETS ALLOCATED TO THE COMPANY (*Section 40, Paragraph 5 of Insolvency Law*)

In order to implement LPP Plan successfully, a shareholder or creditor of the Company may allocate assets for the benefit of the Company as part of LPP. In the event of allocation of assets for the benefit of the Company, such shareholder or creditor shall, according to Section 40, Paragraph 5 of the Insolvency Law, be granted priority status corresponding to the value of allocated assets.

For the avoidance of any doubt, any assets which may be acquired from the Company in the consequence of direct or indirect alienation of assets, issue by the Company of financial instruments, or investment by third persons in exchange for assets or benefits belonging to the Company or third parties (secured creditors) will not be treated as assets for the purposes of LPP.

19. ACKNOWLEDGEMENTS (*Section 40, Paragraph 4, Point 16 of Insolvency Law*)

We hereby acknowledge that the information contained in this LPP Plan is true, and copies of the annexed documents are authentic to the originals thereof.

Enclosures

Annex 1 – All Obligations of the Company

Annex 2 - Obligations which fell due or became payable prior to initiation of LPP, or will fall due or become payable during LPP

Annex 3 - Schedule for Satisfying Creditor Claims

Annex 4 – Income and Expenditure Forecast

Annex 5 – List of pledged properties of the Company necessary for the attainment of objectives of LPP Plan.

Annex 6 – Obligations of the Company in Relation to Secured Creditors.

Annex 7 - Acknowledgment of compliance by the LPP Supervisor candidate Jānis Lagzdiņš with requirements of the law

Valmiera, 5 September 2019

Stefan Jugel
AS "VALMIERAS STIKLA ŠĶIEDRA"
Chairman of the Board of Directors

Ģirts Vēveris
AS "VALMIERAS STIKLA ŠĶIEDRA"
Member of the Board of Directors