

NSG

GROUP

NSG Group

FY2020 Quarter 1 Results

(from 1 April 2019 to 30 June 2019)

Nippon Sheet Glass Company, Limited
1 August 2019

Kenichi Morooka

Chief Financial Officer

Clemens Miller

Chief Operating Officer

Iain Smith

Finance Director – Global Finance

Agenda

1. FY2020 Quarter 1 Financial Results
2. FY2020 Quarter 1 Business Update
3. Key Action Update
4. Summary

FY2020 Quarter 1 Results Highlights

FY2020 Q1 Results in line with the Group's annual financial forecast

Revenue	JPY 147.1 bn (7)%	Affected mainly by the translational impact of a strengthened Yen, 2% reduction at constant exchange rates
Trading profit	JPY 9.3 bn (9)%	As anticipated, affected by lower volumes in Automotive Europe and input cost increases, partially offset by strong growth in solar energy glass volumes and cost efficiencies
Profit attributable to owners of the parent	JPY 2.9 bn (47)%	As expected, no recurrence of the exceptional credit recorded during the first quarter of the previous year
Free cash flow	JPY (26.8) bn	Resulting from scheduled strategic investments* and seasonal working capital movements

* Strategic investments: Please refer to Slide 13

Consolidated Income Statement

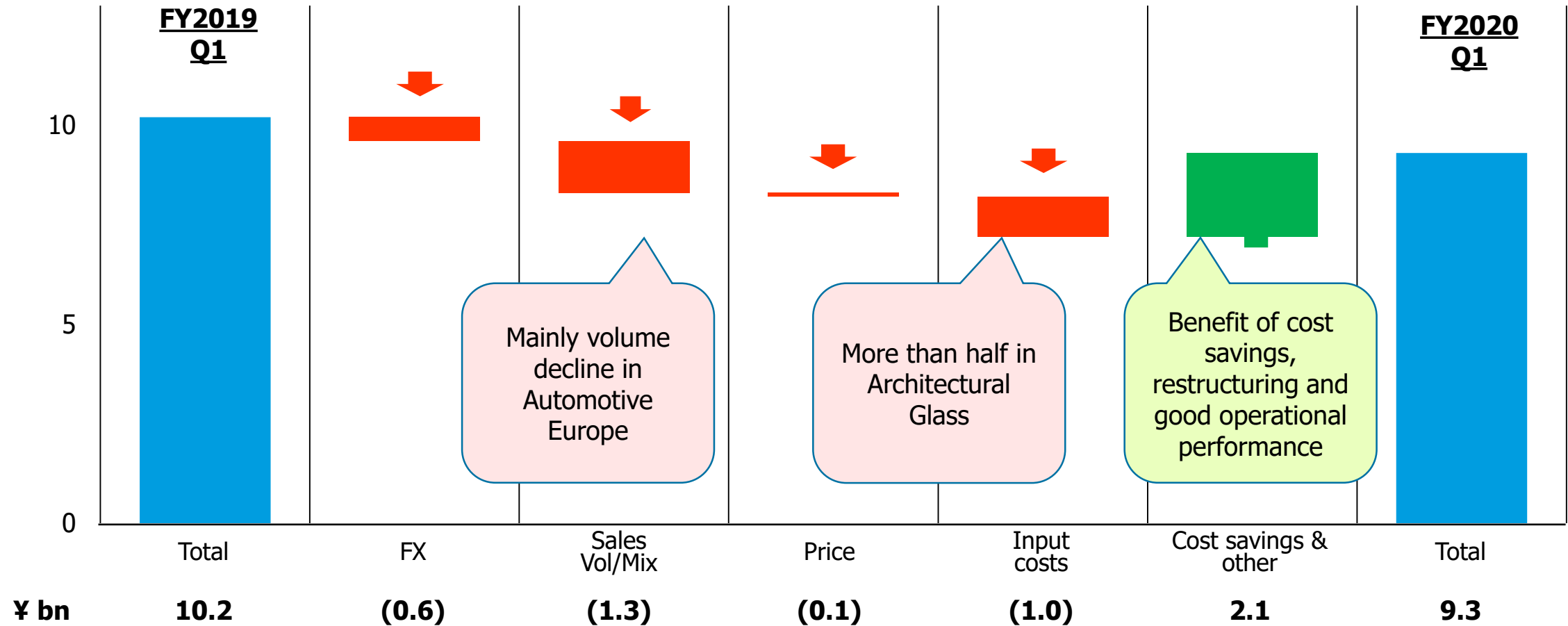
The Group's annual financial forecast remains unchanged

¥ bn	<u>FY2019</u> <u>Q1</u>	<u>FY2020</u> <u>Q1</u>	<u>FY2020</u> <u>Half-year</u> <u>Forecast</u>	<u>FY2020</u> <u>Full-year</u> <u>Forecast</u>
Revenue	158.4	147.1	310.0	620.0
Trading profit	10.2	9.3		37.0
Amortization *	(0.5)	(0.5)		(2.0)
Operating profit	9.7	8.8	17.0	35.0
Exceptional items	2.4	(0.6)		(6.0)
Finance expenses (net)	(3.2)	(3.5)		(14.0)
Share of JVs and associates	0.4	0.5		4.0
Profit before taxation	9.3	5.2		19.0
Profit for the period	6.0	3.1		12.0
Profit attributable to owners of the parent	5.4	2.9		11.0
EBITDA	16.7	17.5		

*: Amortization arising from the acquisition of Pilkington plc only

Change Analysis – Trading profit

Improvements in cost base offset movements in input costs and volumes



Key Performance Indicators

Net debt increased as result of IFRS16 and strategic investments

	<u>30 June</u> <u>2018</u>	<u>30 June</u> <u>2019</u>	<u>31 March</u> <u>2019</u>
Net Debt (¥ bn)	319.8	388.3^{*1}	317.7
Net Debt / EBITDA	4.9x	5.3x	4.9x
Net Debt / Equity Ratio	2.4x	3.4x	2.4x
Shareholders' Equity Ratio	16.6%	13.5%	16.2%
	<u>FY2019</u> <u>Q1</u>	<u>FY2020</u> <u>Q1</u>	<u>FY2019</u>
Operating Return ^{*2} on Sales	6.4%	6.3%	6.3%

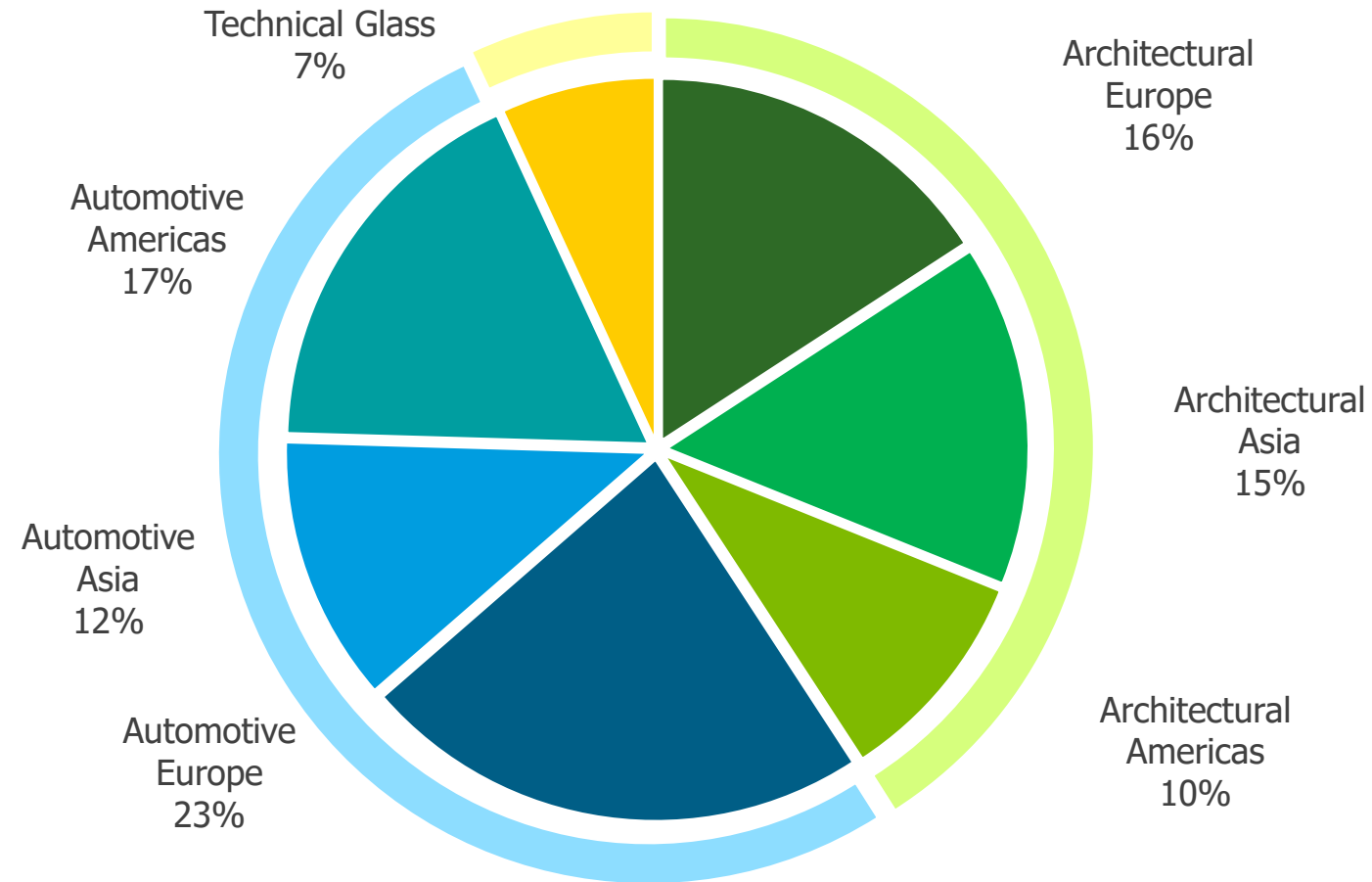
*1: Includes net debt arising from adoption of IFRS16 of JPY 34.2 billion

*2: Trading profit

External Revenue – Group Businesses

Diversified geographical coverage

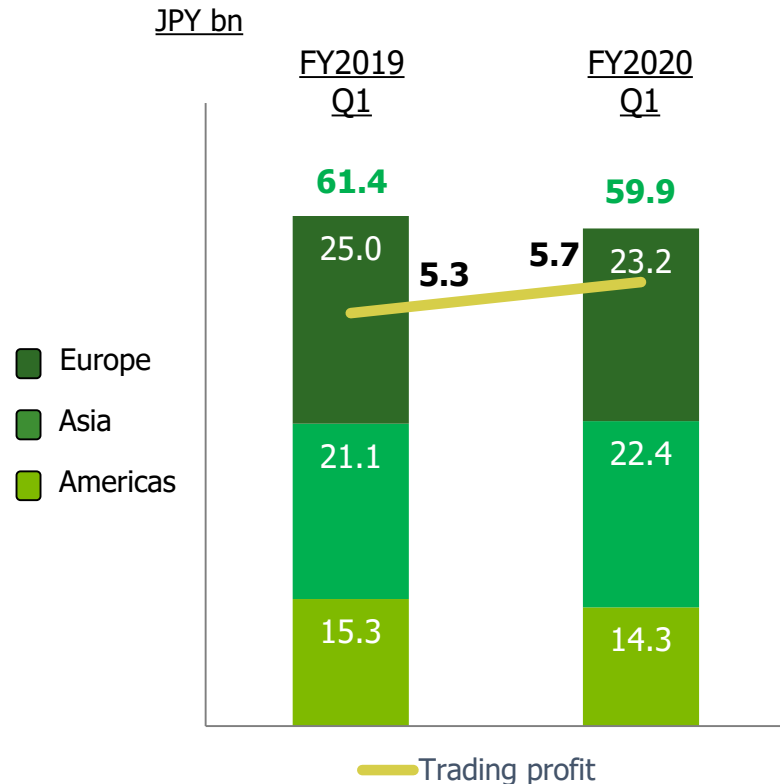
¥ 147.1 billion



FY2020 Quarter 1

Architectural – FY2019 Q1 vs FY2020 Q1

Solar volume growth and cost savings more than offset increases in input costs



Europe (Revenue ▼, Profit ►)

- Stable market conditions
- Profits supported by cost savings and manufacturing improvements offsetting increasing input prices

Asia (Revenue ▲, Profit ▲)

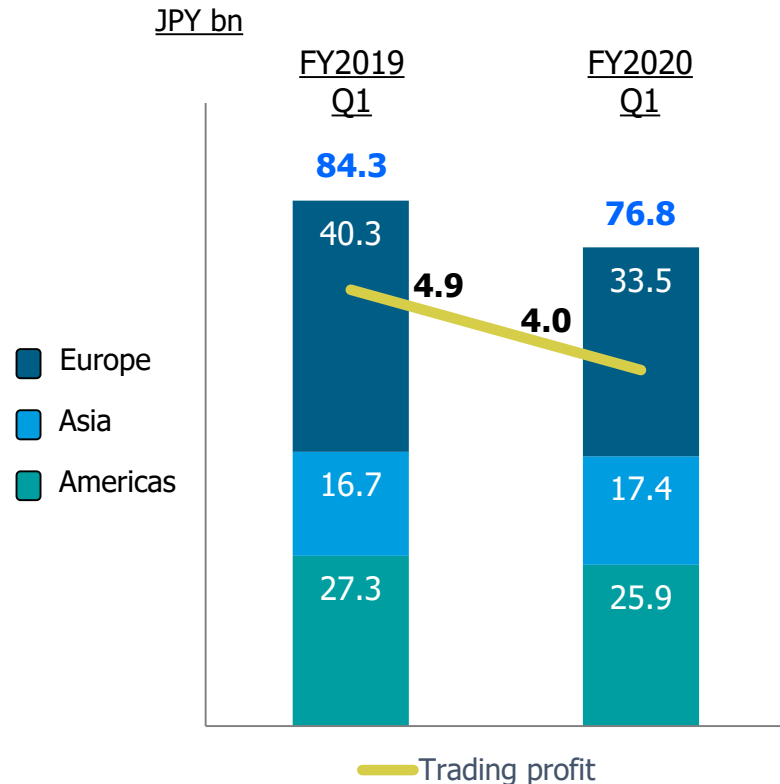
- Revenues and profits benefitted from increased dispatches of solar energy glass
- Demand in Japan remained flat, while South East Asia was affected by weaker prices

Americas (Revenue ▼, Profit ▲)

- Solar energy glass volume growth, while domestic demand affected by increased supply of glass and adverse weather conditions in North America
- Local currency results improved in South America

Automotive – FY2019 Q1 vs FY2020 Q1

Slowdown in new car production in European markets



Europe (Revenue ▼, Profit ▼)

- Results affected by reduction in volumes both in OE and AGR

Asia (Revenue ▲, Profit ▲)

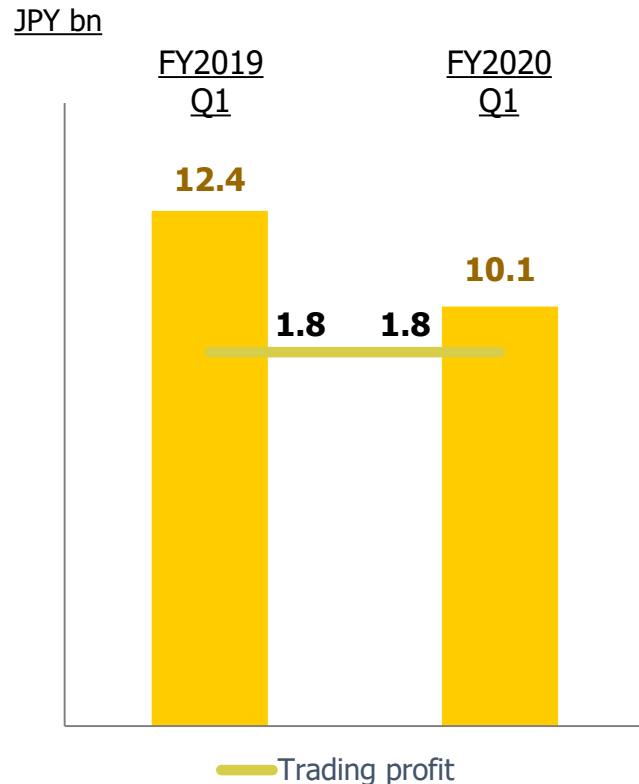
- Revenue increased with higher OE volume in Japan

Americas (Revenue ▼, Profit ▲)

- OE profit improvements driven by manufacturing efficiency gains in North America. AGR ahead of the previous year with higher prices
- Profitability in South America was similar to the previous year

Technical Glass – FY2019 Q1 vs FY2020 Q1

Revenue affected by a business disposal, while profits remain unchanged



Technical Glass (Revenue ▼, Profit ►)

- Revenues fell due partly to a business disposal
- Fine Glass profits improved reflecting continued cost reduction efforts
- Revenues and profits of printer lenses and glass cord used in engine timing belts declined due to weaker market conditions
- Metashine™ sales similar to the previous year, while demand continues to be strong in both the car paint and cosmetic fields
- Battery separators results remained solid

Key Action Update

Key step-change actions progressing to return to annual profit growth from FY2021

Accelerating VA shift to achieve the 50 percent target

- Improvement in Automotive OE VA shift expected. Technical Glass and Architectural now at target level



Vietnam

Continuously improving underperforming businesses

- Architectural Glass Japan: implementing profit improvement measures including fixed cost reduction and price increases
- Automotive Glass North America: continuing operational efficiency improvement



Luckey (US)

Executing Strategic Investment projects as planned

- New solar glass lines to be started in Vietnam (H2 FY2020) and the US (H2 FY2021)
- One float line in South America (Argentina; H1 FY2021)



Argentina

Summary

FY2020 Q1

- With market conditions as anticipated, FY2020 Q1 Results were in line with the Group's plan
- Profitability was in line with forecast, due to lower volumes in Automotive Europe and input cost increases, partially offset by growth in solar energy glass volumes and cost efficiencies
- Net debt increased due to the adoption of IFRS 16 "Leases", strategic investments and seasonal changes in working capital

Outlook

- Reconfirming FY2020 forecast with strong efficiency and cost improvement actions mitigating input cost increase and market weakness
- Key step-change actions progressing in line with expectations to return to profit growth from FY2021
- Focus on reduction of working capital to attain positive underlying free cash flow excluding the strategic capital expenditure projects

Notice

The projections contained in this document are based on information currently available to us and certain assumptions that we consider to be reasonable. Hence the actual results may differ. The major factors that may affect the results are the economic and competitive environment in major markets, product supply and demand shifts, currency exchange and interest rate fluctuations, changes in supply of raw materials and fuel and changes and laws and regulations, but not limited.

Nippon Sheet Glass Company, Limited

Appendices

FY2020 Q1 Results

- Revenue & Trading Profit – by Business & Regions
- Revenue & Trading Profit – Quarterly Trend
- Consolidated Balance Sheet
- Consolidated Cash Flow
- Exceptional items
- Exchange Rates
- Impact of IFRS16 “Leases”

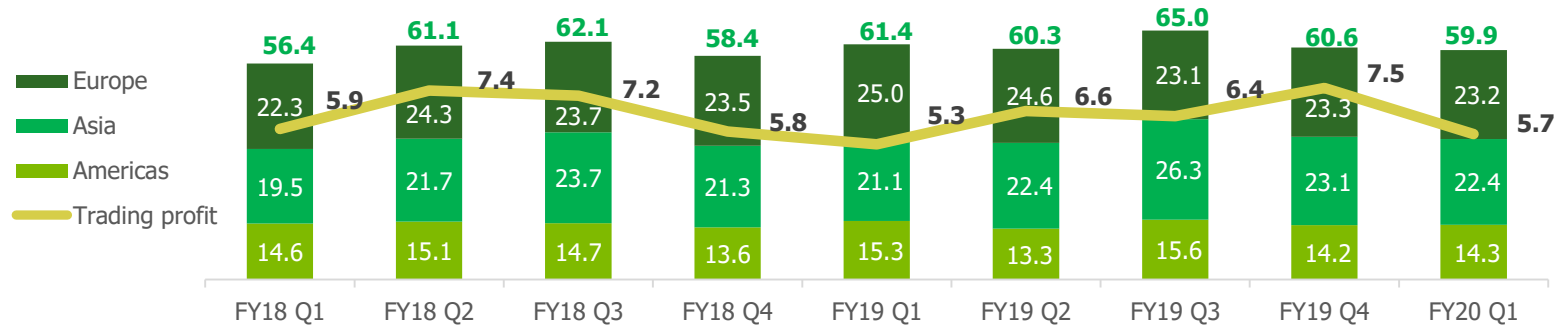
Revenue & Trading Profit – by Business & Regions

Revenue	1st Quarter (Apr - Jun: 3 months)		
JPY bn	FY2019	FY2020	Change
Architectural	61.4	59.9	(1.5)
Europe	25.0	23.2	(1.8)
Asia	21.1	22.4	1.3
Americas	15.3	14.3	(1.0)
Automotive	84.3	76.8	(7.5)
Europe	40.3	33.5	(6.8)
Asia	16.7	17.4	0.7
Americas	27.3	25.9	(1.4)
Technical Glass	12.4	10.1	(2.3)
Europe	2.1	1.7	(0.4)
Asia	9.9	8.0	(1.9)
Americas	0.4	0.4	0.0
Other	0.3	0.3	0.0
Total	158.4	147.1	(11.3)

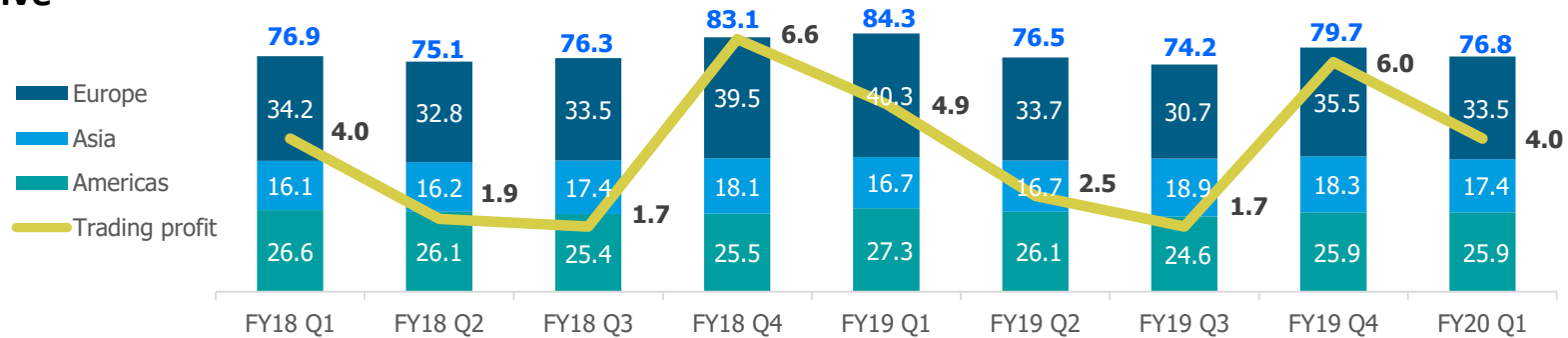
Trading profit	1st Quarter (Apr - Jun: 3 months)		
JPY bn	FY2019	FY2020	Change
Architectural	5.3	5.7	0.4
Automotive	4.9	4.0	(0.9)
Technical Glass	1.8	1.8	0.0
Other	(1.8)	(2.2)	(0.4)
Total	10.2	9.3	(0.9)
Europe	5.8	3.8	(2.0)
Asia	3.6	4.2	0.6
Americas	2.6	3.5	0.9
Other	(1.8)	(2.2)	(0.4)
Total	10.2	9.3	(0.9)

Revenue & Trading Profit – Quarterly Trend

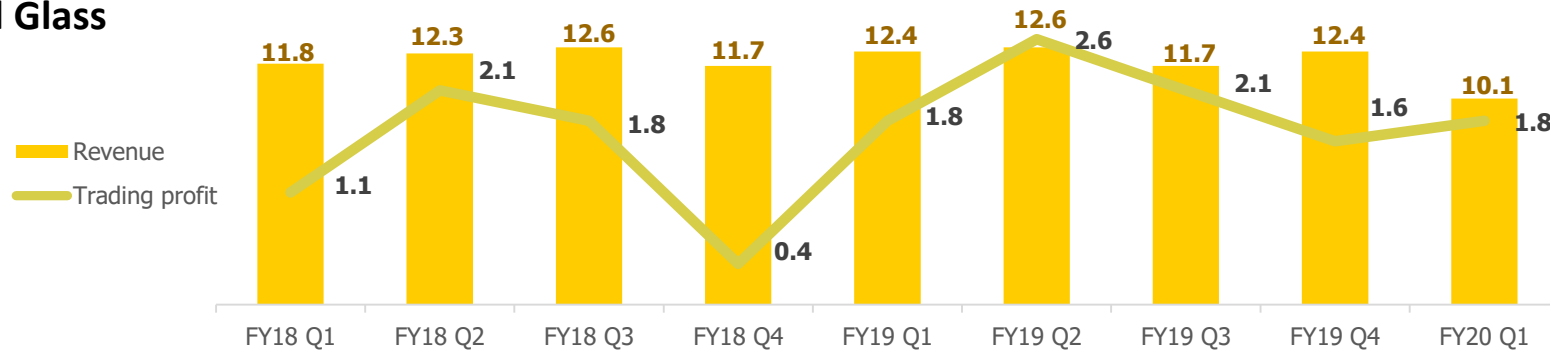
Architectural



Automotive



Technical Glass



Consolidated Balance Sheet

JPY bn	<u>31 March</u> <u>2019</u>	<u>30 June</u> <u>2019</u>	<u>Change</u>
Assets	761.9	784.1	22.2
Non-current assets	516.3	548.2	31.9
Goodwill & intangible assets	161.1	158.2	(2.9)
Property, plant and equipment	241.5	283.5	42.0
Other	113.7	106.5	(7.2)
Current assets	245.6	235.9	(9.7)
Cash & cash equivalents	52.4	39.7	(12.7)
Other	193.2	196.2	3.0
Liabilities	629.4	668.2	38.8
Current liabilities	193.0	196.3	3.3
Financial liabilities	42.2	62.2	20.0
Other	150.8	134.1	(16.7)
Non-current liabilities	436.4	471.9	35.5
Financial liabilities	329.3	366.7	37.4
Other	107.1	105.2	(1.9)
Equity	132.5	115.9	(16.6)
Shareholders' equity	123.8	106.2	(17.6)
Non-controlling interests	8.7	9.7	1.0
Total liabilities and equity	761.9	784.1	22.2

Consolidated Cash Flow Summary

JPY bn	<u>FY2019</u> <u>1st Quarter</u>	<u>FY2020</u> <u>1st Quarter</u>	<u>Change</u>
Profit for the period	6.0	3.1	(2.9)
Depreciation and amortization	7.0	8.7	1.7
Net impairment	(2.6)	0.6	3.2
Gain on disposal of assets	-	(1.0)	(1.0)
Tax paid	(3.2)	(3.2)	-
Others	1.8	1.1	(0.7)
Net operating cash flows before movement in working capital	9.0	9.3	0.3
Net change in working capital	(13.0)	(19.4)	(6.4)
Net cash flows from operating activities	(4.0)	(10.1)	(6.1)
Purchase of property, plant and equipment			
- Strategic projects	-	(13.1)	(13.1)
- Other	(6.4)	(6.0)	0.4
Disposal proceeds	0.1	2.0	1.9
Others	(0.3)	0.4	0.7
Net cash flows from investing activities	(6.6)	(16.7)	(10.1)
Free cash flow	(10.6)	(26.8)	(16.2)

Exceptional items

JPY bn

Gain on disposal of a subsidiary

Restructuring costs, including employee termination payments

Suspension of facilities

Net impairment of non-current assets

Settlement of litigation matters

	<u>FY2019</u> <u>1st Quarter</u>	<u>FY2020</u> <u>1st Quarter</u>
Gain on disposal of a subsidiary	-	1.0
Restructuring costs, including employee termination payments	(0.2)	(0.8)
Suspension of facilities	-	(0.5)
Net impairment of non-current assets	2.7	(0.2)
Settlement of litigation matters	(0.1)	(0.1)
	2.4	(0.6)

Foreign exchange rates

Average rates used

	FY2018				FY2019				FY2020	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Forecast
GBP	142	144	146	147	149	147	146	146	141	145
USD	111	112	111	111	110	111	111	111	109	110
EUR	122	126	128	130	131	130	129	129	124	130
BRR	34.6	35.0	34.8	34.4	30.4	29.3	29.3	29.4	28.0	28.0
ARS	7.06	6.74	6.65	6.30	4.70	-	-	-	-	-

Closing rates used

	FY2018				FY2019				FY2020
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
GBP	146	151	152	150	145	148	141	144	137
USD	112	113	113	106	111	113	111	111	108
EUR	128	132	136	132	128	132	127	124	123
BRR	34.0	35.4	33.9	32.1	28.6	28.2	28.5	28.3	28.3
ARS	6.81	6.42	6.03	5.30	3.94	2.84	2.93	2.53	2.53

FX Sensitivity

Increase (decrease) if the value of the yen increases by 1% (all other things being equal):

(JPY bn)	FY2018	FY2019
Equity	(3.5)	(3.3)
Profit for the period	(0.1)	(0.2)

Oil prices (Brent)

FY2020 Forecast **US\$ 67 per barrel**

Impact of IFRS16 “Leases”

	Impact
Income statement (Annual/Estimate)	
EBITDA	Increase of JPY 9.0bn
Depreciation	Increase of JPY 8.0bn
Operating profit	Increase of JPY 1.0bn
Finance expenses	Increase of JPY 1.0bn
Profit before taxation	Negligible
Balance Sheet (Opening balance adjustment)	
Property, plant and equipment	Increase of JPY 34.2bn
Lease liabilities	Increase of JPY 34.2bn

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