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FY2019 Third Quarter Results

(from 1 April 2018 to 31 December 2018)

Nippon Sheet Glass Company, Limited
31 January 2019

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Chief Financial Officer

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Chief Operating Officer

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Agenda

1. FY2019 3rd Quarter Financial Results
2. FY2019 3rd Quarter Business Update
3. Revision of FY2019 Annual Forecast
4. Summary

FY2019 3rd Quarter Results Highlights

Revenue	JPY **459.5** bn (+3%)	Excluding rapid slowdown in European Automotive markets into Q3, benefitted from stable market conditions
Trading profit	JPY **27.2** bn (-1%)	Profitability growth affected by factors such as increase in energy-related input costs and South American currency depreciation
Profit before taxation	JPY **17.1** bn (+22%)	Improved yoy with net finance expense reduction and better JV results with gain recognized by Cebrace in Q2, reversing sales taxes over-paid in previous years
Taxation	JPY **(5.7)** bn	FY2018 (JPY (14.4) bn) included adjustment regarding US tax rate change
Profit attributable to owners of the parent	JPY **10.5** bn	Significant improvement in net profit
Free cash flow	JPY **(18.3)** bn	Affected by seasonality of working capital movement. Improvement expected towards end of year

Markets stable, except for Europe Automotive slowdown during Q3

Consolidated Income Statement

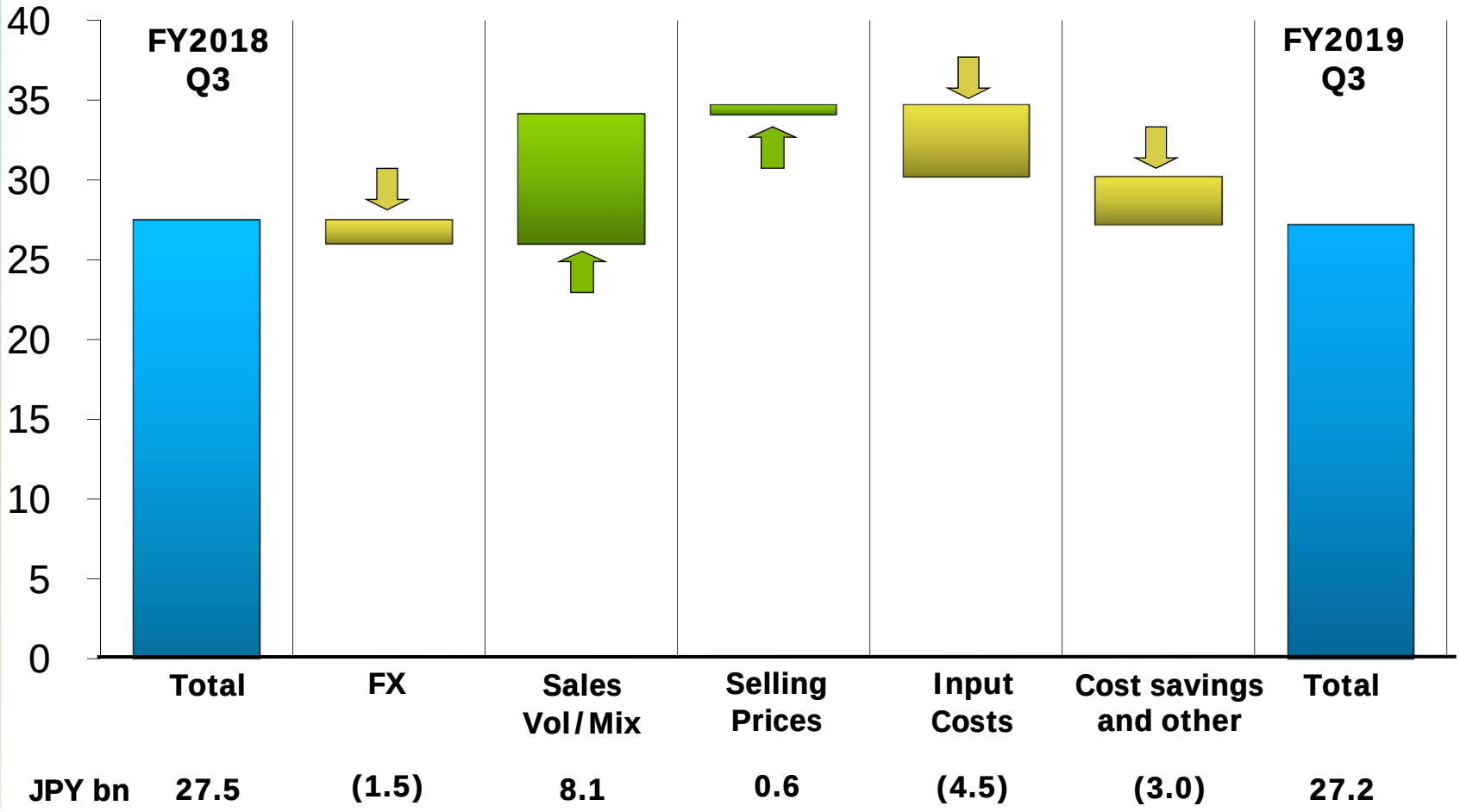
(JPY bn)	FY2018 *1 3rd Quarter	FY2019 3rd Quarter
Revenue	**445.3**	**459.5**
Trading profit	**27.5**	**27.2**
Amortization *2	(1.5)	(1.5)
Operating profit	**26.0**	**25.7**
Exceptional items	(2.5)	(3.3)
Finance expenses (net)	(11.2)	(10.2)
Share of JVs and associates	1.7	4.9
Profit before taxation	**14.0**	**17.1**
Profit / (loss) for the period	**(0.4)**	**11.4**
Profit / (loss) attributable to owners of the parent	**(1.7)**	**10.5**
EBITDA	46.8	46.7

*1: Restated due to adoption of IFRS15 "Revenue from contracts with customers"

*2: Amortization arising from the acquisition of Pilkington plc only

Significant year-on-year improvement in net profit

Change Analysis
Trading profit



Sales volume and mix improved, partly offset by increases in energy-related input costs

Key Performance Indicators

	31-Dec-17 *1	31-Dec-18	31-Mar-18 *1
Net Debt (JPY bn)	334.8	336.8	306.5
Net Debt/EBITDA	5.2x	5.3x	4.8x
Net Debt/Equity Ratio	2.3x	2.6x	2.1x
Shareholders' Equity Ratio	17.4%	15.9%	17.1%
	FY2018 *1 3rd Quarter	**FY2019 3rd Quarter**	**FY2018 *1 Full-year**
Operating Return *2 on Sales	6.2%	5.9%	6.3%

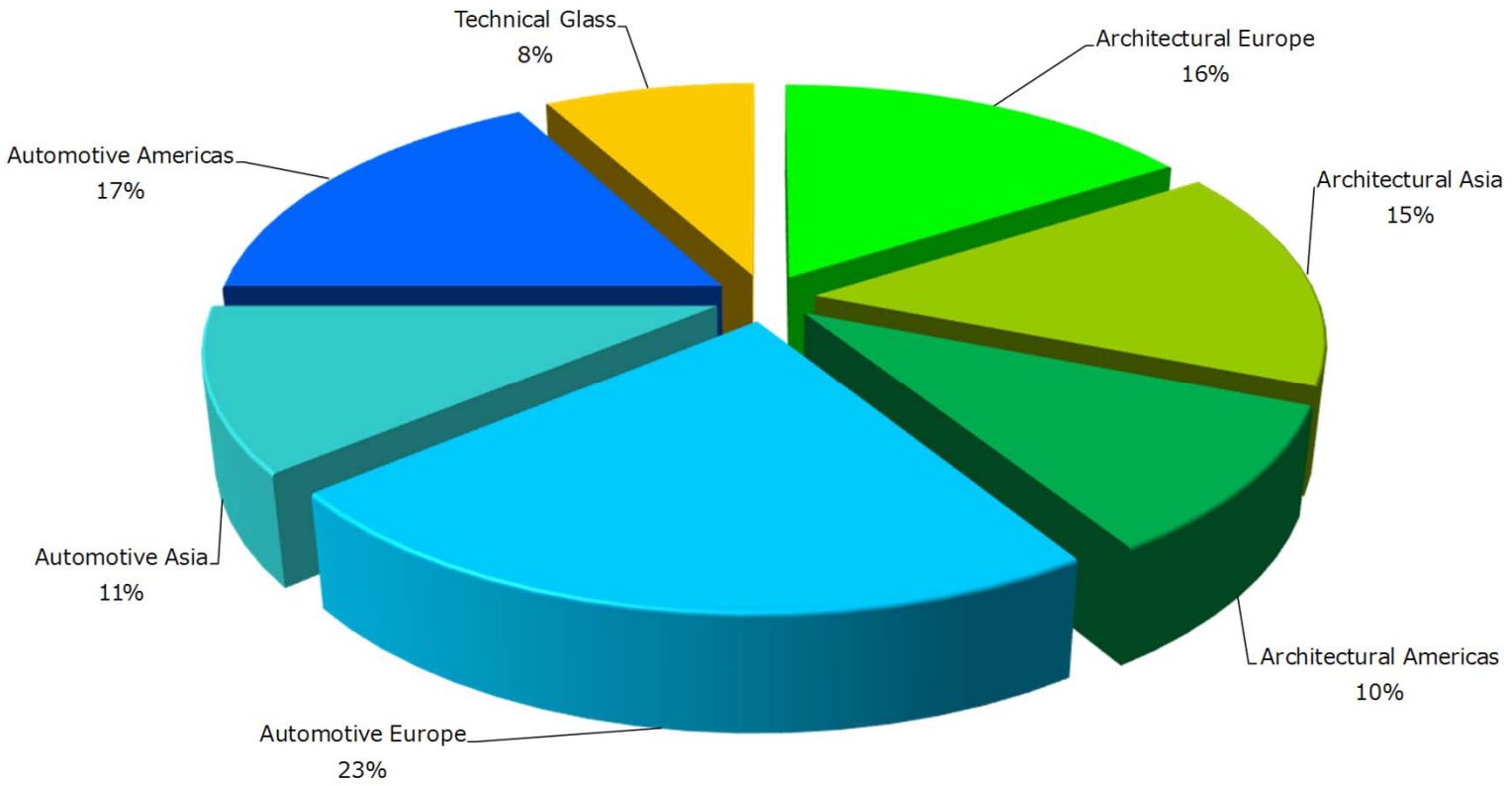
*1: Restated due to adoption of IFRS15 "Revenue from contracts with customers"

*2: Trading profit

Net debt expected to improve towards the end of the year

External Revenue - Group Businesses

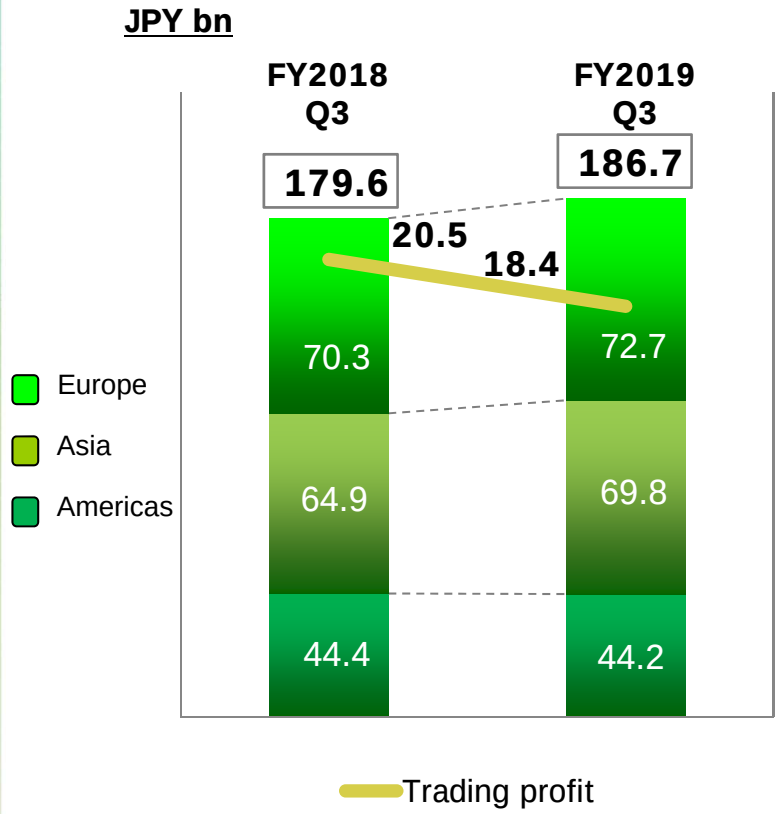
¥ 459.5 billion



FY2019 3rd Quarter

Diversified geographical coverage

Architectural
FY2018 Q3 v FY2019 Q3



Europe（Revenue ↑, Profit ↓）

- Solid performance in Q3, while affected by furnace repair in H1 and input cost increase

Asia（Revenue ↑, Profit ↓）

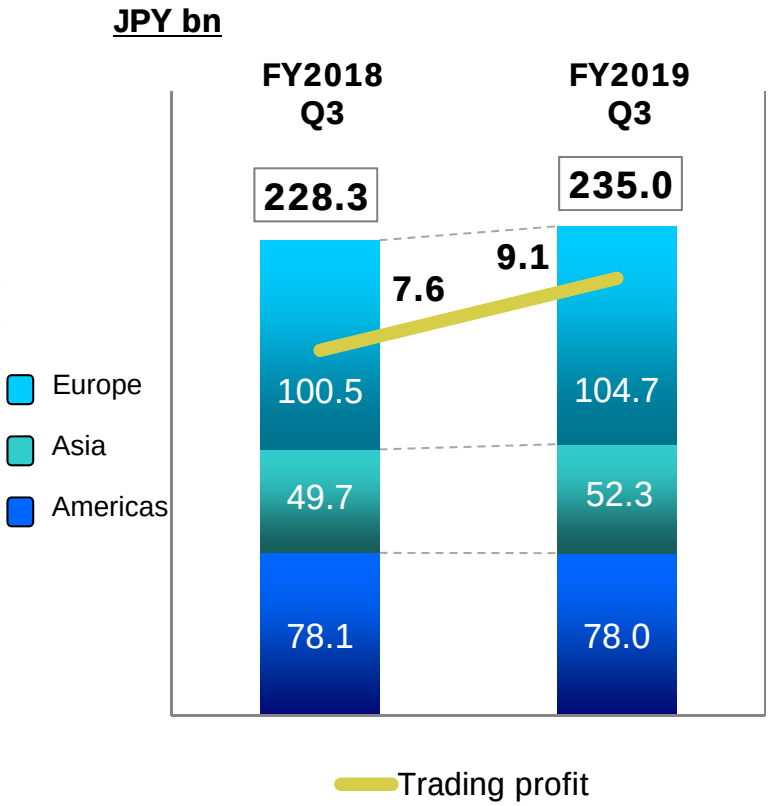
- Revenue increase in Japan improved performance
- Southeast Asia benefitted from increased solar volume offset by impact of increased competition

Americas（Revenue →, Profit ↓）

- North America revenue improved with robust demand and restart of Ottawa facility, but profitability affected by cost push
- South America results in JPY affected by hyperinflation accounting adjustments, despite strong market conditions

Profits affected by input cost increase and hyperinflation

Automotive
FY2018 Q3 v FY2019 Q3



Europe（Revenue⇧, Profit⇧）

- Though markets deteriorated in Q3, significant revenue and profit improvement year-on-year

Asia（Revenue⇧, Profit⇧ ）

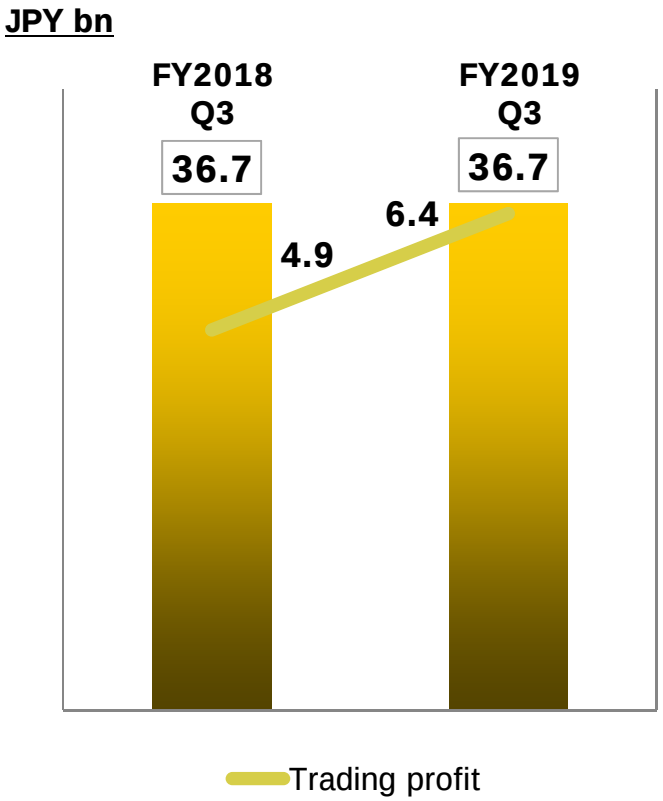
- Production and shipment in Japan was stable in Q3, while affected by natural disasters in H1
- Volumes contributed to improved profitability in AGR

Americas（Revenue⇨, Profit⇧）

- North America OE volumes stable at good level, AGR results improving
- Increasing volume in Brazil, but revenue impacted by currency weakness

While affected by sudden headwind in Europe in Q3, revenue and profit improved year-on-year in most regions

Technical Glass
FY2018 Q3 v FY2019 Q3



Technical Glass
(Revenue ⇨, Profit ⇧)

- Profit in Display improved due to higher revenue and lower cost base
- Firm demand for printer lenses
- Demand for glass cord softened
- Metashine™ sales expansion for automotive paints and cosmetics
- Strong demand for battery separators in Japan, but signs of slow-down elsewhere in Asia

Profit continuing to improve, especially in display

Revision of FY2019 Annual Forecast

(JPY bn)	FY2018 Full year *1	FY2019 Full year forecast (Previous)	FY2019 Full year forecast (Latest)	Change
Revenue	**598.9**	**630.0**	**620.0**	**(10.0)**
Trading profit	**37.7**	**43.0**	**39.0**	**(4.0)**
Amortization *2	(2.0)	(2.0)	(2.0)	
Operating profit	**35.7**	**41.0**	**37.0**	**(4.0)**
Exceptional items	(1.3)	(7.0)	(6.0)	1.0
Finance expenses (net)	(14.6)	(13.0)	(13.0)	
Share of JVs and associates	2.4	3.0	6.0	3.0
Profit before taxation	**22.2**	**24.0**	**24.0**	
Profit for the period	**7.9**	**16.0**	**16.0**	
Profit attributable to owners of the parent	**6.2**	**14.0**	**14.0**	

Revised to reflect latest market conditions

No change to net profit

*1: Restated due to adoption of IFRS15 "Revenue from contracts with customers"

*2: Amortization arising from the acquisition of Pilkington plc only

Revised trading profit forecast reflect recent headwinds in the marketplace. Original forecast of net profit maintained

Revision of FY2019 Annual Forecast

Trading profit revised from JPY 43 bn to JPY 39 bn

- Trading profit forecast to be slightly ahead of previous year results (FY2018: JPY 37.7 billion)
- Reflecting sudden headwind in Automotive markets in Europe, currency depreciation in South America and energy-related cost increase
- Assumptions for Q4

Architectural	Stable market conditions to continue excluding headwinds in Asia and UK	
	Higher energy cost mainly in Europe & Asia; hyperinflation accounting impact in South America	
Automotive	Affected by changes in European markets from Q3, including impact of WLTP and exports of premium marque. AGR business performing well	
	Continued VA shift and efficiency improvement	
Technical	Continued solid performance for most products, with Display fixed cost reduction	

Summary

FY2019 Q3 Results

- Revenues improving reflecting stable market conditions, although sudden slowdown of European automotive markets from Q3
- Trading profits flat, despite headwinds of weak South American currencies and increased energy cost
- Significant increase in net profit

FY2019 Forecast

- Sudden deterioration of European automotive market, although markets generally stable elsewhere
- Full-year revenue and trading profit forecast revised, while net profit forecast remains unchanged. Both trading and net profits to continue to improve year-on-year
- Actions to continue to drive VA shift, efficiency improvement and cost reduction being taken, aiming for the sixth year of trading profit growth

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

- FY2019 3rd Quarter Results
  - Revenue by Business & Regions
  - Trading Profit by Business & Regions
  - Consolidated Balance Sheet
  - Consolidated Cash Flow
  - Exceptional items
  - Exchange Rates
  - Hyperinflation accounting in Argentina

Revenue by Business & Regions
FY2018 Q3 v FY2019 Q3

(JPY bn)	FY2018 * 3rd Quarter	FY2019 3rd Quarter	Change
Architectural	**179.6**	**186.7**	**7.1**
Europe	70.3	72.7	2.4
Asia	64.9	69.8	4.9
Americas	44.4	44.2	(0.2)
Automotive	**228.3**	**235.0**	**6.7**
Europe	100.5	104.7	4.2
Asia	49.7	52.3	2.6
Americas	78.1	78.0	(0.1)
Technical Glass	**36.7**	**36.7**	**0.0**
Europe	5.6	5.8	0.2
Asia	30.1	29.7	(0.4)
Americas	1.0	1.2	0.2
Other Operations	**0.7**	**1.1**	**0.4**
Total	**445.3**	**459.5**	**14.2**

*: Restated due to adoption of IFRS15 "Revenue from contracts with customers"
Pre-IFRS15: JPY 449.4.0 bn [adjustment of JPY (4.1) bn]

Trading Profit by Business & Regions
FY2018 Q3 v FY2019 Q3

(JPY bn)	FY2018 * 3rd Quarter	FY2019 3rd Quarter	Change
by SBU			
Architectural	20.5	18.4	(2.1)
Automotive	7.6	9.1	1.5
Technical Glass	4.9	6.4	1.5
Other	(5.5)	(6.7)	(1.2)
Total	27.5	27.2	(0.3)
by Region			
Europe	12.4	12.5	0.1
Asia	12.8	14.4	1.6
Americas	7.8	7.0	(0.8)
Other	(5.5)	(6.7)	(1.2)
Total	27.5	27.2	(0.3)

*: Restated due to adoption of IFRS15 "Revenue from contracts with customers"
Pre-IFRS15: JPY 27.4 bn [adjustment of JPY +0.1 bn]

Consolidated Balance Sheet

(JPY bn)	31-Mar-18*	31-Dec-18	Change
Assets	**788.6**	**752.1**	**(36.5)**
Non-current assets	**530.8**	**520.2**	**(10.6)**
Goodwill & intangible assets	169.7	163.2	(6.5)
Property, plant and equipment	244.1	240.3	(3.8)
Other	117.0	116.7	(0.3)
Current assets	**257.8**	**231.9**	**(25.9)**
Cash and cash equivalents	64.8	40.9	(23.9)
Other	193.0	191.0	(2.0)
Liabilities	**644.9**	**623.5**	**(21.4)**
Current liabilities	**255.0**	**179.7**	**(75.3)**
Financial liabilities	97.6	47.3	(50.3)
Other	157.4	132.4	(25.0)
Non-current liabilities	**389.9**	**443.8**	**53.9**
Financial liabilities	275.1	333.1	58.0
Other	114.8	110.7	(4.1)
Equity	**143.7**	**128.6**	**(15.1)**
Shareholders' equity	135.2	119.9	(15.3)
Non-controlling interests	8.5	8.7	0.2
Total liabilities and equity	**788.6**	**752.1**	**(36.5)**

*: Restated due to adoption of IFRS15 "Revenue from contracts with customers"

[Assets] Pre-IFRS15: JPY 791.9 bn - adjustment of JPY (3.3) bn

[Equity] Pre-IFRS15: JPY 142.8 bn - adjustment of JPY +0.9 bn

Consolidated Cash Flow Summary

(JPY bn)	FY2018 3rd Quarter *	FY2019 3rd Quarter
Profit/(loss) for the period	(0.4)	**11.4**
Adjustment in respect of US tax rate change	9.6	**-**
Depreciation and amortization	22.1	**21.0**
Net impairment	0.5	**0.1**
Gain on disposal of assets	(3.8)	**-**
Exchange gain on business closure	-	**(0.7)**
Share of profit from joint ventures and associates	(1.7)	**(4.9)**
Tax paid	(4.6)	**(4.4)**
Others	(2.8)	**(1.1)**
Net operating cash flows before movement in working capital	18.9	**21.4**
Net change in working capital	(14.1)	**(18.6)**
Net cash flows from operating activities	4.8	**2.8**
Purchase of property, plant and equipment	(21.6)	**(19.3)**
Disposal proceeds	7.4	**0.3**
Others	(1.1)	**(2.1)**
Net cash flows from investing activities	(15.3)	**(21.1)**
Free cash flow	(10.5)	**(18.3)**

*: Restated due to adoption of IFRS15 "Revenue from contracts with customers"
(Total free cash flow is not affected)

Exceptional Items

(JPY bn)	FY2018 3rd Quarter	FY2019 3rd Quarter
Reversal of impairment of non-current assets	-	**2.7**
Exchange gain on business closure	-	**0.7**
Gain on disposal of non-current assets	2.1	**-**
Gain on disposal of investments in JVs	1.5	**-**
Gain on settlement of insurance proceeds	1.0	**-**
Impairment of non-current assets	(0.5)	**(2.8)**
Restructuring costs	(3.3)	**(2.0)**
Retirement benefit obligations - past service cost	-	**(1.4)**
Suspension of facilities	(3.7)	**(0.4)**
Other items	0.4	**(0.1)**
	(2.5)	**(3.3)**

Exchange Rates

	FY2018 3rd Quarter	FY2018	FY2019 3rd Quarter
Average rates used:			
JPY/GBP	146	147	146
JPY/USD	111	111	111
JPY/EUR	128	130	129
JPY/BRR	34.8	34.4	29.3
JPY/ARS	6.65	6.30	-
Closing rates used:			
JPY/GBP	152	150	141
JPY/USD	113	106	111
JPY/EUR	136	132	127
JPY/BRR	33.9	32.1	28.5
JPY/ARS	6.03	5.30	2.93

Argentina Hyperinflation accounting

Treatments adopted from Q2 FY2019

- In accordance with IAS29 rules, hyperinflation accounting adopted for Argentina subsidiaries from Q2 FY2019
  - Property, plant and equipment, and related deferred taxation balances restated to measuring unit current as at latest balance sheet date
  - Hyperinflation adjustments applied to current year income statement and cash flow
  - Opportunity cost loss on monetary items recorded as a financial expense
  - Income statement and cash flows consolidated using closing rates of exchange

Financial impact at Q3 FY2019 (JPY bn)

<u>Consolidated income statement</u>	
Revenue	(0.8)
Operating profit	(0.4)
Profit after taxation	(1.5)
Attributable to:	
Non-controlling interest	(0.6)
Owners of the parent	(0.9)
<u>Consolidated balance sheet</u>	
Property, plant & equipment	3.8
Deferred tax liability	(0.8)
Total shareholders equity	1.7
Non-controlling interest	1.3
Total equity	3.0


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