NSG

GROUP

100th

NSG Group
FY2019 Third Quarter Results
(from 1 April 2018 to 31 December 2018)

Nippon Sheet Glass Company, Limited
31 January 2019

Kenichi Morooka

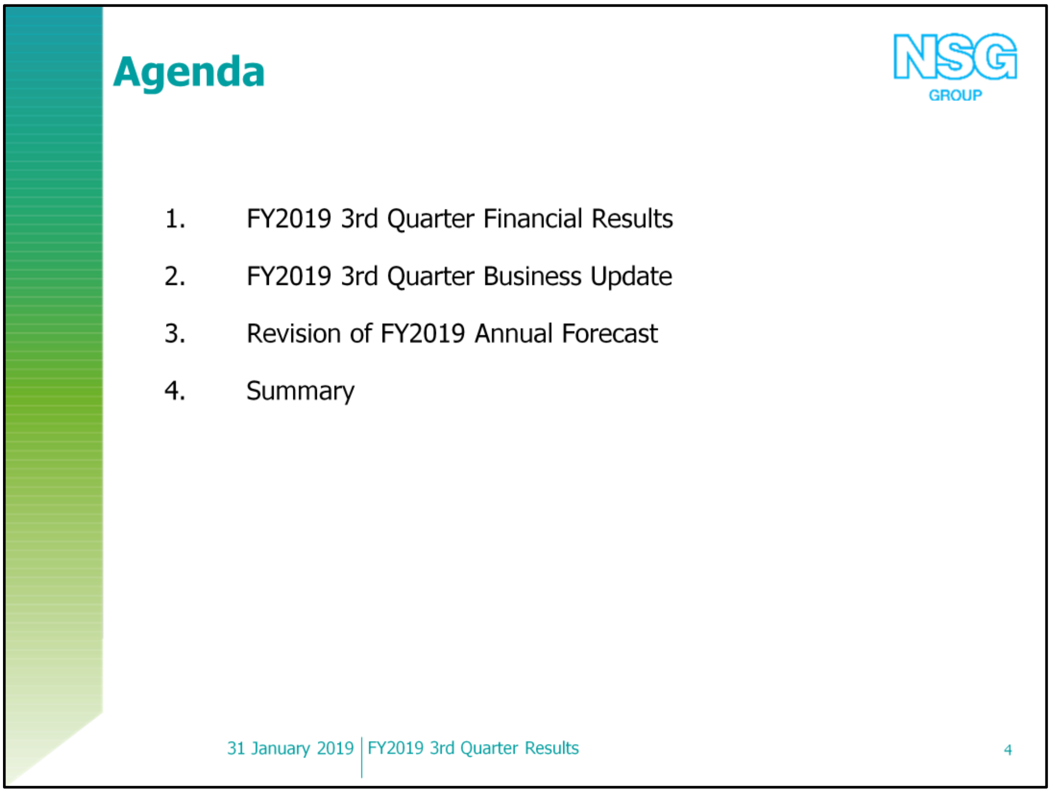
Chief Financial Officer

Clemens Miller

Chief Operating Officer

Iain Smith

Finance Director – Global Finance



Slide 4 shows the agenda for today’s presentation.

FY2019 3rd Quarter Results Highlights

NSG GROUP

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

31 January 2019 | FY2019 3rd Quarter Results 5

Slide 5 sets out the highlights of the FY2019 Third Quarter Results.

Revenue increased by 3% from the previous year to 459.5 billion yen. At constant exchange rates, the increase was 6%. The Group benefitted from stable conditions in most of its markets, excluding the European Automotive markets where the conditions slowed down rapidly during the third quarter.

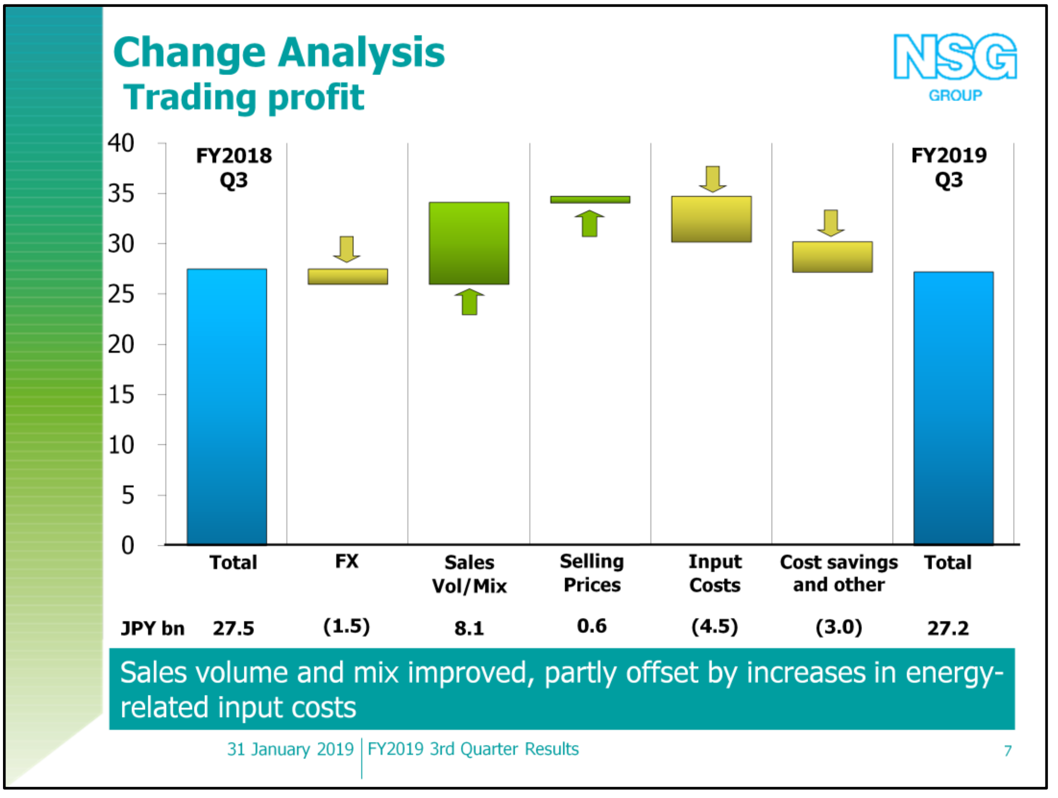
Trading profit of 27.2 billion yen was similar to the previous year, as the profitability growth was affected by the rapid slowdown in European Automotive markets, increase in energy-related input costs and deterioration in the value of South American currencies.

Profit before taxation of 17.1 billion yen showed a significant year-on-year improvement resulting from reduced net finance costs and solid operating performance of Cebrace, the Group’s joint venture in Brazil. In addition, a gain recognized in Cebrace related to sales tax overpaid in previous years contributed to the improvement.

Taxation decreased significantly, as the tax adjustment regarding the US tax rate change arising in the previous year did not recur.

As result, the profit attributable to owners of the parent improved by 12.2 billion yen to 10.5 billion yen.

Affected by the seasonality of working capital movements, free cash outflow was 18.3 billion yen. As seen in the previous years, we are expecting this to improve with a cash generating trend towards the end of this fiscal year.



Slide 7 lays out the analysis of year-on-year trading profit movement.

FX impact is negative mainly due to the declining value of South American currencies, especially Argentine peso, including the impact of hyper-inflation accounting.

Increases in volumes and improvements in product mix were seen in almost all of our businesses and regions.

Prices have generally remained stable across most of our businesses.

Input cost is affected mainly by an increase in energy costs. During Q3, higher natural gas prices in Europe and oil prices in Asia affected our trading profits. Logistics and raw materials costs also increased from the previous year.

The cost savings and other column is negative, due to various factors such as labour and other cost increases, production cost increase in certain regions, the effect of a float repair in Germany, and last year's one-off gains which did not recur in this fiscal year.

As result, sales volume and mix improvement partly have offset by increases in energy-related input costs.

Key Performance Indicators

NSG GROUP

	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"

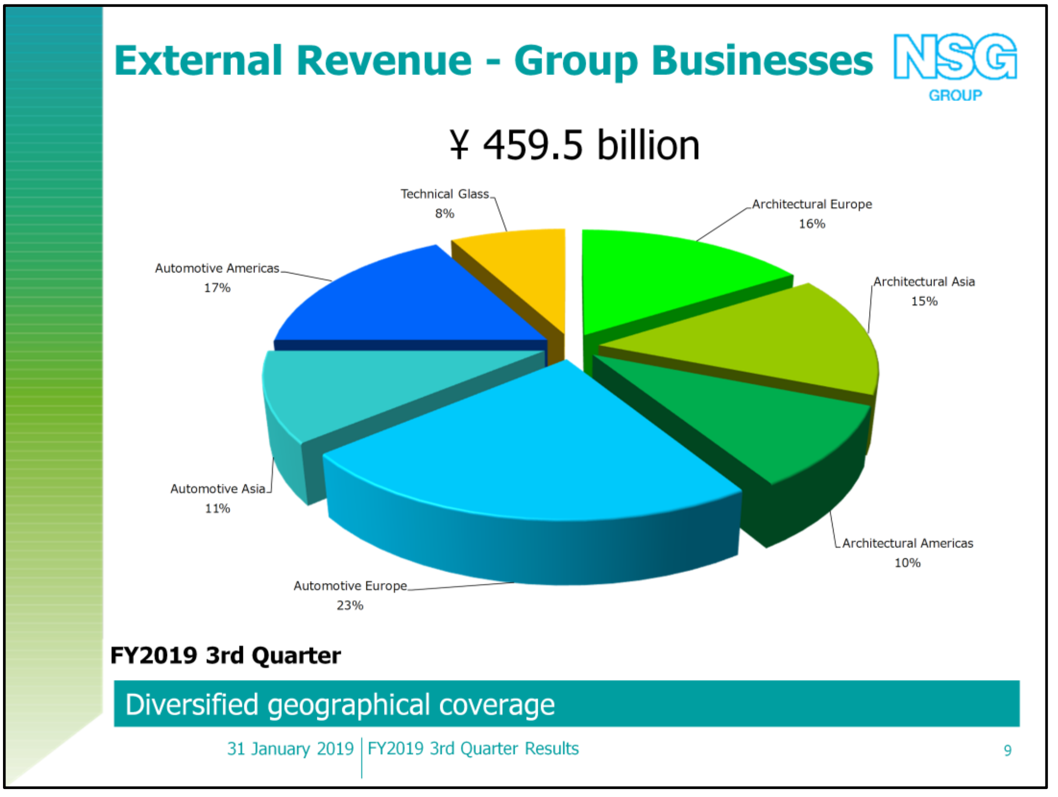
*2: Trading profit

Net debt expected to improve towards the end of the year

Slide 8 sets out the Group's Financial Key Performance Indicators.

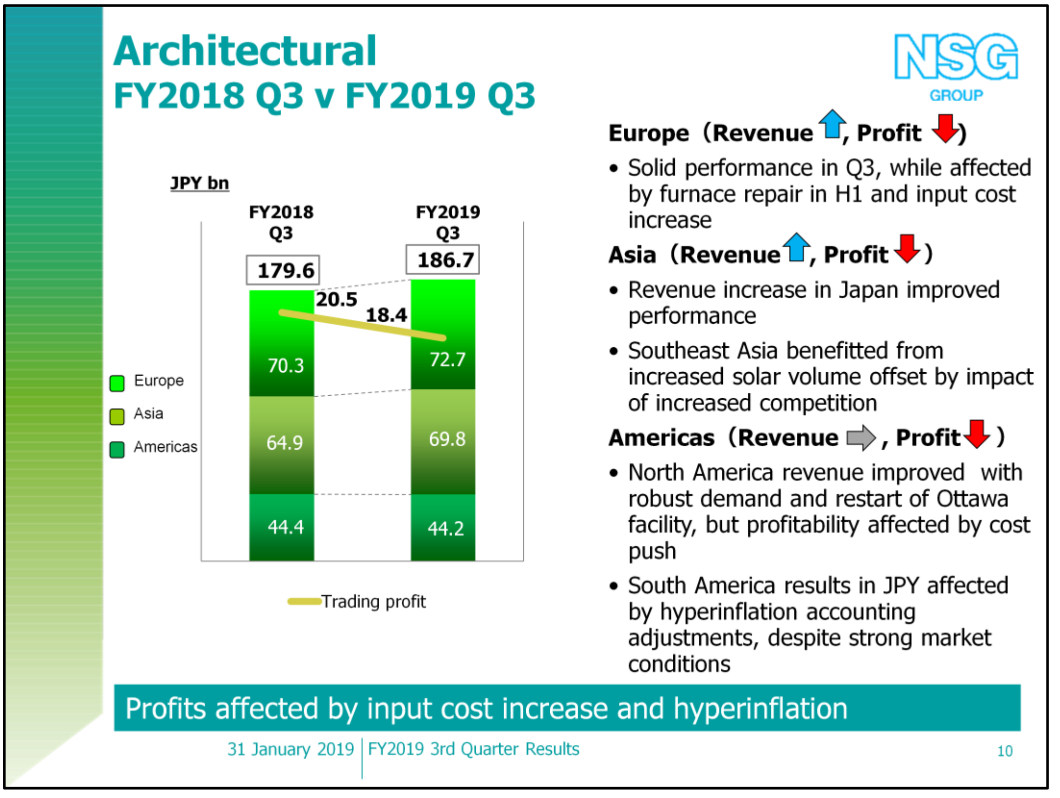
From the left, the first column shows the results of the third quarter last year, the second column is the results of this quarter, and the third column shows last year's full-year results.

Affected by the seasonal working capital movement, net debt was similar to the previous year at 336.8 billion yen. As seen in the previous year, this is expected to improve towards the end of the year.



Slide 9 shows the proportion of sales generated by each of the Group's business segments.

40 percent of the Group's sales are in Europe, 33 percent in Asia including Japan and 27 percent in Americas.



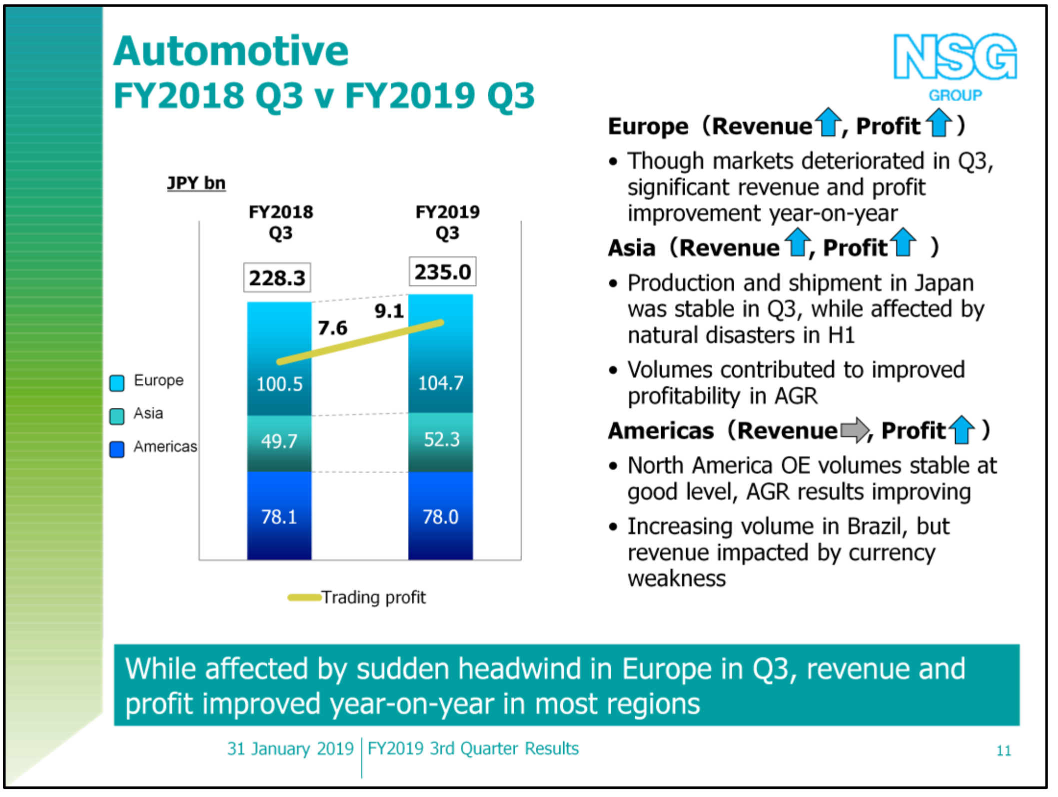
Turning to slide 10, I will discuss the results of each of the Group's businesses. In this slide, we can see the performance of the Group's Architectural businesses.

The revenue in our Architectural business increased by 4% from the previous year to 186.7 billion yen, but due to the increase in input costs and translational impact of weakening South American currencies, the profit decreased by 2.1 billion yen to 18.4 billion yen.

In Europe, revenues increased, supported by robust demand and improved volumes and prices, but the profit decreased due to increased energy-related input costs and effect of a float repair in Germany earlier in the year.

In Asia, while affected by increased input cost, performance in Japan improved due to increased volumes. In South East Asia, increased Solar volumes contributed to profit, while enhanced competitor capacity has brought increased competition into the architectural glass markets.

In North America, revenues improved with robust market demand, in addition to the effect of restarting the Ottawa facility. On the other hand, profit was reduced due to temporary production cost increases. South American markets remain robust and recorded improved local currency revenues and profits. However, affected by hyperinflationary accounting adjustments, revenues and profits translated in Japanese yen decreased.



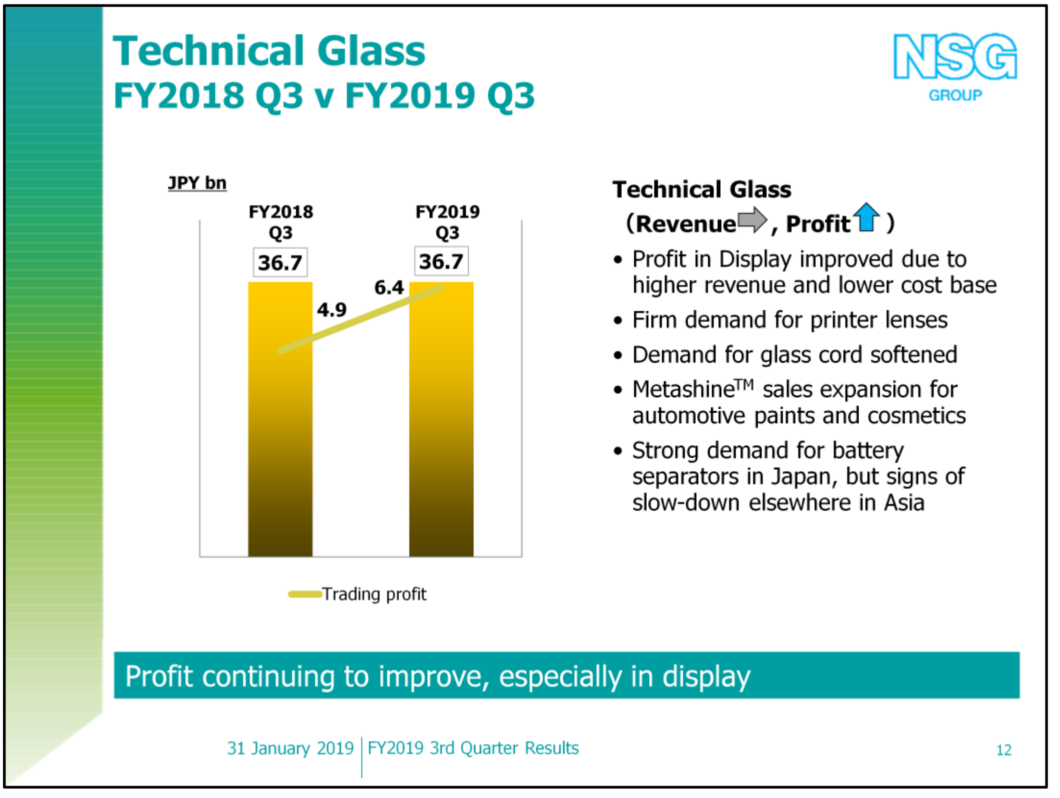
Slide 11 is the Group's Automotive businesses.

Automotive businesses recorded a revenue of 235.0 billion yen, which is an increase of 3% from the previous year. Profit increased by 20% to 9.1 billion yen. The Group's revenue and profits benefitted from stable market conditions, except for Europe where the markets suddenly slowed down.

In Europe, despite softened market conditions in the third quarter after the implementation of WLTP measures in September 2019 and decline in exports of luxury vehicles to China, the Group's revenue and profit increased due to the improvements earlier in the year.

In Asia, production and shipment in Japan was stable during the third quarter, which was affected by the interruptions to the automotive supply chain arising from natural disasters in the first half of the year. In AGR business, volumes increased across the region, contributing to the improved profitability.

In the Americas, profitability in North America was stable due to a good level of volume and improved performance in AGR business. In South America, business performance also improved as Brazilian volumes continue to recover, but was affected by weakening Brazilian Real and Argentine Peso. The impact of hyperinflation accounting is much less material for the Automotive business.



Turning to Slide 12, Technical Glass.
Revenues remained at the same level as the previous year at 36.7 billion yen.
Profits improved by 31% to 6.4 billion yen, as businesses demonstrated solid performance and Display's improved cost base contributed to the profit growth.
Display's results benefitted from higher sales and a lower cost base after the improvement actions taken in the previous year.
Demand for the components used in multi-function printers continues to be firm.
There are signs of softened demand for glass cord used in engine timing belts.
Sales volume of Metashine™ increased, as demand for automotive paint and cosmetics applications was strong.
Battery separator markets showed some signs of slow-down in Asia but in Japan the automotive applications were robust.

Revision of FY2019 Annual Forecast

NSG GROUP

(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

31 January 2019 | FY2019 3rd Quarter Results 13

Please move on to slide 13 “Revision of FY2019 Annual Forecast”.

You can see the chart which is based on our usual income statement format. From the left, the first column shows the last year’s full-year results, the second shows the original FY2019 full-year forecast and the third is the revised FY2019 full-year forecast.

In our latest FY2019 full-year forecast, revenue is now 620.0 billion yen which was reduced by 10.0 billion from the original forecast. Trading profit is now 39.0 billion yen, which was also reduced by 4.0 billion yen. The revised forecast revenue and trading profit are still above the last year’s results.

Original forecast of profit attributable to owners of the parents is maintained, as the Group expects to see reductions in exceptional costs and net finance costs, and improvements in the share of joint ventures and associates’ profits.

I will explain a bit more in details about the revision of the trading profit forecast in the next slide.

Revision of FY2019 Annual Forecast

NSG GROUP

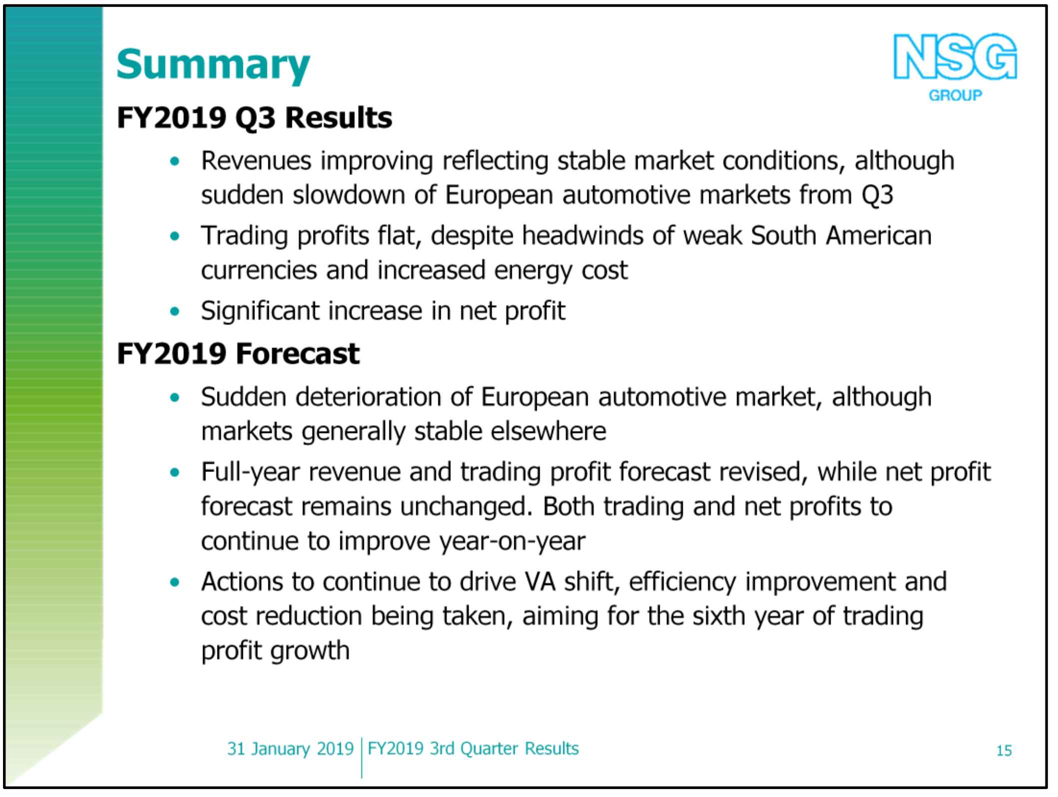
Trading profit revised from JPY 43 bn to JPY 39 bn

- 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	↑

31 January 2019 | FY2019 3rd Quarter Results 14

Turning to slide 14.
The Group expects the markets to be stable for the rest of the year, but the trading profit forecast has been revised to reflect factors such as the sudden slow-down of European Automotive glass markets during the third quarter, continuingly depreciated South American currencies (although this is becoming more stable), and increase in input costs.
Technical Glass SBU is expected to maintain its solid performance, but the results of Architectural and Automotive SBUs are expected to fall below the original forecast. Except for some markets, Architectural markets are expected to be stable generally, but will be affected by the increases in input costs and the impact of hyperinflationary accounting in South America. In Automotive, AGR businesses will continue to perform well, but the OE businesses will be affected by the slow-down of the European markets.



Slide 15 is the summary of today's presentation.
The improvement in Group's revenue reflects the stable conditions of its markets, except for the European automotive markets which experienced a sudden slow-down.
Trading profit remained at the same level as the previous year, as result of increase in energy-related input costs and impact of weakened South American currencies.
Profit attributable to owners of the parent improved significantly from the previous year, due to reduction in net finance costs, an improvement in the share of joint ventures and associates profits which includes an one-off gain, and the non-recurrence of last year's one-off tax charge.
Reflecting the latest market conditions, the Group revised downwards its revenue and trading profit forecast, but it is maintaining its original net profit forecast. The revised trading profit and net profit forecasts are above the previous year's results.
As the Group aims for the six consecutive years of trading profit growth, we will continue to drive the VA shift, efficiency improvement and cost reduction, including introduction of new cost reduction initiatives to reinforce the drive.
Thank you very much, and we now would like to move to Q & A.

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

NSG GROUP

(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

NSG GROUP

(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

NSG GROUP

(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

NSG GROUP

(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

NSG GROUP

	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

NSG GROUP

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)

Consolidated income statement	
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)
Consolidated balance sheet	
Property, plant & equipment	3.8
Deferred tax liability	(0.8)
Total shareholders equity	1.7
Non-controlling interest	1.3
Total equity	3.0

NSG

GROUP