

NSG

GROUP



NSG Group
FY2016 Quarter 3 Results
(from 1 April 2015 to 31 December 2015)

Nippon Sheet Glass Co., Ltd.
29 January 2016

Shigeki Mori
Chief Executive Officer

Mark Lyons
Chief Financial Officer

Iain Smith
Head of Accounting and Taxation

Thank you for joining us for this NSG Group FY16 Quarter 3 financial results presentation. I am Shigeki Mori, President and CEO of the NSG Group.

With me today is Mark Lyons, the Group CFO and Iain Smith, Head of Accounting and Taxation.

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Key Points

Financial Results

Business Update

Forecast and Summary

Slide 4 shows the agenda for today's presentation.

First I will start by summarizing the key points.

Iain will then discuss the financial outcomes and, following that, Mark will discuss the performance of each of our regional businesses and our revised FY16 forecast .

Key Points - April to December 2015



- Trading profit improving from previous quarters
- Challenging competitive environment in Display business
- Indications of improving outlook in Europe
- Improved performance in Japan
- Performance in North America and South East Asia remains strong
- Difficult market conditions persist in South America

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Slide 5 lays out the key points for this quarter.

Today we announced the third quarter results and year-end forecast for FY2016.

Our trading results are summarized in this slide 5.

Our Display and South American businesses continue to face difficult environment.

However, reflecting the strong performance of our businesses in Japan, North America and Southeast Asia, we made a steady progress over last quarter. In Europe, we are seeing some positive indications.

Back in October, we announced the year-end forecast only for revenue and operating profit.

Today, profits below operating profit were also announced, which will be covered later.

Regrettably we are forecasting a net loss this year.

This is mainly due to poor trading results of some businesses, mainly Display, and the deterioration of joint venture performance in certain emerging economies.

Now, I will hand over to Iain for the financial results.

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Consolidated Income Statement



(JPY bn)	Cum Q3 FY2016	Cum Q3 FY2015
Revenue	479.6	466.6
Trading profit	16.6	16.7
Amortization*	(6.0)	(6.3)
Operating profit	10.6	10.4
Exceptional items	(3.2)	10.7
Finance expenses (net)	(13.7)	(13.4)
Share of JVs and associates	(1.0)	(0.4)
Profit/(loss) before taxation	(7.3)	7.3
Profit/(loss) for the period	(12.3)	5.4
Profit/(loss) attributable to owners of the parent	(14.1)	4.7
EBITDA	41.9	41.2

* Amortization arising from the acquisition of Pilkington plc only

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Thank you, Shigeki. Moving to slide 7. Here we can see the income statement in the usual format.

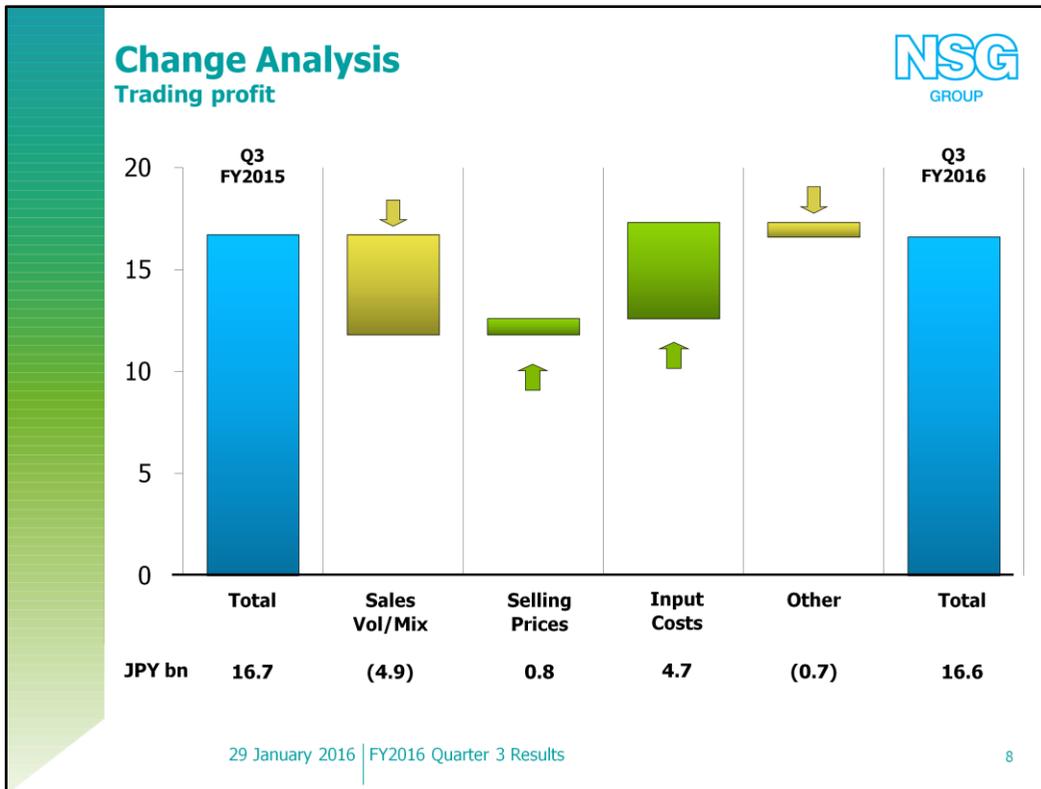
Revenues of 480bn yen are 3% higher than the previous year. At constant exchange rates, revenues would have increased by 1% from the previous year.

The operating result remained at the same level as last year, reflecting the mixed market conditions.

Exceptional items of 3.2bn yen largely reflect some on-going restructuring costs, whereas the previous-year credit was mainly due to a one-off gain on the reclassification of an investment.

Net financial expenses were similar to the previous year, although the Group's share of joint ventures and associates' losses worsened, mainly due to difficult trading conditions in China.

EBITDA improved slightly.



On slide 8 we can see an explanation of the year on year movement in trading profits.

The 'Sales Volume-Mix' variance partly reflects a reduction in sales in thin glass for displays, due to a challenging competitive environment in this area.

Price reductions in the Display glass business were more than offset by improved prices elsewhere.

Input costs were reduced by lower energy prices, although increases in batch material costs partially offset this positive effect.

Consolidated Cash Flow Summary



(JPY bn)	<u>Cum Q3</u> <u>FY2016</u>	<u>Cum Q3</u> <u>FY2015</u>
Profit/(loss) for the period	(12.3)	5.4
Depreciation and amortization	31.3	31.2
Net interest paid	(10.7)	(10.5)
Tax paid	(2.9)	(3.3)
Gain on reclassification of investment	-	(13.3)
Others	9.5	(4.0)
Net operating cash flows before movement in working capital	14.9	5.5
Net change in working capital	(13.7)	(7.9)
Net cash inflow/(outflow) from operating activities	1.2	(2.4)
Purchase of property, plant and equipment	(23.0)	(21.8)
Others	(0.4)	4.9
Net cash outflow from investing activities	(23.4)	(16.9)
Cash flow before financing activities	(22.2)	(19.3)

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On slide 9 we can see the cash flow.

The cumulative cash outflow for the three quarters is 22.2bn yen.

Our operating cash flow has become positive, despite the negative working capital movements experienced during the first three quarters. We expect to see further cash flow improvements during the rest of the year.

Key Performance Indicators



	<u>31-Dec-15</u>	<u>31-Dec-14</u>
Net Debt (JPY bn)	399	406
Net Debt/EBITDA	6.8x	7.0x
Net Debt/Equity Ratio	2.3	1.8
	<u>Q3 FY2016</u>	<u>Q3 FY2015</u>
EBITDA Interest Cover	3.4x	3.5x
Operating Return* on Sales	3.5%	3.6%

* trading profit

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On slide 10 we show the key financial ratios.

Net debt decreased compared to the end of Quarter 3 last year, which contributed to the slight improvement in the Net Debt/EBITDA ratio.

The income statement ratios at the foot of the slide are largely unchanged from the previous year.

I'll now hand to Mark who will discuss the performance and outlook of each business and region.

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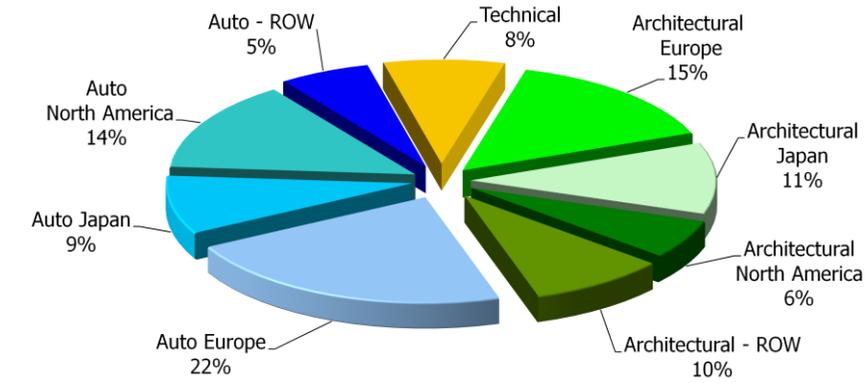
Business Update

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External Revenue – Group Businesses



¥ 479.6 billion



Cumulative Q3 FY2016

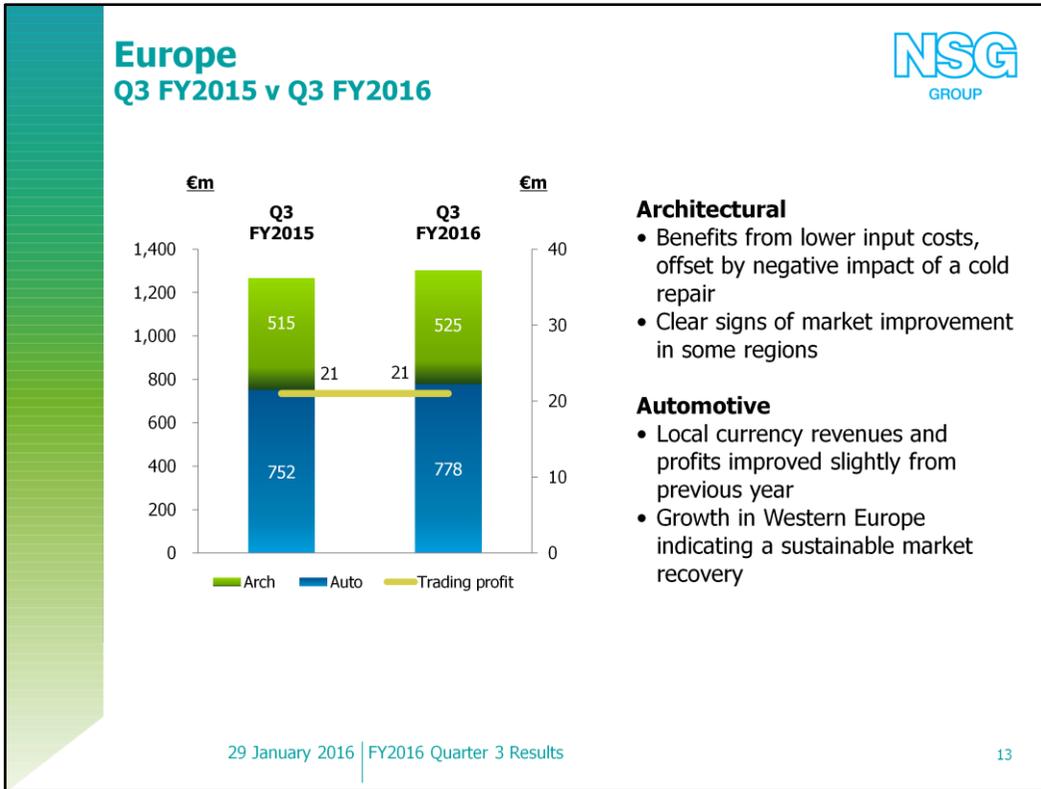
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Thank you, Iain. Let me move to slide 12.

This is our usual slide, which shows the proportion of sales generated by each of the Group's business segments.

38 percent of the Group's sales are in Europe, 24 percent in Japan, 20 percent in North America and 18 percent in the rest of the world.

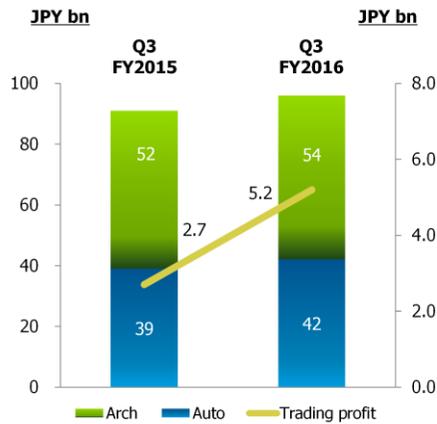


Turning to slide 13, we can see the performance of the Group’s flat glass businesses in Europe.

European architectural markets were fairly stable. NSG’s profitability benefitted from lower energy-related input costs, but was adversely affected by a float repair in Poland. In some regions, we are seeing signs of improvements in market conditions.

In automotive, an increase of vehicle sales in Western European markets seems to be indicating a welcome recovery.

Japan Q3 FY2015 v Q3 FY2016



Architectural

- Profitability improved with increased prices and lower input costs

Automotive

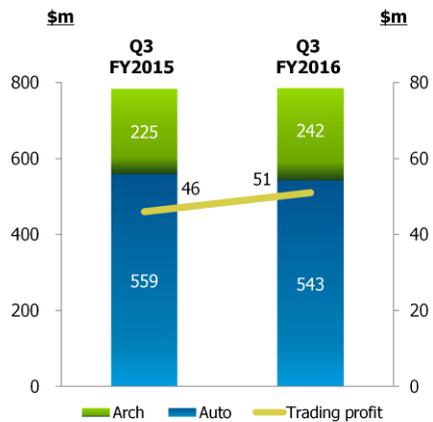
- Revenues and profits ahead of previous year, despite the fall of light-vehicles sales after the revised eco-car incentives

Moving to Japan on slide 14.

In our Architectural business, profitability improved as prices increased, with additional benefits from lower energy-related input costs.

In Automotive, revenues and profits were ahead of the previous year, despite the weakness in the market with light-vehicle sales decreasing following revisions of eco-car tax exemptions.

North America Q3 FY2015 v Q3 FY2016



Architectural

- Strong performance sustained, as architectural markets continue to show growth

Automotive

- Local currency revenues were slightly below the previous year, despite the growth in market volumes

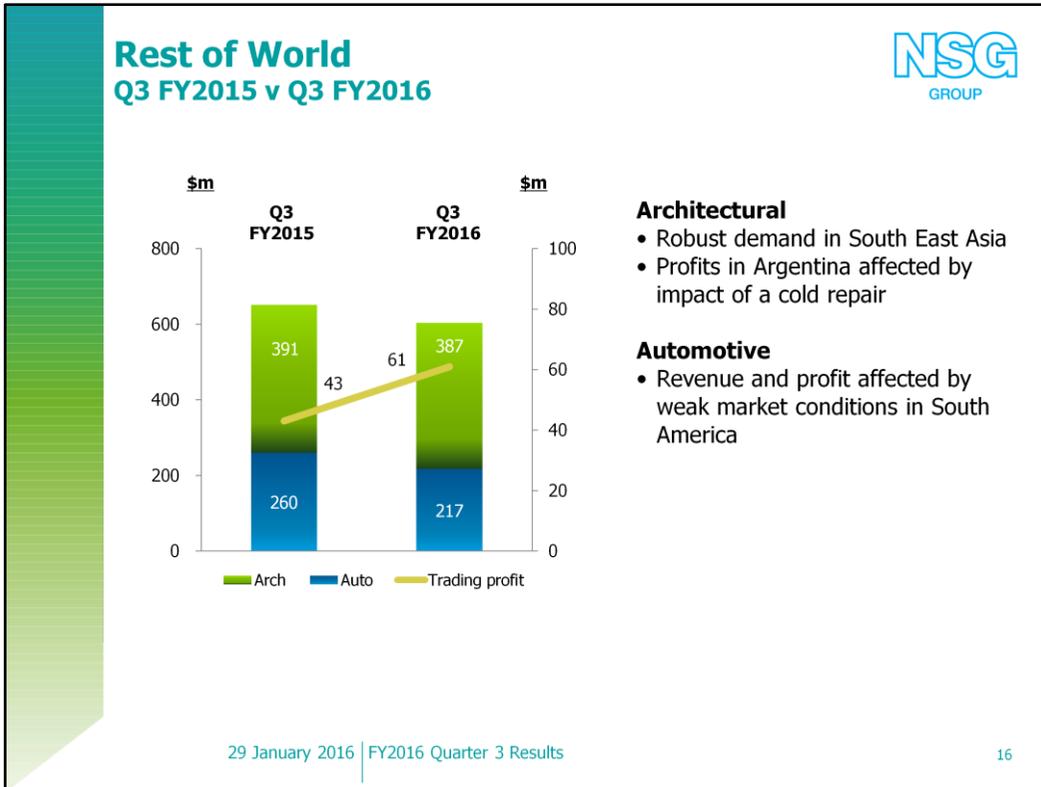
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Turning now to North America on slide 15.

Our Architectural businesses continued to benefit from further market growth.

In Automotive, local currency revenues were slightly below the previous year, although the original equipment market is continuing to grow.

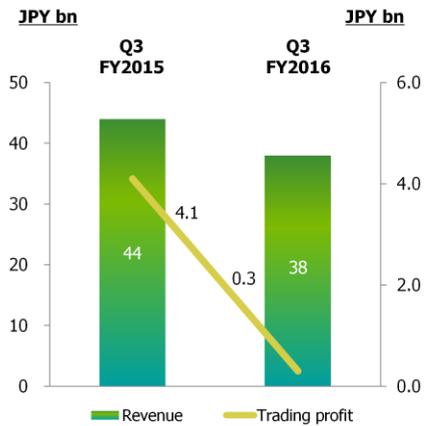


Moving to slide 16.

In the Architectural business for the rest of the world, South East Asia continues to benefit from robust demand, but South America was adversely affected by the float repair in Argentina.

Automotive markets in South America continue to suffer from difficult economic conditions, with a significant decline in vehicle sales from the previous year.

Technical Glass Q3 FY2015 v Q3 FY2016



Technical Glass

- Revenues and profits fell due to challenging competitive environment and production issues in Display
- Demand for components used in office printers softened during the third quarter
- Volumes of glass cord used in engine timing belts were similar to the previous year

Turning now to Technical Glass on slide 17.

Profitability in Technical Glass declined significantly due to a challenging competitive environment in the Display business.

Market conditions in the office printer segment softened during the third quarter, while volumes of glass cord used in engine timing belts were similar to the previous year.

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Revised FY16 Forecast



	<u>Original Forecast</u>	<u>Previous Forecast</u>	<u>New Forecast</u>
(JPY bn)			
Revenue	655	650	650
Operating profit	24	19	19
Profit before taxation	8	-	1
Profit/(loss) for the period	4	-	(6)
Profit/(loss) attributable to owners of the parent	2	-	(8)

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On slide 19, we are showing our revised forecast for FY16.

This slide shows the changes which we have made during the year, from our original forecast presented on 14 May 2015.

We have updated our forecast presented on 29 October 2015. At that point we did not provide a forecast for the income statement sub-totals below operating profit.

Revised FY16 Forecast



- Trading profit forecast as announced at Q2
 - Challenging market conditions expected to persist in display glass business
- Difficult market conditions being experienced by Chinese joint ventures and associates
- Increased tax charges in Europe, North America and South East Asia resulting from improving Architectural performance

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Moving to slide 20.

No changes have been made to the trading profit forecast announced at Q2, although we expect that challenging market conditions will persist in Display glass business.

We also have considered the difficult market conditions being experienced by our Chinese joint ventures and associates, and increased tax charges as result of the improving performance of our Architectural businesses.

Summary



- Trading profit improving from previous quarters
- Challenging competitive environment in Display business
- Indications of improving outlook in Europe
- Improved performance in Japan
- Performance in North America and South East Asia remains strong
- Difficult market conditions persist in South America
- Update of FY16 forecast of profit before taxation, loss for the period, and loss attributable to shareholders

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Please turn to slide 21 for the summary of this presentation.

Our trading profit is showing an improving trend from previous quarters.

Our Display business is suffering from a challenging competitive environment.

In Europe, we are seeing some positive indications in both architectural and automotive markets.

Improvements were seen in the performance of our businesses in Japan.

Our businesses in North America and South East Asia continued to deliver strong results.

Our businesses in South America were adversely affected by the difficult market conditions in that region.

Finally, we have updated our FY16 forecast of profit before taxation, loss for the period, and loss attributable to shareholders.

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 environment in major markets (such as Europe, Japan, the U.S. and Asia), product supply/demand shifts, and currency exchange fluctuations.

Nippon Sheet Glass Co., Ltd.

Appendices

Revenue by Business Q3 FY2016



(JPY bn)	Europe	Japan	North America	Rest of World	Total
Architectural	70.7	53.9	29.6	47.3	201.5
Automotive	104.7	42.2	66.3	26.5	239.7
Technical Glass	6.0	17.8	0.9	13.1	37.8
Others	0.1	0.5	0.0	0.0	0.6
Total	181.5	114.4	96.8	86.9	479.6

Trading profit Q3 FY2016



(JPY bn)	Architectural	Automotive	Technical Glass	Other	Total
Trading profit	16.7	5.0	0.3	(5.4)	16.6

(JPY bn)	Europe	Japan	North America	Rest of World	Total
Trading profit	1.9	1.0	6.1	7.6	16.6

Assumptions



	Q3 FY2015	Q3 FY2016
Average rates used:		
JPY/GBP	176	187
JPY/EUR	141	135
JPY/USD	107	122
Closing rates used:		
JPY/GBP	187	179
JPY/EUR	145	133
JPY/USD	121	121

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