

**NSG**

**GROUP**

# NSG Group Quarter 3 Results

(from 1 April 2008 to 31 December 2008)

13 February 2009

Stuart Chambers – Group Chief Executive

Mike Powell – Group Finance Director

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# NSG Group Quarter 3 Results

(from 1 April 2008 to 31 December 2008)



## Agenda

- Financial Results
- Market Demand & Business Update
- Restructuring Actions
- Full-year Forecast
- Summary

# Key Points - April 08 to December 08

- Unprecedented market deterioration across all markets in all three business lines
- Significant continuing cost push
- Disposal of share of NH Techno Glass Corporation
- Net debt reduced by a further JPY 52 billion to JPY 276 billion since 1 April 08

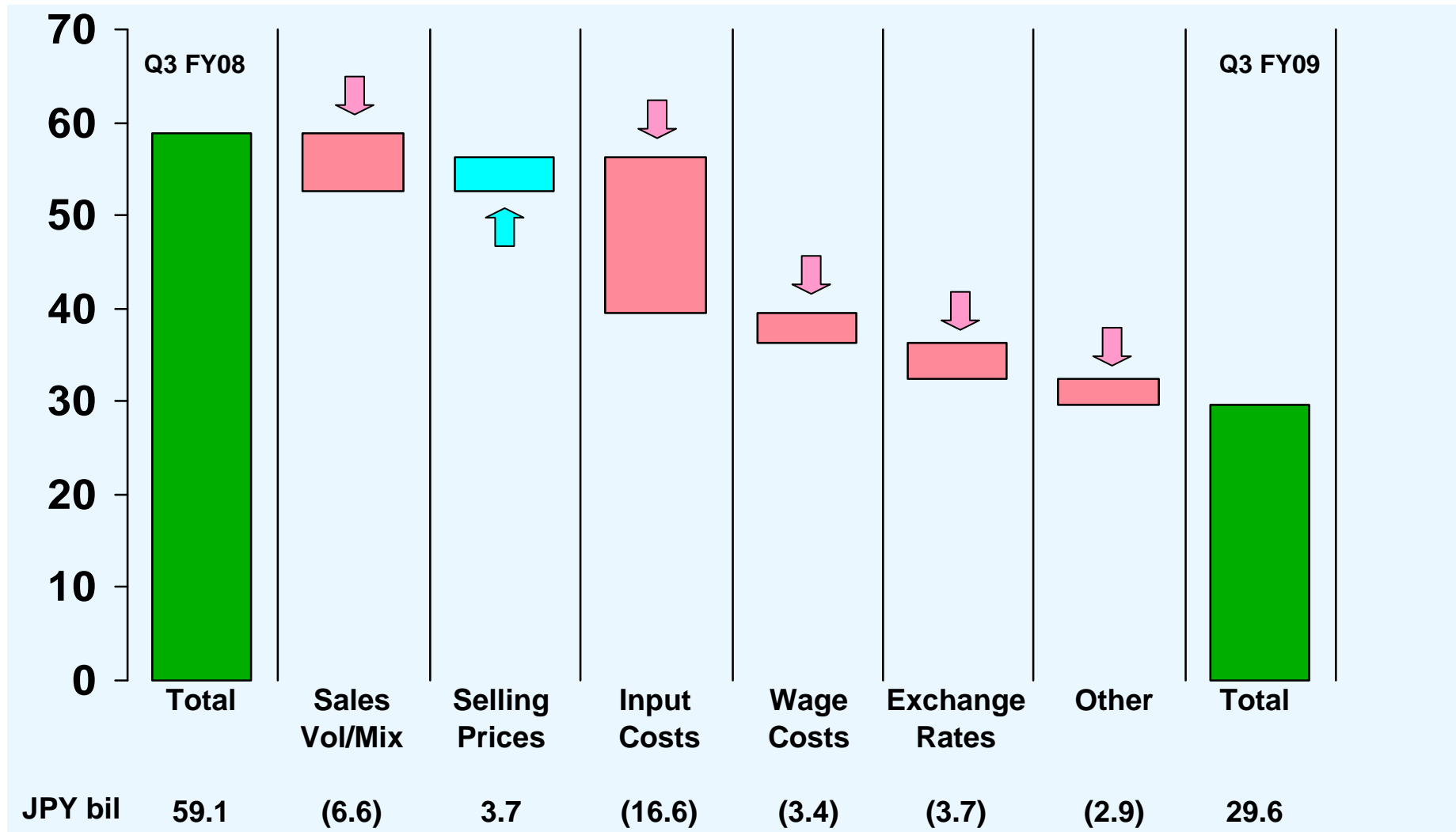
# Cumulative Consolidated Income Statement

<u>(JPY bil)</u>	<u>Q3 FY09</u>	<u>Q3 FY08</u>	<u>Change from FY08</u>
<b>Sales</b>	<b>586.4</b>	<b>648.6</b>	<b>-10%</b>
<b>Op.Income before amortization</b>	<b>29.6</b>	<b>59.1</b>	<b>-50%</b>
Amortization*	(16.2)	(18.3)	
<b>Operating Income</b>	<b>13.4</b>	<b>40.8</b>	<b>-67%</b>
Non-operating items	(8.8)	(11.8)	
<b>Ordinary income</b>	<b>4.6</b>	<b>29.0</b>	<b>-84%</b>
Extraordinary items	25.8	48.5	
<b>Pre-tax Income</b>	<b>30.4</b>	<b>77.5</b>	<b>-61%</b>
<b>Net Income</b>	<b>10.5</b>	<b>60.8</b>	<b>-83%</b>
EBITDA	64.5	96.7	-33%

\* Amortization arising from the acquisition of Pilkington plc only

**Operating income sharply reduced**

# Operating Income Change Analysis



**Significant cost push**

# Non-operating Items

	<b>Q3 FY09 (JPY bil)</b>	<b>Q3 FY08 (JPY bil)</b>
<b>Interest &amp; dividend income</b>	<b>5.3</b>	<b>6.1</b>
<b>Interest expenses</b>	<b>(15.9)</b>	<b>(18.8)</b>
<b>Joint ventures and associates (continuing)</b>	<b>3.8</b>	<b>4.7</b>
<b>Joint ventures and associates (discontinued)</b>	<b>0.0</b>	<b>3.8</b>
<b>Other income &amp; expenses</b>	<b>(2.0)</b>	<b>(7.6)</b>
	<b>(8.8)</b>	<b>(11.8)</b>

**Interest costs fall with reduced debt**



# Extraordinary Items

	Q3 FY09 (JPY bil)	Q3 FY08 (JPY bil)
Gain from sale of securities	7.7	13.2
Gain from sale of discontinued operations	0.0	31.9
Gain on disposal of associates and joint ventures	30.0	0.0
Gain on disposal of fixed assets	0.3	2.5
Impairment loss	(1.2)	(1.3)
EC car glass fine	(8.4)	0.0
Other	(2.6)	2.2
	<b>25.8</b>	<b>48.5</b>

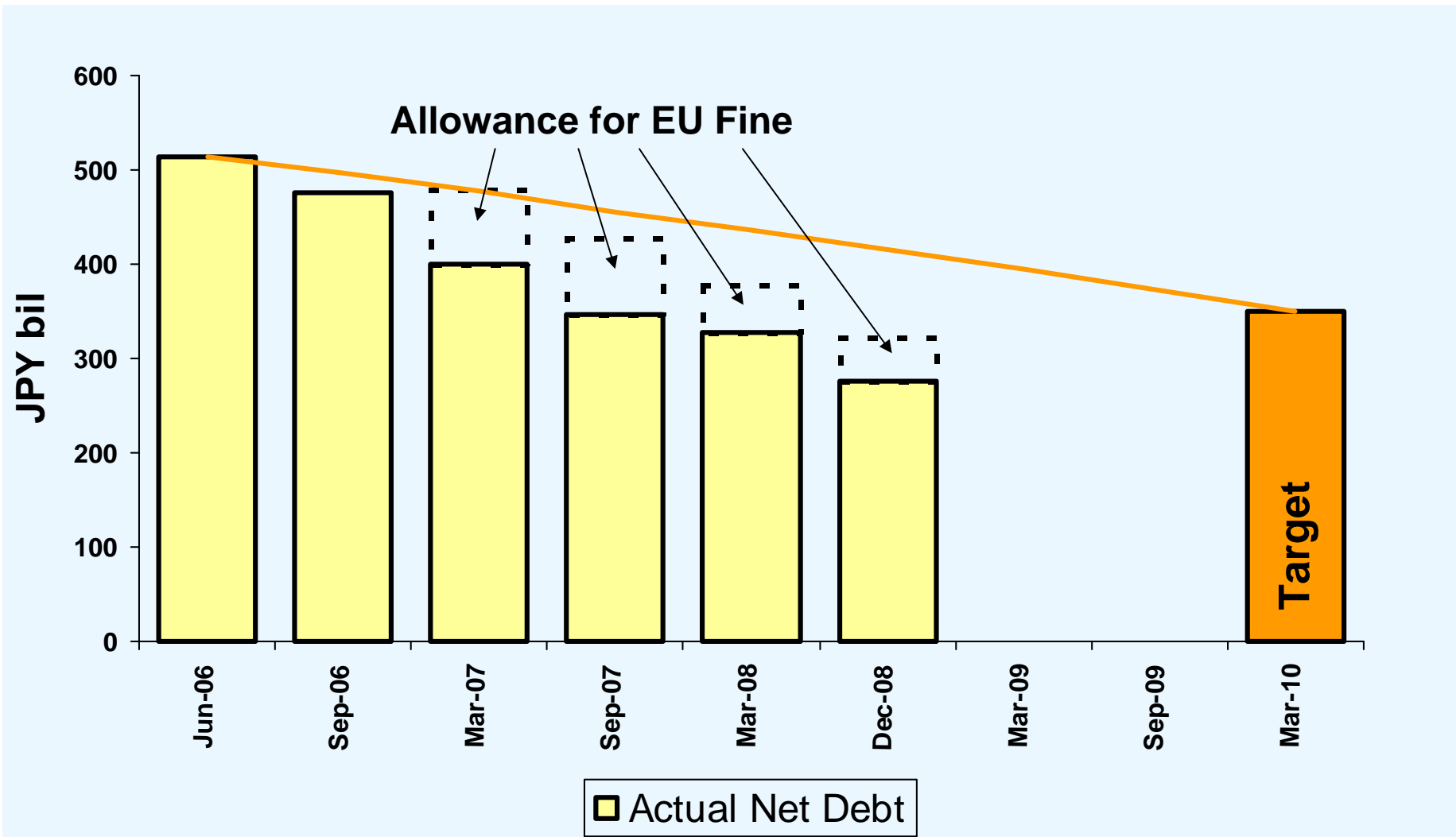
**Main impact from sale of NH Techno Glass Corporation**

# Consolidated Cash Flow Summary

	Q3 FY09 (JPY bil)	Q3 FY08 (JPY bil)	Change (JPY bil)
Income before income taxes and minority interests	30.4	77.5	(47.1)
Depreciation and amortization	51.1	55.9	(4.8)
Increase in working capital	(16.3)	(18.2)	1.9
Net interest & tax paid	(17.0)	(45.2)	28.2
Addback profit on disposal of subsidiaries/investments	(37.7)	(45.2)	7.5
Others	7.5	11.3	(3.8)
<b>Net cash provided by (used in) operating activities</b>	<b>18.0</b>	<b>36.1</b>	<b>(18.1)</b>
Purchase of fixed assets	(34.2)	(33.6)	(0.6)
Disposal of subsidiaries/investments	52.0	84.0	(32.0)
Others	(8.0)	(5.1)	(2.9)
<b>Net cash provided by investing activities</b>	<b>9.8</b>	<b>45.3</b>	<b>(35.5)</b>
<b>Cash flow before financing activities</b>	<b>27.8</b>	<b>81.4</b>	<b>(53.6)</b>

**Disposals generating positive cash flows**

# Net Debt Position and Target



**Continuing good progress on debt reduction**

# Key Performance Indicators

	<u>31-Dec-08</u>	<u>31-Mar-08</u>
Net Debt (JPY bil)	276	328
Net Debt / EBITDA	3.1x	2.7x
Net Debt/Equity Ratio	0.97	0.88
	<u>Q3 FY09</u>	<u>Q3 FY08</u>
EBITDA Interest Cover	5.5x	6.9x
Operating Return on Sales*	5.0%	9.1%

\* Before amortization arising from acquisition of Pilkington plc

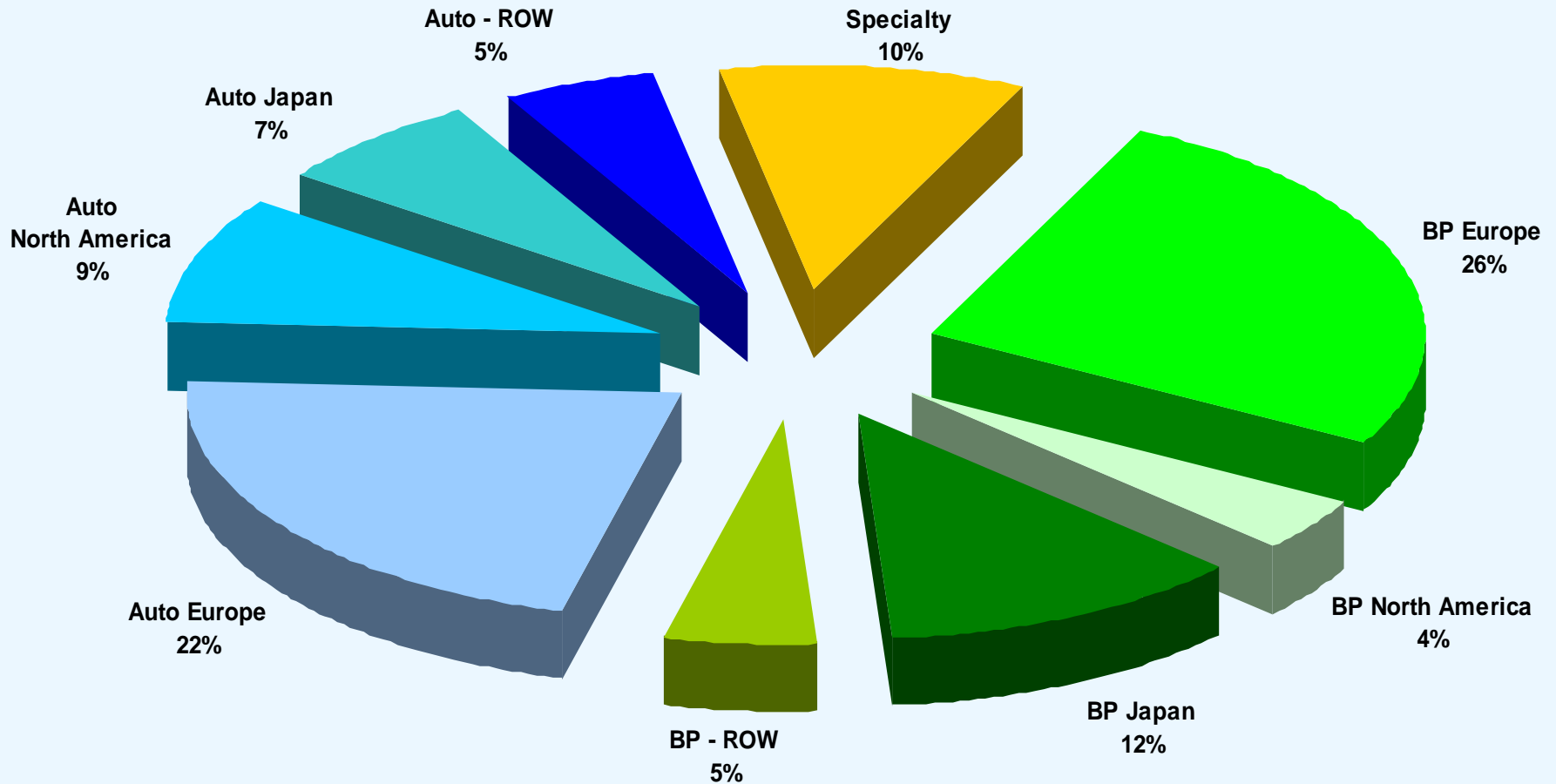
**Ratios weaker on declining EBITDA**

# NSG Group Quarter 3 Results

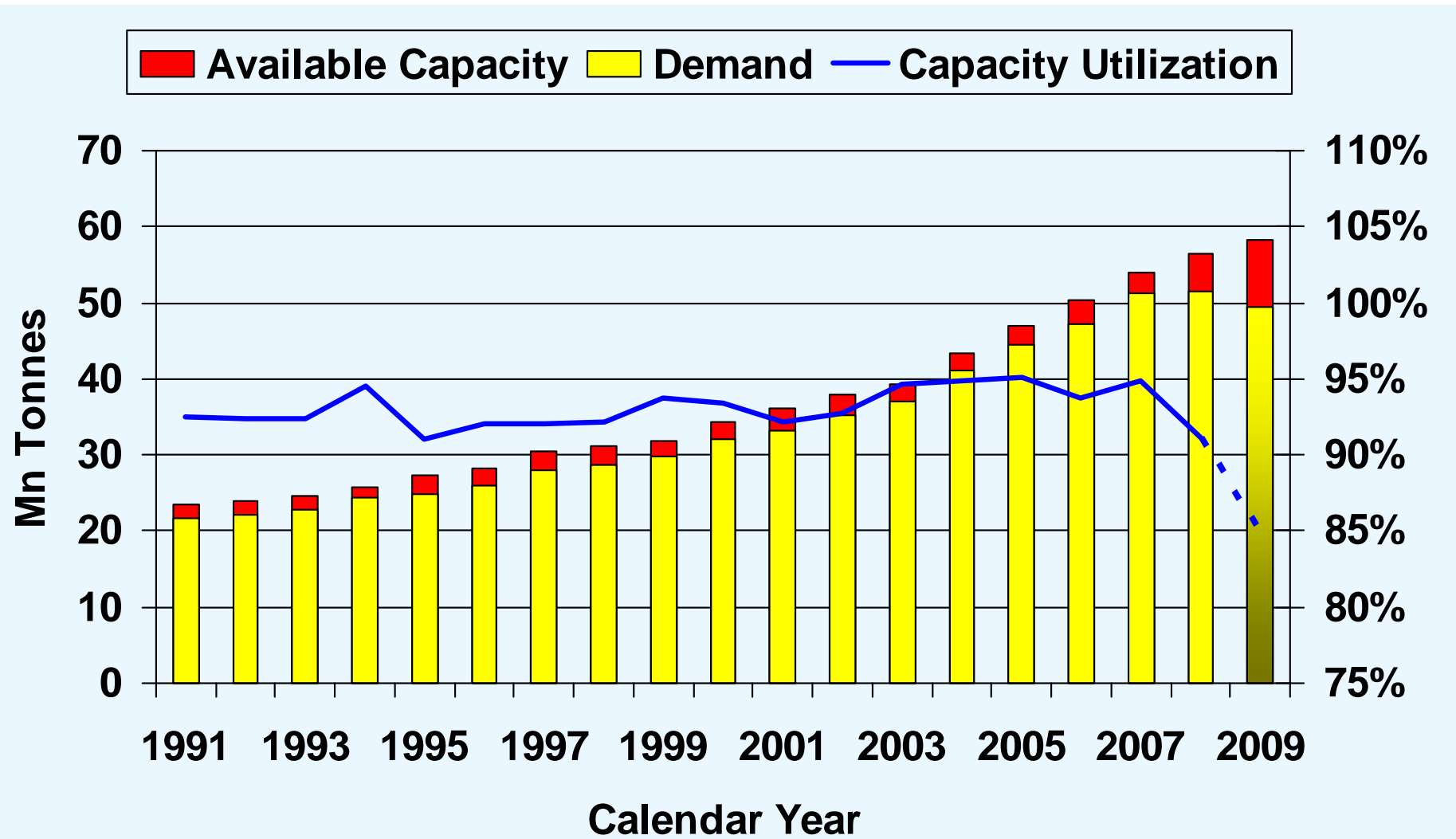
(from 1 April 2008 to 31 December 2008)

- Financial Results
- Market Demand & Business Update
  - Building Products
  - Automotive
  - Specialty Glass
  - Solar
- Restructuring Actions
- Full-year Forecast
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# External Sales – Group Businesses



# Global Flat Glass Capacity and Utilization



# Flat Glass Market Demand Summary

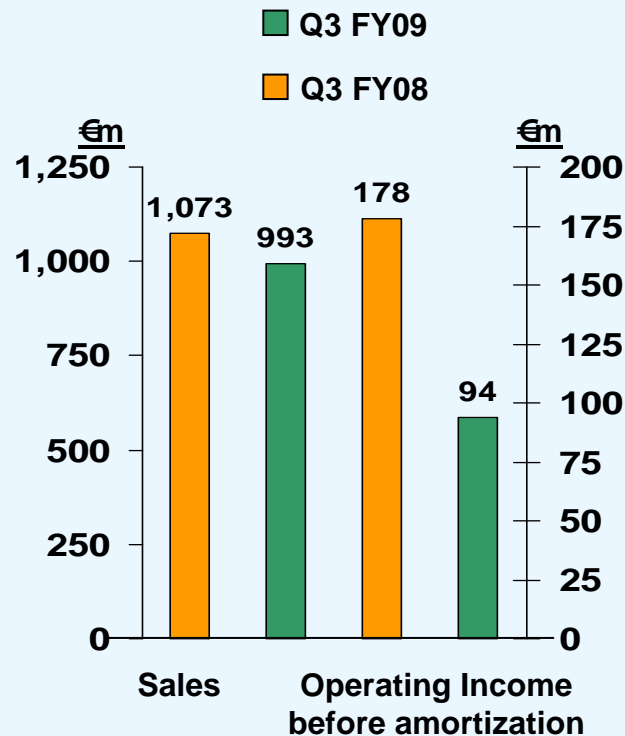
	CY08 vs. CY07	CY09 vs. CY08
Europe	-10%	-11%
US/Canada	-12%	-10%
Brazil	11%	-4%
Japan	-5%	-10%
Vietnam	-20%	-10%

**Demand continues to decline through 2009**

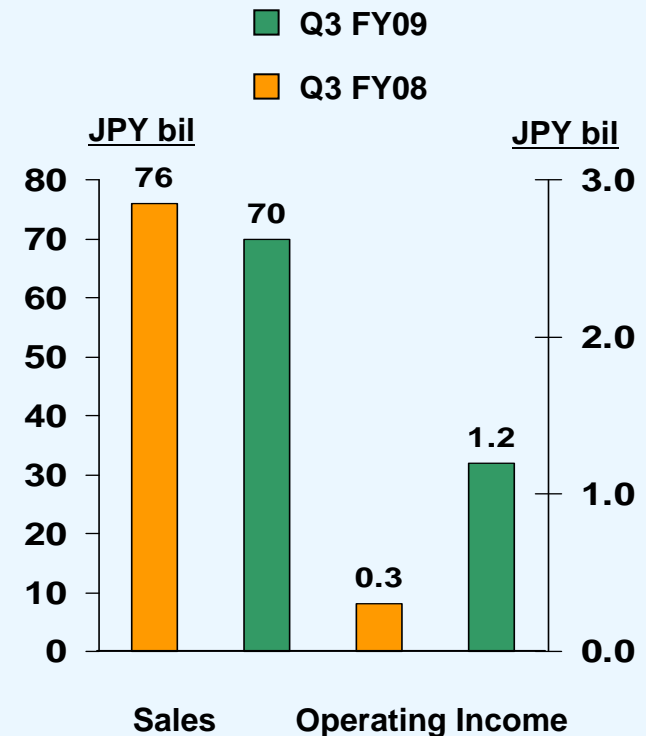


# Building Products

## Europe



## Japan



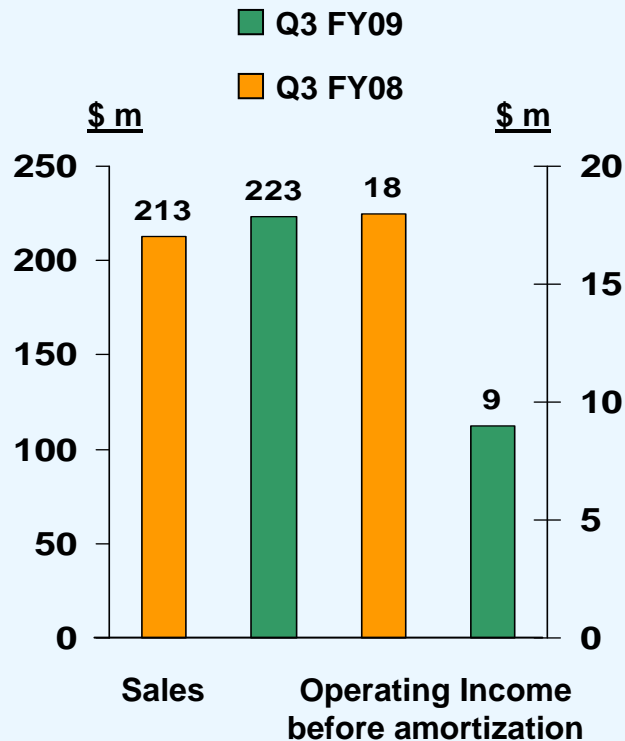
- Prices and volumes declining since September 2008
- Higher input costs and lower selling prices reduce profits

- Commodity volumes reduced from last year.
- Higher prices, improving product mix and restructuring benefits offset higher input costs

Note. Amortization is only that arising on acquisition of Pilkington plc

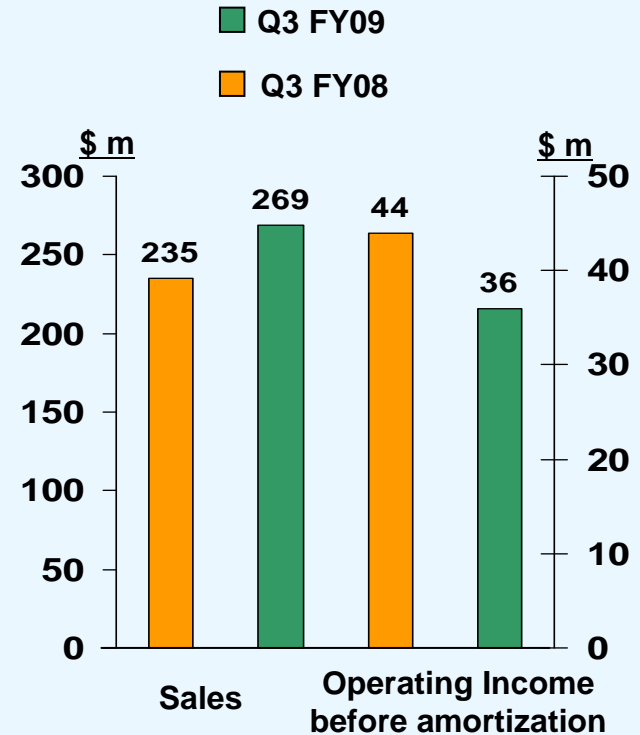
# Building Products

## North America



- Volumes declined since October 2008, prices remain higher than last year, but now weakening.
- Higher input costs and cold repair downtime reduce profits

## Rest of World

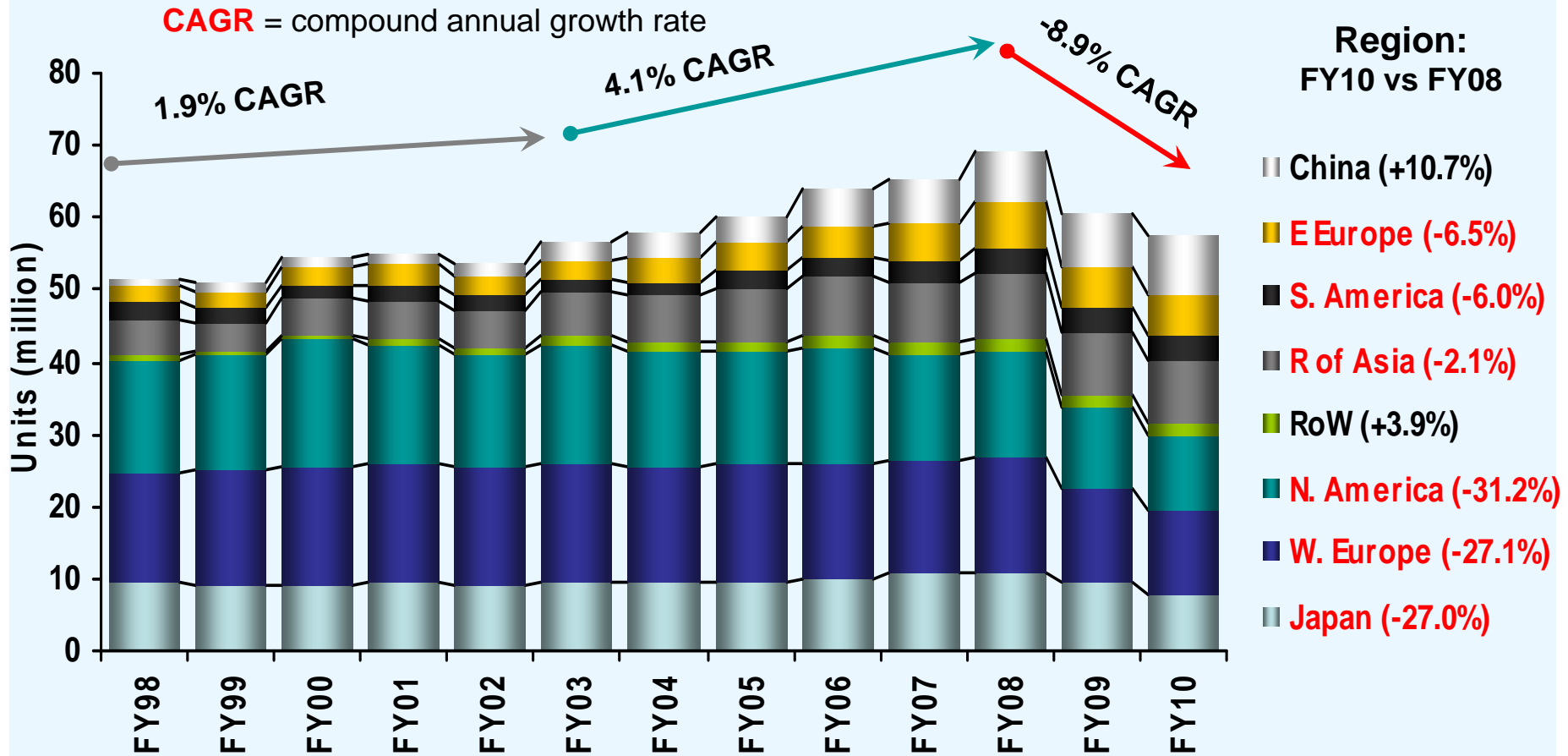


- In South America, profits remain stable despite recent slowdown in market growth.
- In South East Asia profits decline in a weak market

Note. Amortization is only that arising on acquisition of Pilkington plc

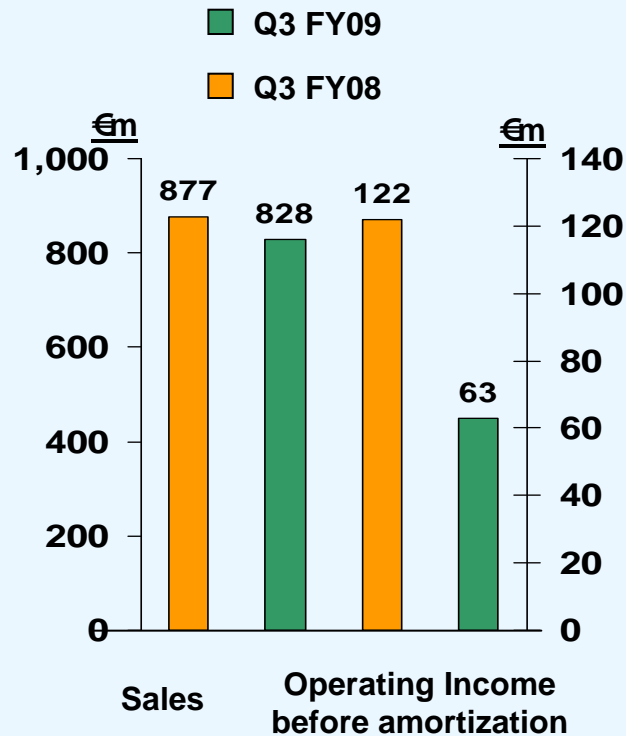
# Global Light Vehicle Build Growth

**CAGR** = compound annual growth rate



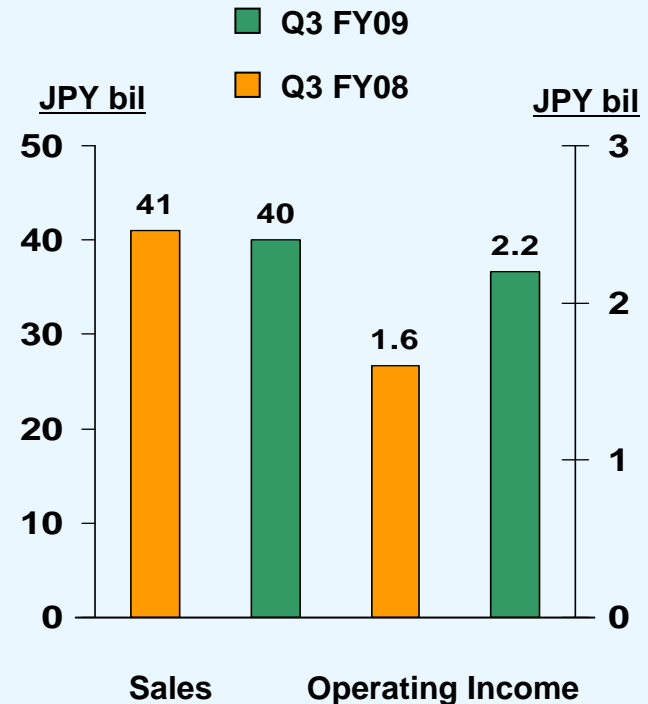
# Automotive

## Europe



- OE results impacted by severely reduced market demand in Q3. AGR market down to a lesser extent.
- Results in Q3 impacted by cost of excess capacity

## Japan

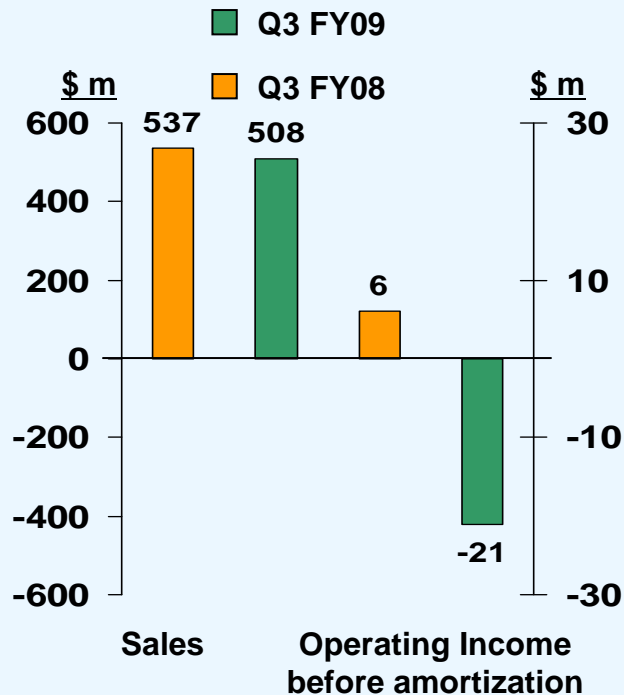


- Revenues slightly down and market volumes reducing strongly after Q3.
- Profits helped by operational improvements and reduced costs.

Note. Amortization is only that arising on acquisition of Pilkington plc

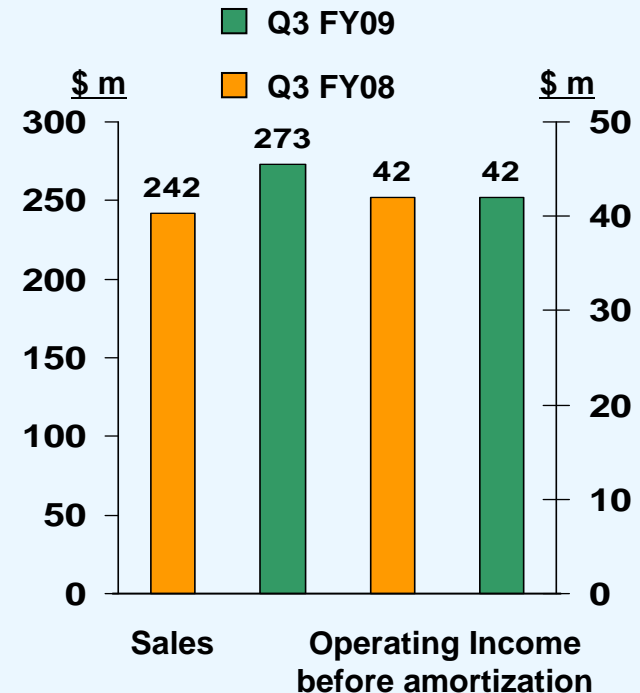
# Automotive

## North America



- OE market decline increasing rapidly in Q3. AGR impacted less
- Overall results driven by lower sales, cost push and float re-build

## Rest of World

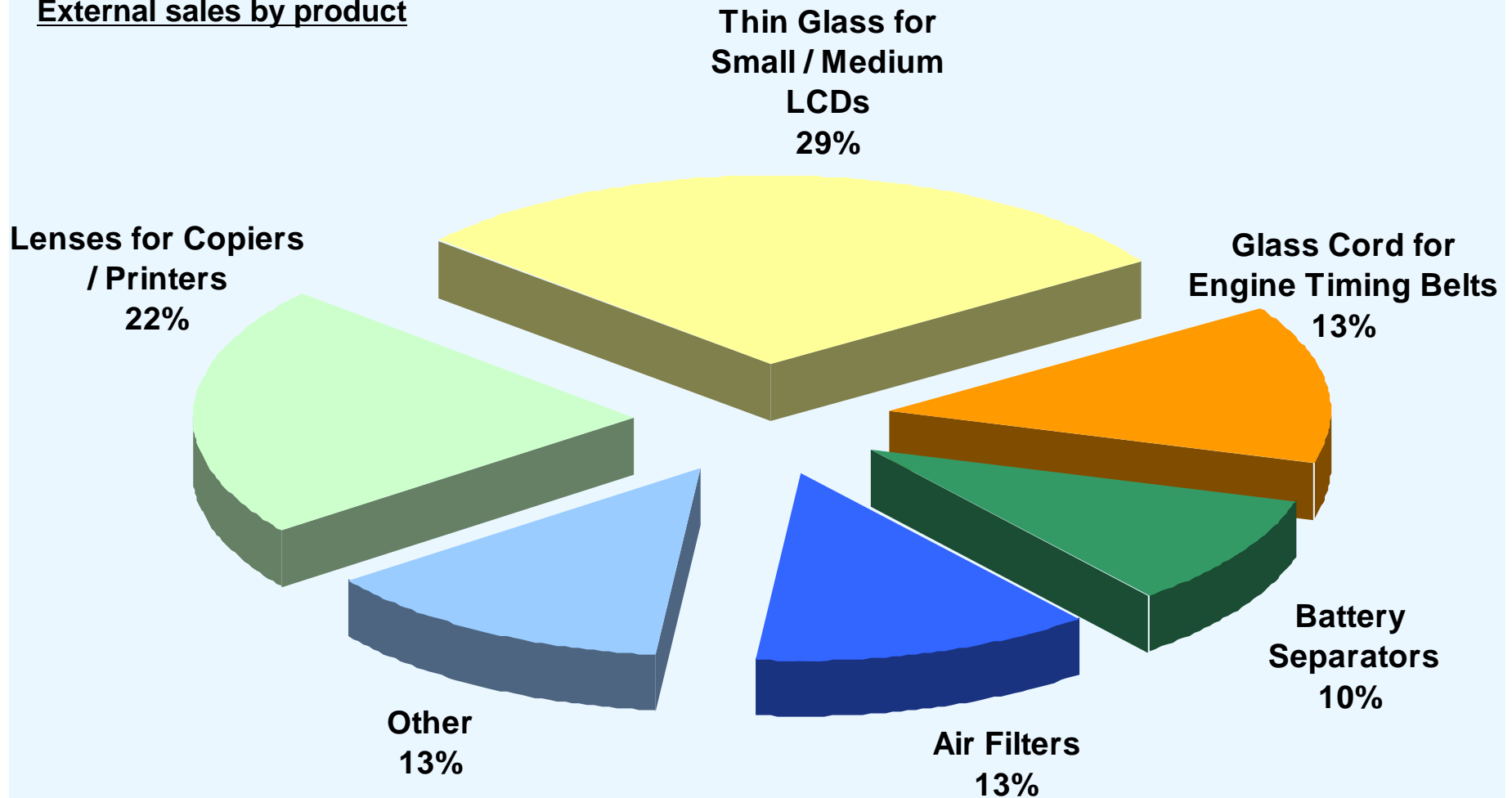


- Revenues relatively robust but rate of growth has started to reduce by end of Q3
- Operational performance remains strong

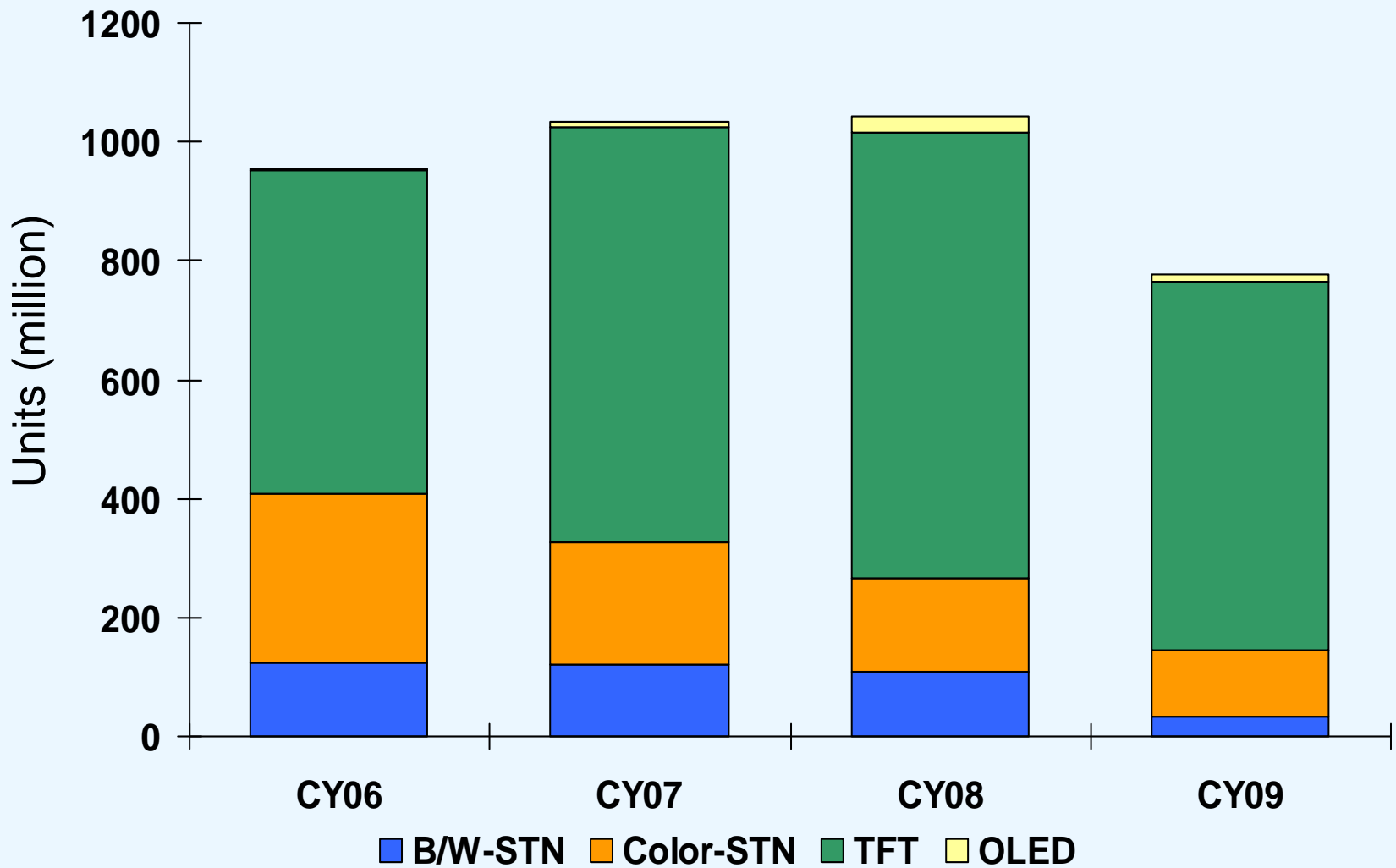
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# Specialty Glass

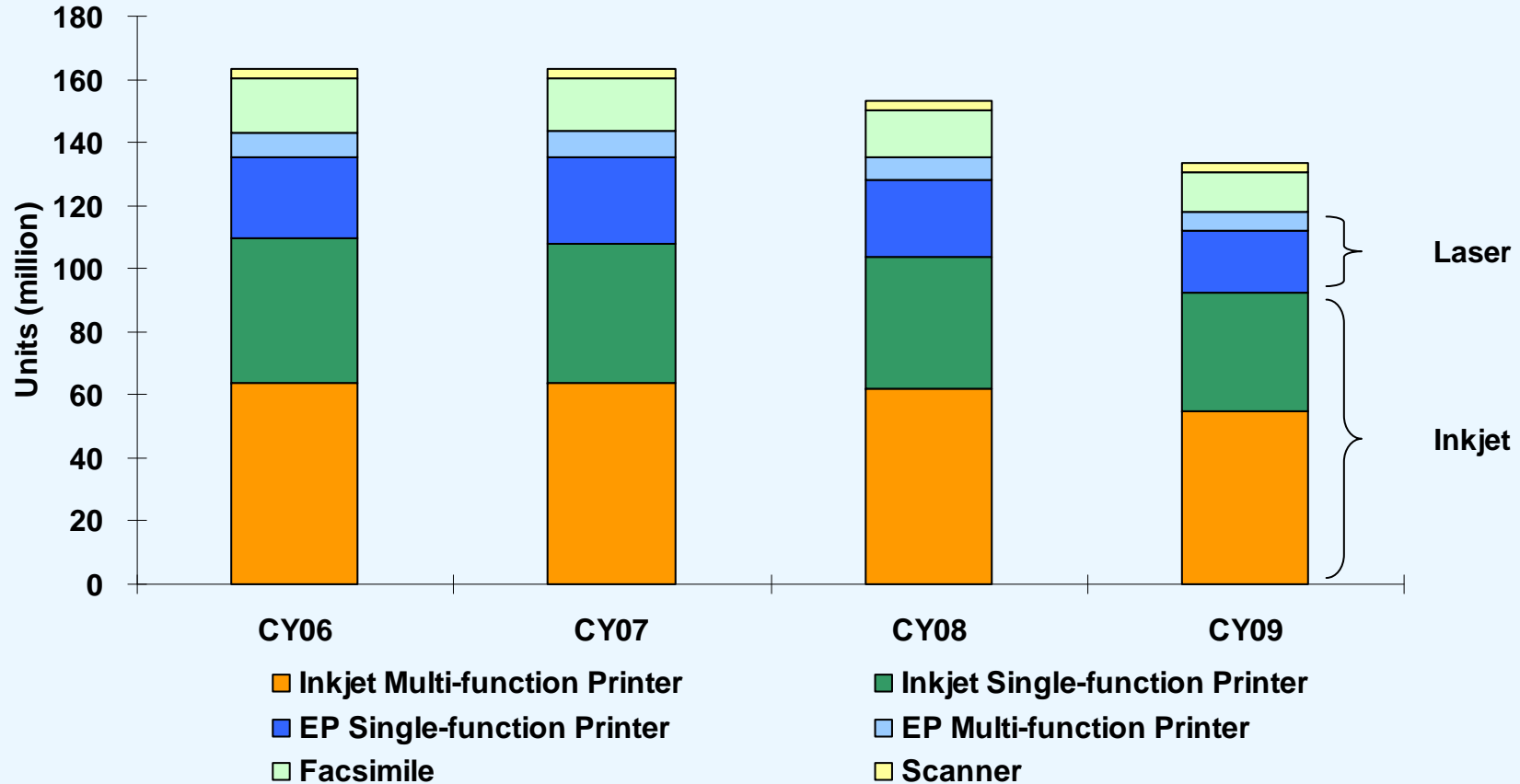
External sales by product



# Global Market for Mobile Phones



# Global Market for Printers

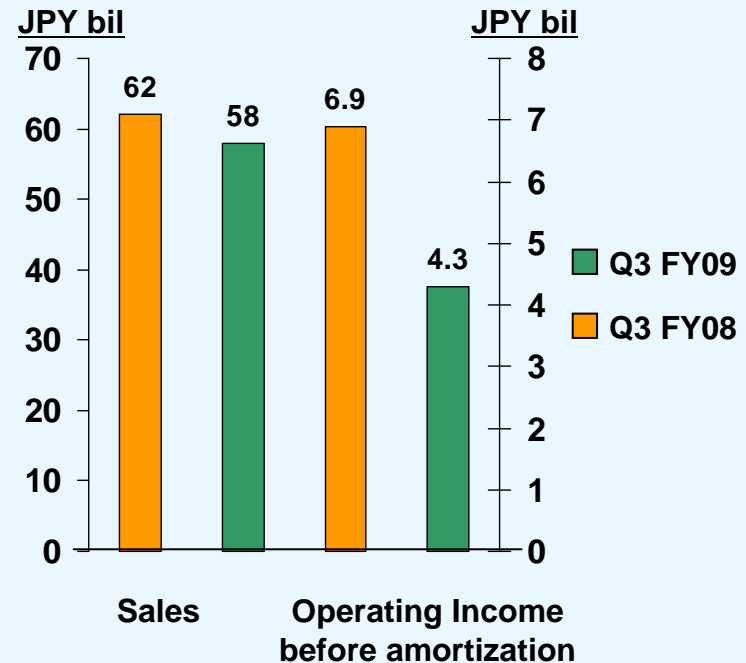


Source : JEITA & NSG estimation



# Specialty Glass

- Recent significant deterioration in all Specialty Glass markets
- Glass cord and battery separator markets were impacted by automotive slowdown
- Display, printer, and scanner components affected by a slowdown in consumer electronic markets and strength of the yen

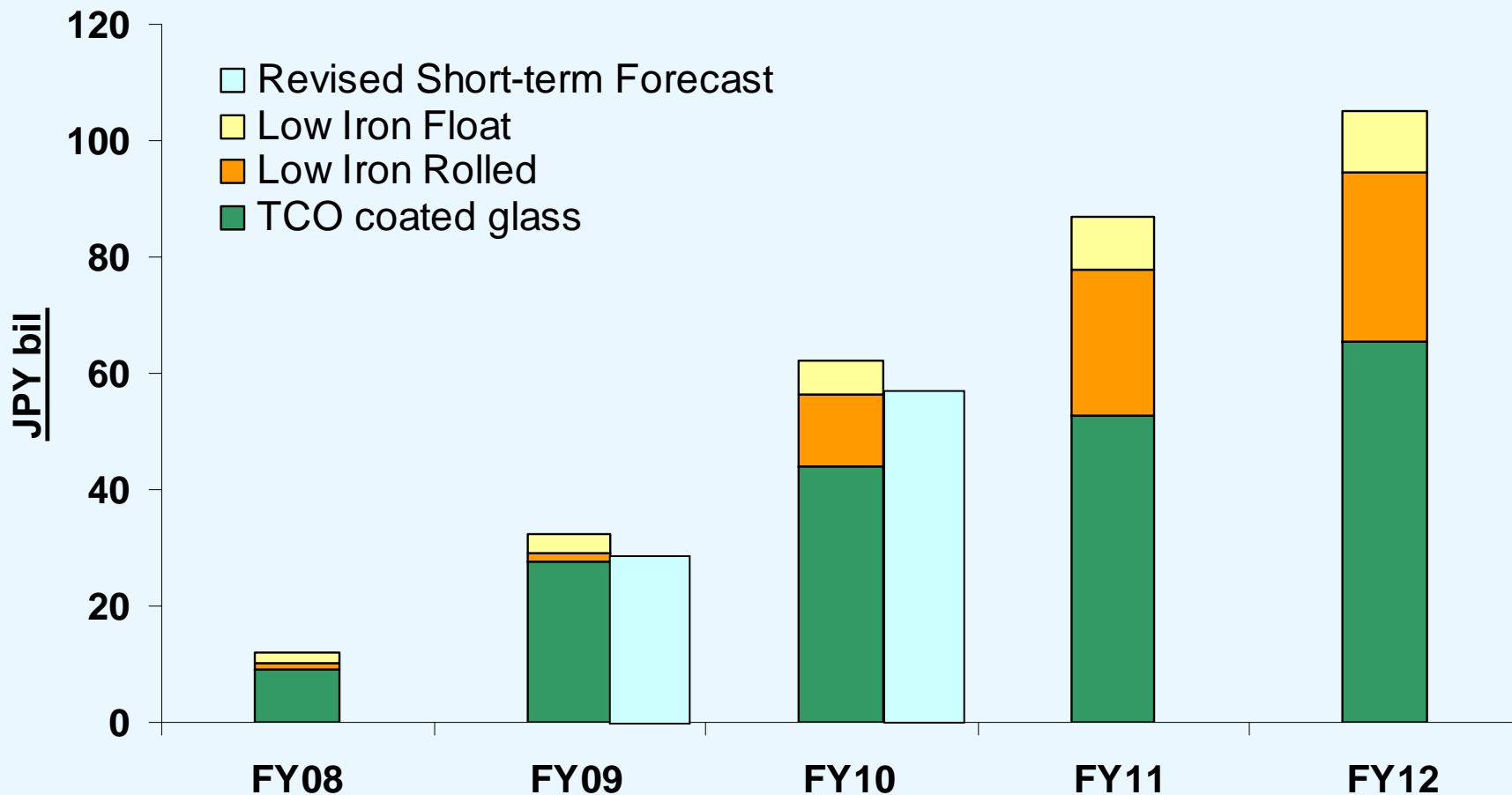


# Solar Update

- Long term, substantial market growth expected in all solar sectors
- Some short term slowing of growth, especially in Crystalline PV
- NSG Group has a leading position in the Thin Film PV sector and continues to expand capacity to maintain this leadership
- Well placed to enjoy strong share in the Crystalline PV sector. Investment plans will be timed to module capacity expansion
- 10 per cent of Group revenues from Solar in FY2011

# NSG Group Sales from Solar Sector

## Revised Outlook



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# Restructuring Actions

## Why action is necessary

- We have made good progress on integration, debt reduction, and in developing Solar
- Action already taken to cut costs, reduce seasonal/temporary workers, enhance working capital programs etc
- However, unprecedented global market conditions require more radical action (as announced on 29 January 2009)

## Objectives

- Address EBIT reduction in the short term due to severe economic situation
- Protect the Company and re-establish profit growth in FY2011.

# Actions Announced 29 January

## Actions

Now being implemented in three areas

1. Headcount reduction
2. Capacity reduction
3. Investment review

## Costs

22 billion yen over two years. 16 billion yen cash cost.

## Projected savings

Realized in FY2010:	8 billion yen
Annualized savings from April 2010:	15 billion yen

# Restructuring - Headcount Reductions

- Early action taken to reduce headcount in Group's seasonal and temporary workers
- Further reduction now underway in all business lines
- Overall reduction will be approximately 15 per cent of global headcount
- Around 3,000 employees to leave by 31 March 2009 and a further 3,000 by March 2010

**Headcount reduction of approximately 15 per cent**

# Restructuring - Capacity Reductions

- Reducing Automotive production capacity in Europe and North America
- Float glass capacity reduction equivalent to two float lines in Europe and a 15 per cent reduction elsewhere in the Group
- Specialty Glass reducing shifts with line closures

**Adjusting capacity to reduced customer demand**



# Restructuring - Reviewing Investment

- Investment plans reviewed in line with new markets and demands
- Some planned investment will be reduced or postponed
- Solar is still a key area for expansion and will receive increased proportion of remaining investment

**Capital expenditure under 70 per cent of depreciation**

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# Forecast Revision

Forecast has been revised due to the following factors:

- Business volumes reducing (20 billion yen)
- Additional restructuring charges (19 billion yen)

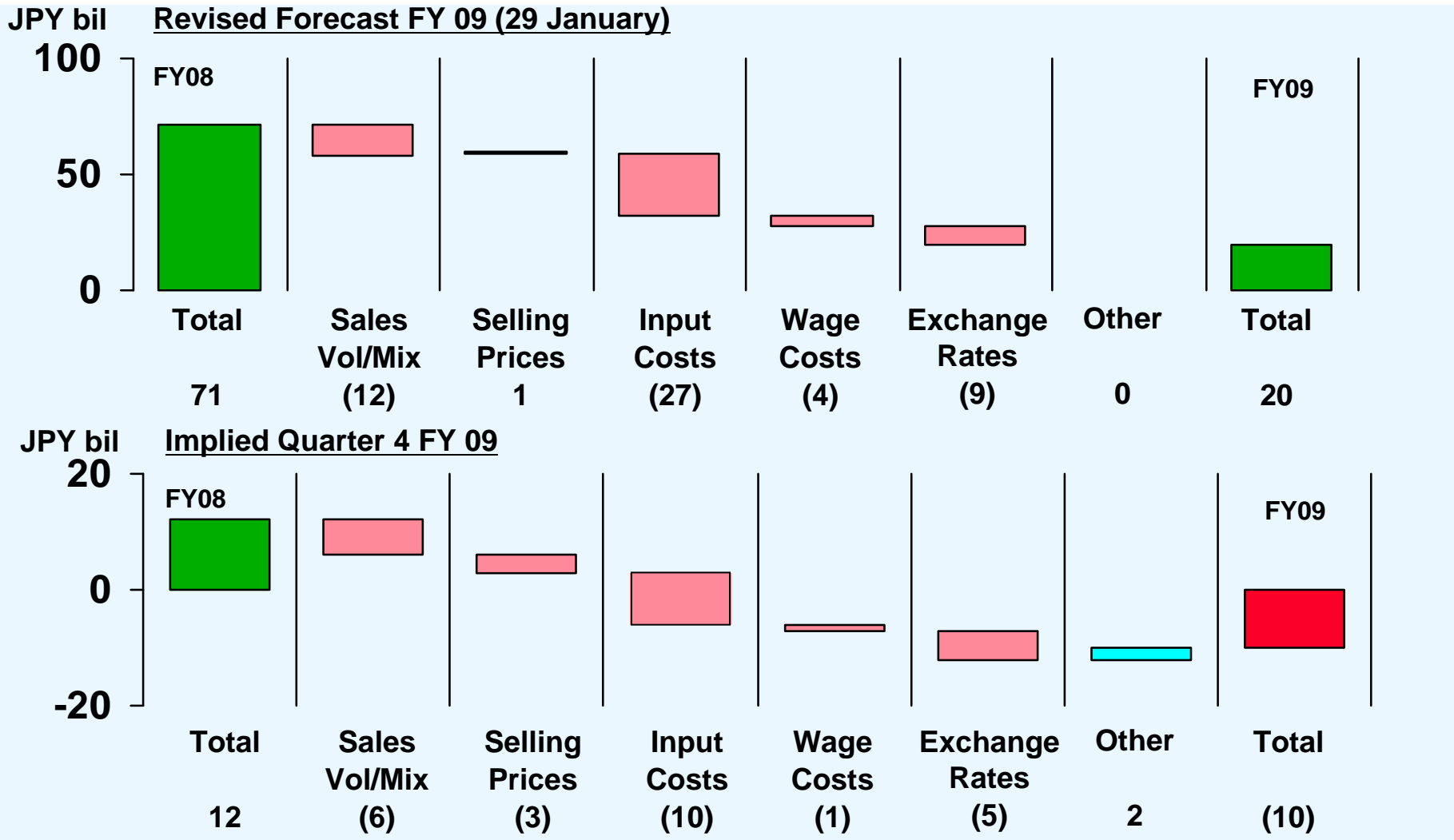
# Forecast Income Statement

<u>(JPY bil)</u>	<u>Revised Forecast</u> <u>FY09</u>	<u>Previous Forecast</u> <u>FY09</u>
<b>Sales</b>	<b>750</b>	<b>810</b>
<b>Op.Income before amortization</b>	<b>20</b>	<b>40</b>
Amortization*	(20)	(20)
<b>Operating Income</b>	<b>0</b>	<b>20</b>
Non-operating items	(13)	(12)
<b>Ordinary income</b>	<b>(13)</b>	<b>8</b>
<b>Net Income</b>	<b>(22)</b>	<b>9</b>

\*Amortization arising from the acquisition of Pilkington plc only

**Forecast revised following unprecedented market conditions and consequential restructuring impact**

# Full Year Operating Income Change Analysis



**Poor market conditions expected to continue**

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# Summary

- Continuing good progress on strategic objectives
- Global market deterioration affecting all business lines
- Solar business holding up well
- Restructuring to re-establish profit growth in FY2011

# 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

# Sales by Business – Q3 FY2009

(JPY bil)	Japan	Europe	North America	Rest of World	Total
Building Products	70.3	149.6	23.0	27.7	270.6
Automotive	39.9	124.8	52.4	28.2	245.3
Specialty	34.6	6.4	1.9	15.2	58.1
Others	4.9	7.5	0.0	0.0	12.4
Total	149.7	288.3	77.3	71.1	586.4

# Operating Income before Amortization – Q3 FY2009

(JPY bil)	Japan	Europe	North America	Rest of World	Total	Ratio on Sales
Building Products	1.2	14.1	0.9	3.8	20.0	7%
Automotive	2.2	9.5	(2.1)	4.3	13.9	6%
Specialty	3.0	0.4	0.0	0.9	4.3	7%
Others	(4.3)	(4.3)	0.0	0.0	(8.6)	
Total	2.1	19.7	(1.2)	9.0	29.6	5%
Ratio on Sales	1%	7%	-2%	13%	5%	

# Operating Income after Amortization – Q3 FY2009

(JPY bil)	Japan	Europe	North America	Rest of World	Total	Ratio on Sales
Building Products	1.2	8.2	0.0	2.8	12.2	5%
Automotive	2.2	4.2	(3.7)	2.8	5.5	2%
Specialty	3.0	0.4	0.0	0.9	4.3	7%
Others	(4.3)	(4.3)	0.0	0.0	(8.6)	
Total	2.1	8.5	(3.7)	6.5	13.4	2%
Ratio on Sales	1%	3%	-5%	9%	2%	

# Exchange Rate Assumptions

	<b>Q3 FY08</b>	<b>FY08</b>	<b>Q3 FY09</b>	<b>FY09 Forecast</b>
Average rates used:				
JPY/GBP	236	229	187	172
JPY/EUR	163	161	151	143
JPY/USD	117	114	103	100
Closing rates used:				
JPY/GBP	228	200	132	
JPY/EUR	169	157	127	
JPY/USD	115	100	91	

# NSG

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