Glaston Oyj Abp Half-year review 1 Jan.–30 June 2019

CEO Arto Metsänen & CFO Päivi Lindqvist

Q2 – busy quarter

- First quarter of integration.
- Updated strategy and financial targets.
- Rights issue a success.
- In June Glaston arranged the biggest international conference in the glass industry, the Glass Performance Days, with more than 1,000 participants from around the world, as well as the Step Change start up event.

Glaston’s strategy and financial targets 2018–2021

Strategic themes	Growth in Core	New growth opportunities	Services	Joint business model
Strategic target	• Global market leader in core businesses • Integrated lines • Digitalization and automatization	• Leveraging new market potential in mid-segment • Emerging Technologies • Leveraging Bystronic glass’ strong position in auto-motive	• Leveraging large combined installed base • Combining lifecycle services • Broad, global services network • Growth through digitalization	• Target to support the Group in achieving strategic targets

Financial targets

- Annual growth of net sales exceeding market growth* (CAGR)
- Comparable operating margin before depreciation of intangible assets and excluding purchase price allocations (EBITA) above 8% at the end of the strategy period
- Comparable return on capital employed (ROCE) of more than 14% at the end of the period

*Flat glass market growth over the cycle.

Synergies from several sources

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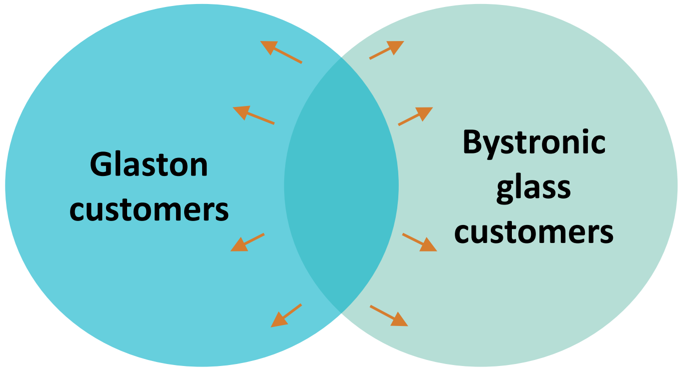
Revenue synergies

- Cross-selling of new equipment
- Comprehen-sive services from one source
- Opportunity to create integrated lines together



Cost synergies

- Decrease in manufacturing cost
- Optimization of sales, marketing and administration

Approx. 4 MEUR yearly cost synergies by 2021

Other benefits

- Larger company size with more resources
- Innovation and R&D
- Knowledge and best practice sharing

Enables stable future growth

Integration progress during the quarter in brief

- First quarter of integration.
- New Executive Management Group appointed.
- Strategy and financial targets updated.
- Sales and services organizations combined and management structures created.
- Decision regarding combining offices made, to be implemented during the end of the year.
- Second quarter occured cost synergies amounted to **EUR 0.1 million** and **yearly cost savings** related to these amount to **EUR 0.95 million.**
- Second quarter occured integration costs amounted to EUR 1.6 million.

Operating environment

Architectural glass

- The market uncertainty and trade policy tensions continued to slow down decision making regarding heat treatment machines in the EMEA region and China.
- Good demand in the US.
- Insulating glass equipment good in all regions, and is expected to continue at a good level throughout the year.
- Services demand at a good level.

Automotive glass

- The market downturn trade policy tensions between the US and China, and anticipation of the new emission regulations are having a negative impact on activity in the Chinese market in particular.
- At the same time automotive glass requirements are increasing and creating new opportunities for glass processing technology suppliers.
- Activity in the automotive glass machine market is expected to remain weaker than in previous years throughout the year.

Examples of orders received

Glaston segment

EMEA

- Several machine and upgrade orders from the UK, Slovenia, Russia and Finland.

AMERICAS

- First Fusion type Jumbo FC-machine sold to the US markets. The largest machine so far sold by Glaston to the US market.
- Several ProL Zone and iControl control system upgrades.

APAC

- Services demand at a good level.

Examples of orders received

Bystronic glass segment

EMEA

- Bystronic glass received several orders from the area, including one of the largest insulating glass lines ever made by Bystronic glass, a B'JUMBO insulating glass line order from Maxividro, a Portuguese glass processor. In addition, several slightly smaller orders were received from France, Poland and Germany, among other countries

AMERICAS

- Bystronic glass received, among others, two orders from a large North American glass processor, which during the past three years has ordered eight insulating glass lines from Bystronic glass, including these orders.

APAC

- Among others B'JUMBO TPS® 330 –insulating glass equipment from Thailand. In terms of glass size, this is the largest insulating glass line ever sold by Bystronic glass in Southeast Asia.

Financial development

Orders received and orderbook (pro forma)

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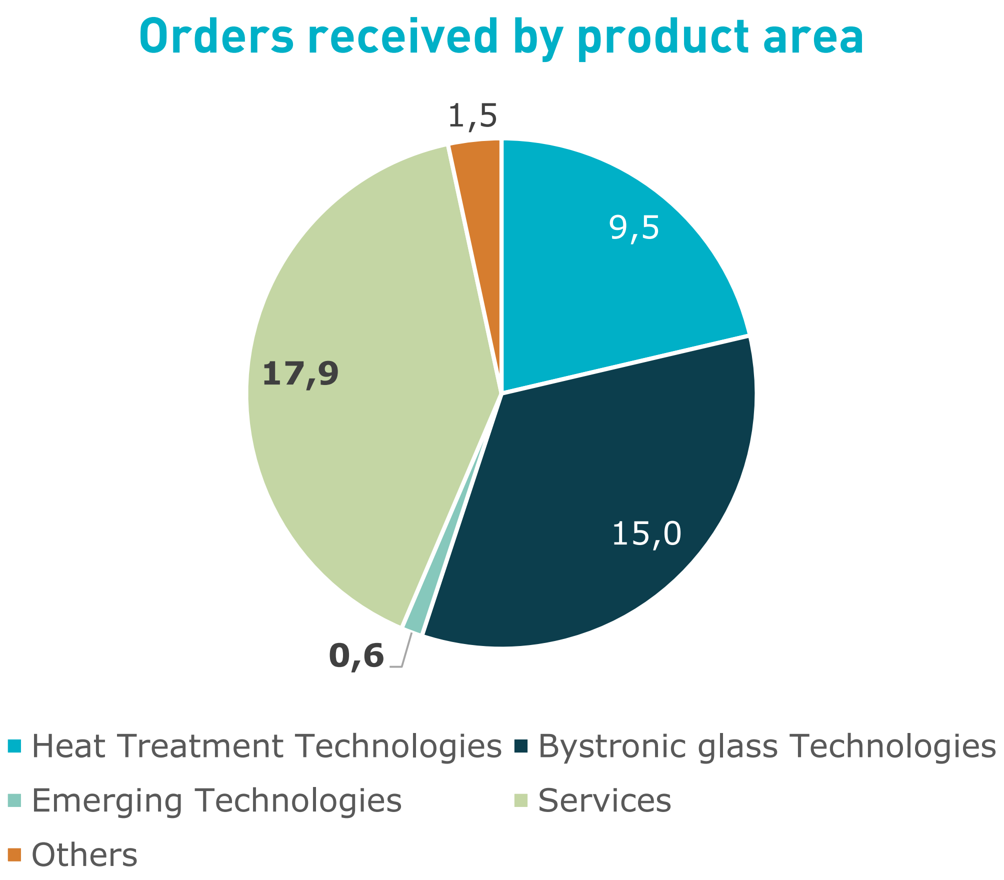
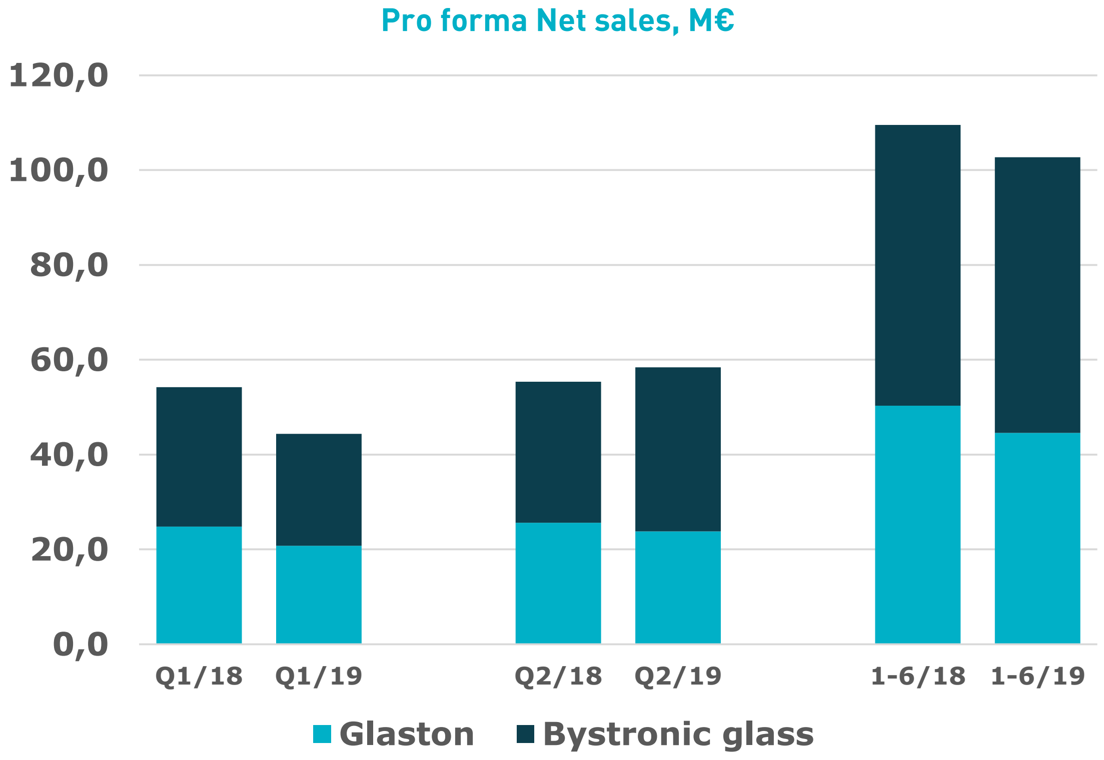


- April–June 2019 orders received totaled 44.5 (pro forma 52.8) MEUR.
  - **Heat Treatment Technologies** –product area orders decreased.
  - **Bystronic glass** decreased slightly. Demand for insulating glass machines was strong in all geographical areas, and the decline in orders received was due to the weak performance of the automotive glass machine market.
  - **Emerging Technologies** – Glaston received a small, but strategically important order from the aviation industry.
  - **Services** -product area activity at good level.
- Order book stood at 78,9 (87,0) MEUR.

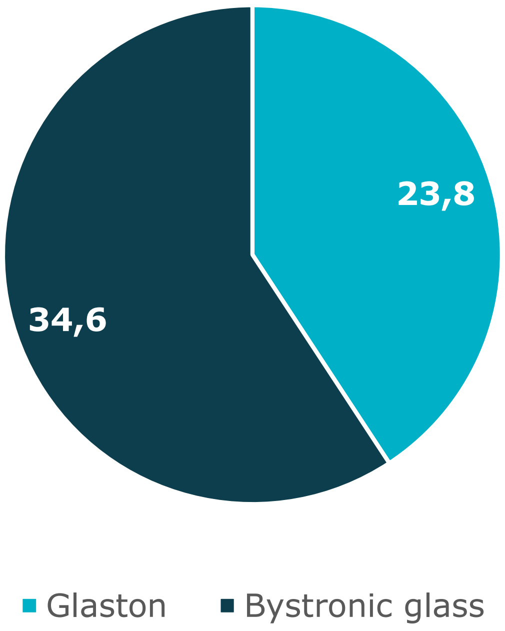
Net sales development



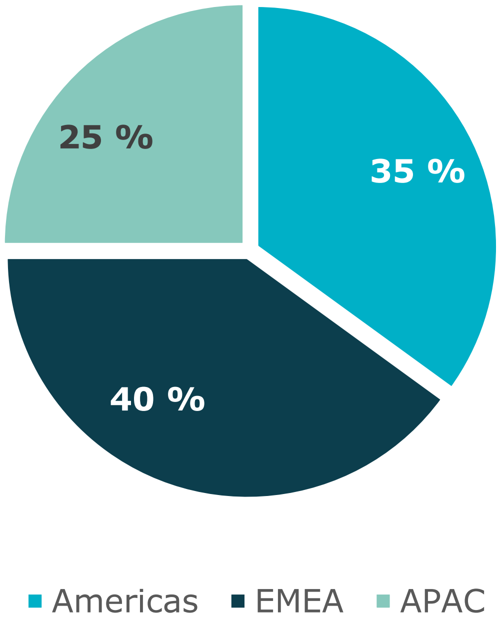
Pro forma Net sales, M€	4–6/2019	Pro forma 4–6/2018	Pro forma 1–6/2019	Pro forma 1–6/2018	Pro forma 2018
Glaston	23,8	25,6	44,6	50,3	101,1
Bystronic glass	34,6	29,8	58,1	59,2	100,7
Glaston Group	58,4	55,4	102,8	109,6	201,8

Net sales distribution

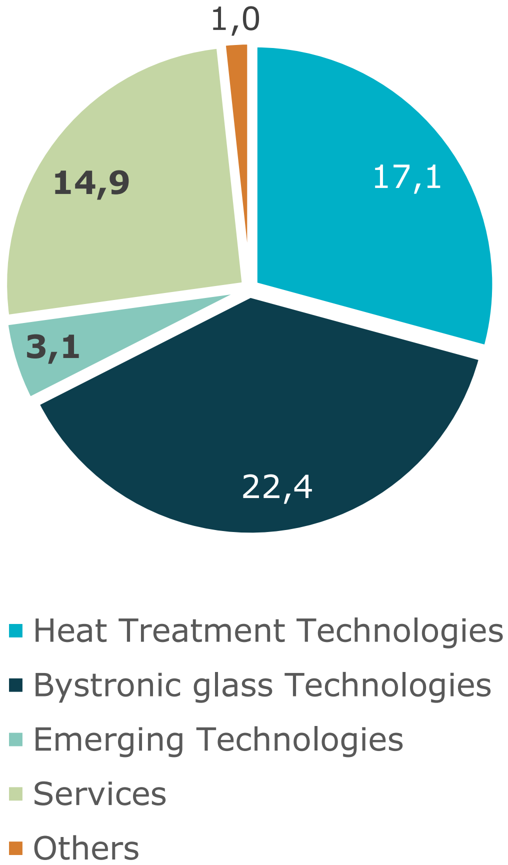
Net sales by reporting segment Q2/19 (MEUR)



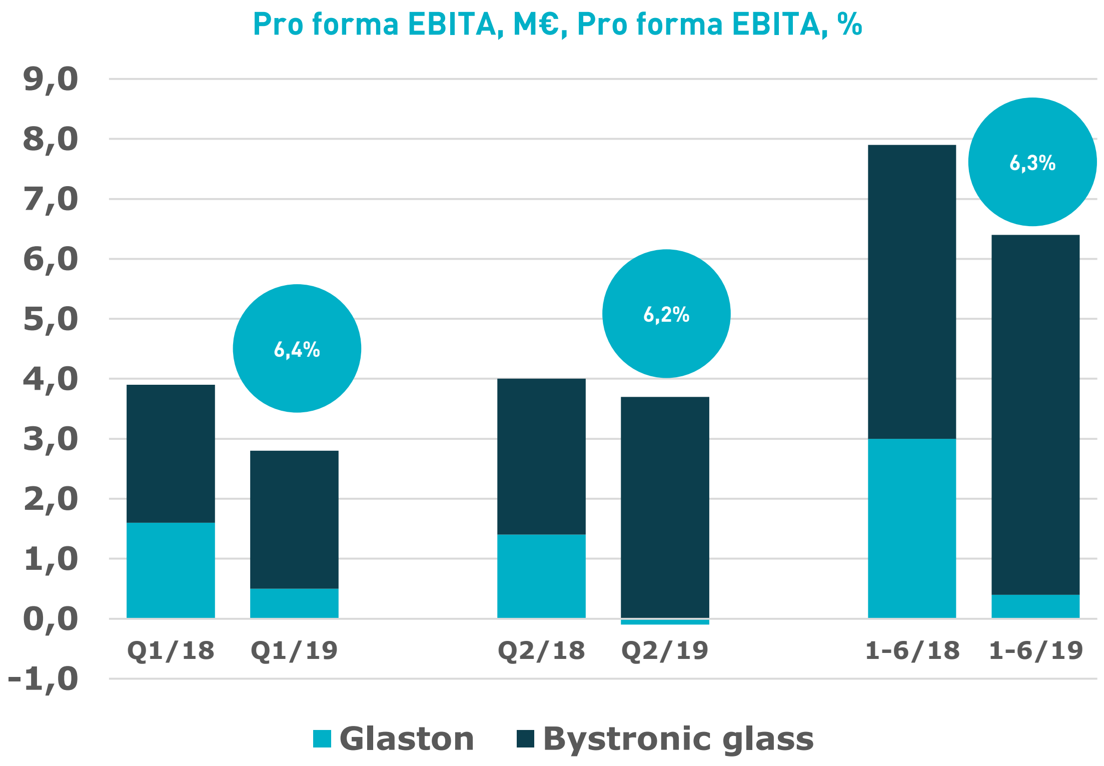
Net sales by region Q2/19



Net sales by product area Q2/19 (pro forma, MEUR)



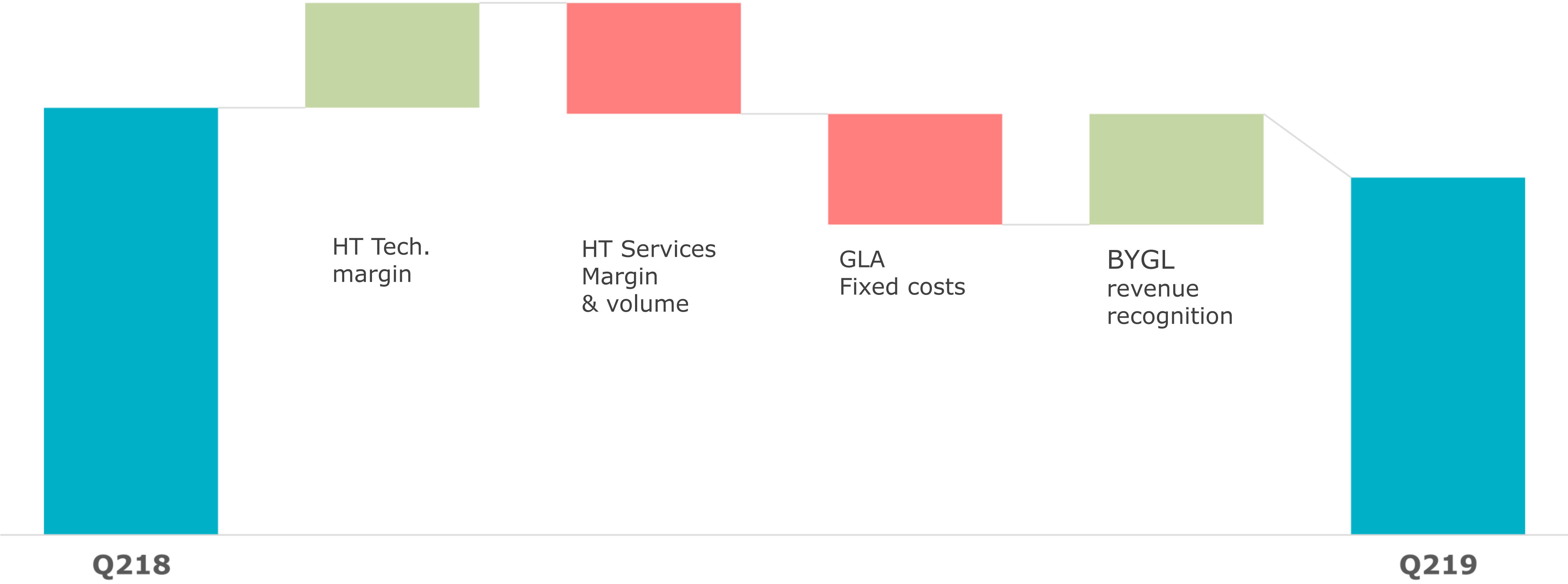
EBITA and profitability



Comparable EBITA, M€	4–6/19	Pro forma 4–6/18	Pro forma 1–6/19	Pro forma 1–6/18	Pro forma 2018
EBIT	0,4	2,8	1,2	5,3	4,4
Items affecting	2,1	0,0	2,9	0,2	2,3
Comparable EBIT	2,5	2,8	4,1	5,5	6,7
Depreciation of intangible assets and PPA	1,1	1,2	2,3	2,4	4,8
Comparable EBITA	**3,6**	**4,0**	**6,4**	**7,8**	**11,5**
% Net sales	6,2 %	7,2 %	6,3 %	7,2 %	5,7 %

*Annual PPA depreciations have changed from the preliminary estimate of MEUR 3.9, given in the rights issue prospectus.

Glaston Group profitability development



NB! The picture is for illustrative purposes

Items affecting comparability

Items affecting comparability	Q1/19	Q2/19	1-6/19	Total 2019-2021
Integration costs	-	1,6	1,6	**7-8 MEUR**
Transaction costs with EBIT impact	0,8	0,5	1,3	approx. **3 MEUR**
Total	**0,8**	**2,1**	**2,9**	

One time financing costs with earnings impact related to refinancing arrangements	-	0,9	0,9	approx. **1 MEUR**

Glaston segment

Glaston segment's second quarter in brief:

- Market uncertainty and trade policy tensions continued to slow down decision-making on heat treatment machines in the EMEA area and China. In North America, the market continued to be at a good level.
- Development of net sales and profitability were impacted primarily by momentarily weaker demand for Heat Treatment Services in the latter part of 2018 and by an increase in fixed costs, mainly personnel expenses, in the second quarter.

KEY FIGURES , MEUR	4–6/19	4–6/18	1–6/19	1–6/18	2018
Orders received	**18,1**	25,4	41,1	52,0	107,6
Order book at end of period	**31,1**	37,3	31,1	37,3	38,2
Net sales	**23,8**	25,6	44,6	50,3	101,1
Net sales (comparison figure excludes divested Tools business)	**23,8**	24,4	44,6	48,2	97,0
Comparable EBITA	**-0,1**	1,4	0,5	3,0	7,6
PPA depreciation	**-**	-	-	-	-
Comparable operating result (EBIT)	**-0,4**	0,9	-0,3	2,0	5,7
Operating result (EBIT)	**-1,7**	0,9	-2,5	1,8	3,8
Net working capital			-4,9	-4,5	-7,1
Employees at end of period			372	382	357

Bystronic glass segment

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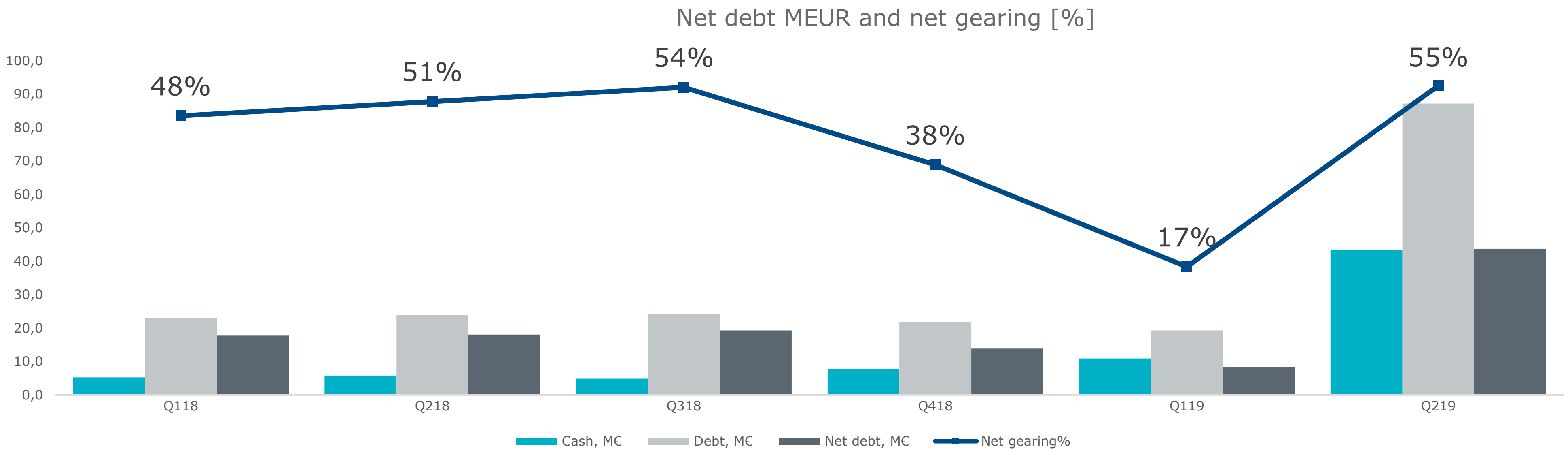
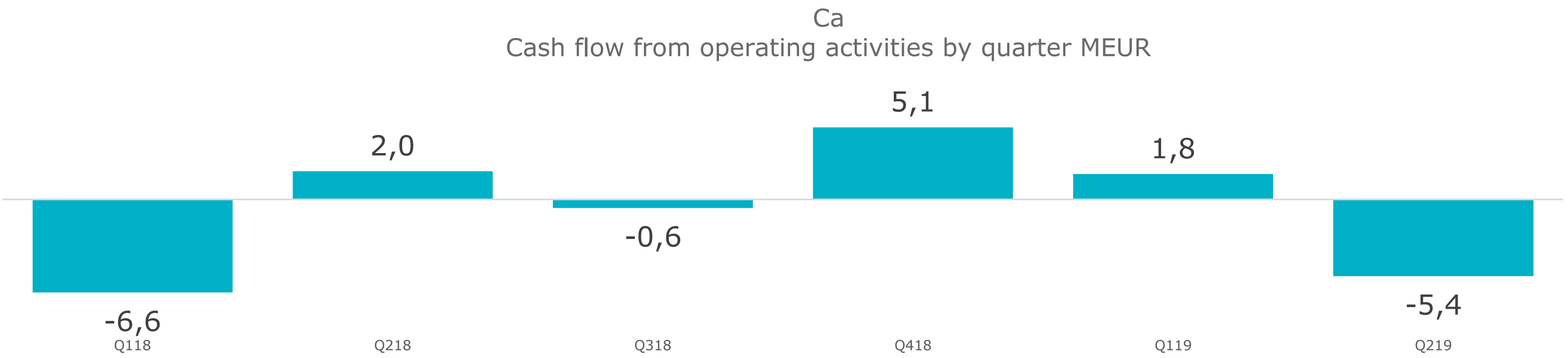
Bystronic glass segment's second quarter in brief:

- Good activity in the insulating glass market, automotive glass market quiet.
- Net sales and profitability impacted by number of project revenue recognitions.

KEY FIGURES, MEUR	4–6/19	Pro forma 4–6/18	Pro forma 1–6/19	Pro forma 1–6/18	Pro forma 2018
Orders received	26,4	27,4	48,8	57,1	109,1
Order book at end of period	47,7	49,7	47,7	49,7	61,7
Net sales	34,6	29,8	58,1	59,2	100,7
Comparable EBITA	3,7	2,6	6,0	4,9	3,9
Comparable EBITA, %	10,6 %	8,7 %	10,3 %	8,3 %	3,9 %
PPA	0,7	0,7	1,4	1,4	2,8
Comparable operating result (EBIT)	2,9	1,9	4,5	3,5	1,1
Comparable operating result (EBIT), %	8,4 %	6,4 %	7,7 %	5,9 %	1,1 %
Operating result (EBIT)	2,2	1,9	3,7	3,5	0,6
Operating result (EBIT), %	6,3 %	6,4 %	6,4 %	5,9 %	0,6 %
Net working capital			15,6		
Employees at end of period	436		436		

Net debt and cash flow





- At the end of June the company had the rights issue proceeds in bank. 32M€ bridge loan paid at beginning of July.
- Q2 operating cash flow (-5,4 MEUR) burdened by transaction costs and working capital increase.

Glaston's outlook for 2019

- Glaston Corporation expects 2019 comparable pro forma EBITA to be at the 2018 level or slightly improve (2018 comparable pro forma EBITA EUR 11.5 million). As the integration process is at an early stage, more uncertainty than usual is associated with the outlook and the company's estimate.
  - At the end of 2018, Bystronic glass had a significant number of orders that will be recognized as revenue in the second and third quarters of 2019, thereby improving Bystronic glass' net sales and profitability at the beginning of the year. Bystronic glass's fourth quarter net sales and profitability will be significantly lower than in the early part of the year.
  - The Glaston segment's lower than 2018 first half order intake and result will affect the segment's 2019 result. The segment's net sales and result will be skewed towards the second half of the year and particularly to the fourth quarter, when several orders received at the end of 2018 will be delivered.

Glaston Group’s 3rd quarter financial report will be published on 28 October 2019

IR contact:

Joséphine Mickwitz
Tel.: +358 10 500 5070
Mobile: +358 400 784889
josephine.mickwitz[at]glaston.net

Thank you!