

Glaston Q4: Good profitability development in fourth quarter ends historical year

Glaston Corporation Q4- and full-year 2019 review

President and CEO Arto Metsänen & CFO Päivi Lindqvist



2019 in brief: Historic year



- The largest acquisition in the company's history was completed in the spring. The size of the company doubled.
- New, updated strategy and financial targets.
- In June, Glaston hosted Glass Performance Days, the largest international conference in the glass industry, and a Step Change start-up event.
- Bystronic glass's integration with Glaston Group progressed faster than expected.
- Pro forma net sales for 2019 were stable and profitability improved as expected.



Q4/2019: market environment and development

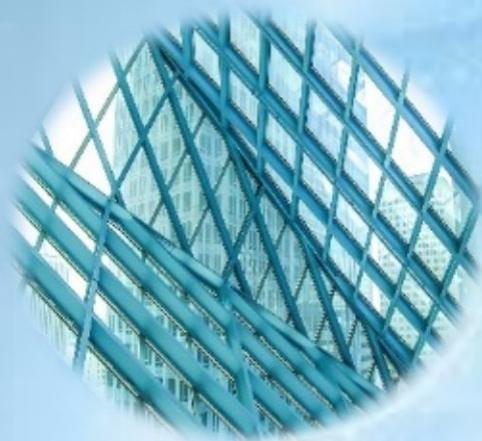


- Challenges in Heat Treatment continued, especially in the EMEA area, but demand picked up towards the end of the year.
 - Orders for the Glaston segment increased by approximately 40% from the previous low quarters but declined significantly from the lively Glasstec quarter.
 - The operations of the Glaston segment were adjusted to market demand.
- The demand for energy-efficient solutions drove demand for insulating glass equipment throughout the year, and demand for insulating glass machines was good globally, although slightly below last year's level. Challenges in Automotive continued and orders in the Bystronic glass segment declined in the last quarter.
- Demand for both heat treatment and insulating glass services was at a good level.

Glaston Emerging Technologies

We look for new promising technologies and pioneering companies to develop and commercialize new glass innovations in all our customer segments.

Architectural



Solar



Automotive



Emerging Technologies in Architecture



Dynamic Glass with electrochromic technology



We develop smart glass solution for masses in Heliotrope partnership, and in addition offer custom-designed laminating lines for other smart-glass processes

Connectivity



We work with solutions to solve the indoor wireless connectivity issues caused by highly insulated buildings

Glass & Light



We believe glass can be much more than a see-through surface. It's a platform for many valuable functions



New processing technologies



We actively search for new value adding processing technologies, like laser technology, to improve our customers processing capability and efficiency



Emerging Technologies in Solar



Building integrated photovoltaic (BIPV)

All glass surfaces can be energy sources.
Power source can be fully transparent....



...or it can be in a glass with
painted surface



Emerging Technologies in Automotive



We help the automotive industry to improve their impact durability



We help to bring displays into car interior, including shapes



Bystronic Glass' integration

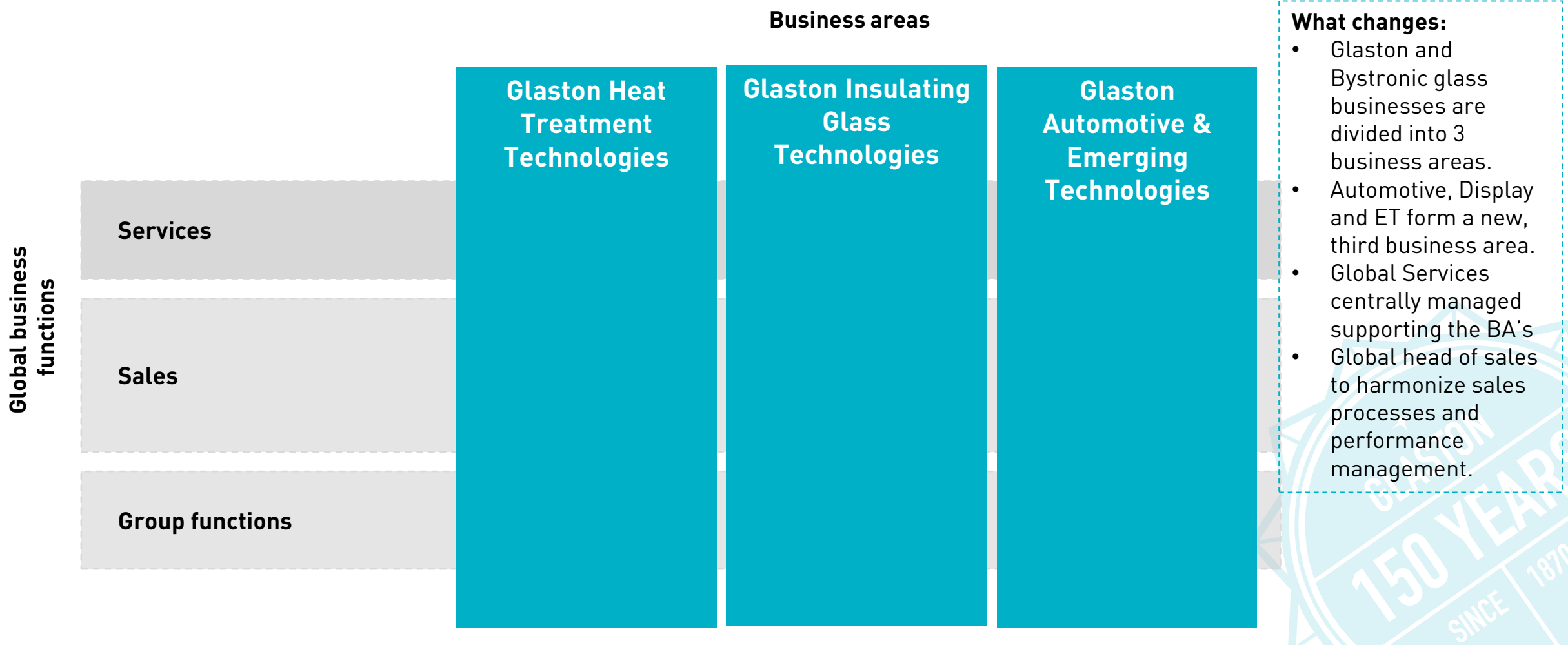
Integration measures in the fourth quarter



- Success in cross-selling.
- Merging of overlapping operations continued.
 - personnel reductions in, for example China, and in various operations of the company, such as sales and ICT.
- Cooperation agreement between Bystronic glass and HEGLA terminated in November for competitive reasons. The cooperation agreement has had limited commercial value.
- Realized cost synergies:
 - Q4/19 0.7 MEUR
 - 1-12/19 1.1 MEUR
- Annual cost savings from the measures undertaken will amount to 4,2 MEUR
- Accumulated integration costs :
 - Q4/19 1.7 MEUR
 - 1-12/19 4.3 MEUR



Next steps in integration : new organizational structure to drive growth and support the development of One Glaston



Next steps in integration

- The integration of the Bystronic glass brand with Glaston started at the beginning of 2020, with the aim of discontinuing its use by the end of 2020.
- The integration of ICT, CRM tools and digital services continues.

glaston

glaston



Green Deal and environmental issues a hot topic in the glass industry



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Glass industry boss: Replacing old windows can bring huge energy savings

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Glass: A low-hanging fruit for the climate – and a tough nut to crack

By Dave Keating | EURACTIV.com

Feb 3, 2020

Supporters



Glaston has identified its material CR-themes and defined a corporate responsibility agenda for the company



RESPONSIBLE (OWN) OPERATIONS	RESPONSIBLE PARTNER
Human resources <ul style="list-style-type: none"> • Health & safety and risk prevention • Competencies and skills, development and trainings • Equality, anti-discrimination, anti-harassment <ul style="list-style-type: none"> • Anti-corruption and fair competition practices • Responsible sales Environment <ul style="list-style-type: none"> • Climate impact oversight and scenarios • Risks and possibilities related to tightening emissions regulation Responsible Business <ul style="list-style-type: none"> • Financial responsibility ensuring competitiveness and profitability 	Customer <ul style="list-style-type: none"> • User experience and customer satisfaction • Customer claims Products & Services <ul style="list-style-type: none"> • Machine quality, reliability and longevity, life-cycle management <ul style="list-style-type: none"> • Machine safety (for users) and advising customers in operating the machines • Data safety and security • Energy / material efficiency and sustainability of the machines and products • End-product quality, safety and recyclability
RESPONSIBLE SOURCING	RESPONSIBLE MEMBER OF SOCIETY
Suppliers <ul style="list-style-type: none"> • Supplier requirements, assessments and audit (regarding sustainability aspects) • Human rights and work place safety within the supply chain • Anti-corruption in supply chain and sourcing 	Sustainable tomorrow <ul style="list-style-type: none"> • Indirect impacts on energy efficient cities and societies <ul style="list-style-type: none"> • Indirect energy and emission reductions (via product use and end-products) • Indirect material reductions • Sustainable end-product applications (solar panels, isolation etc.) • Development of the industry, research co-operation

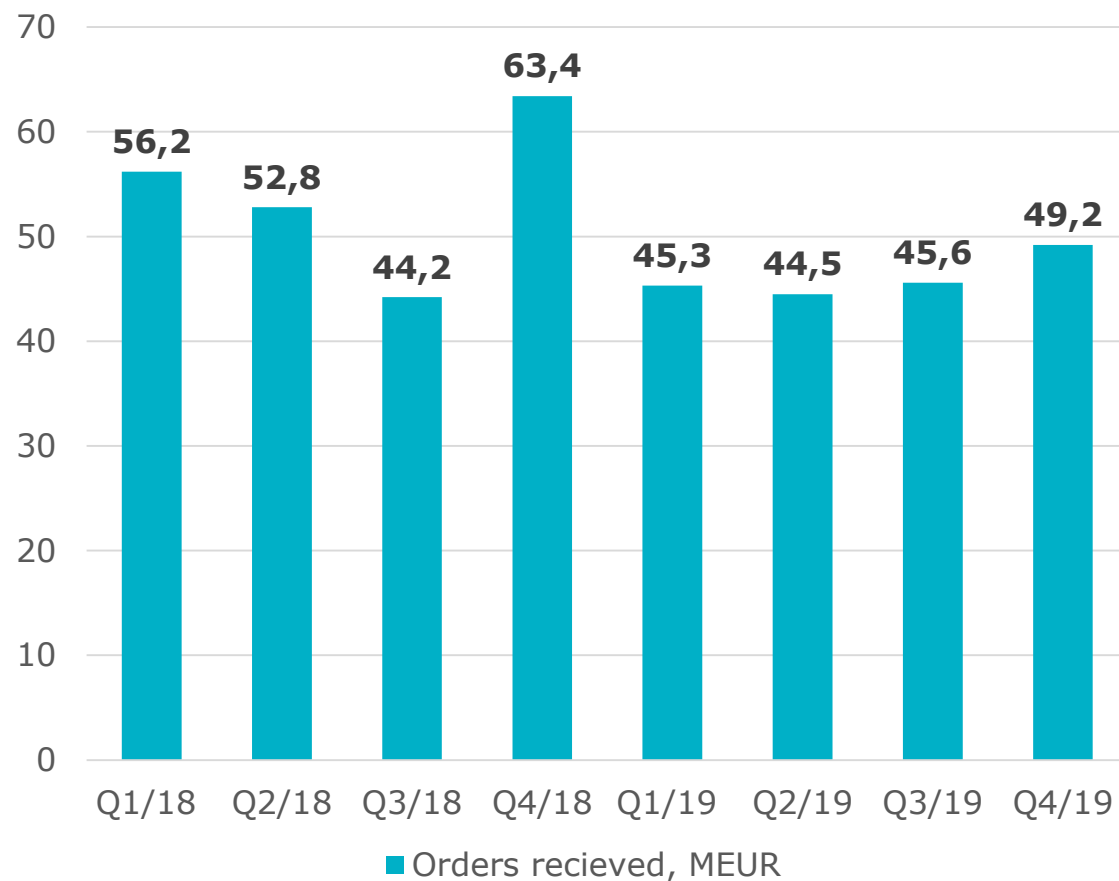
Financial development



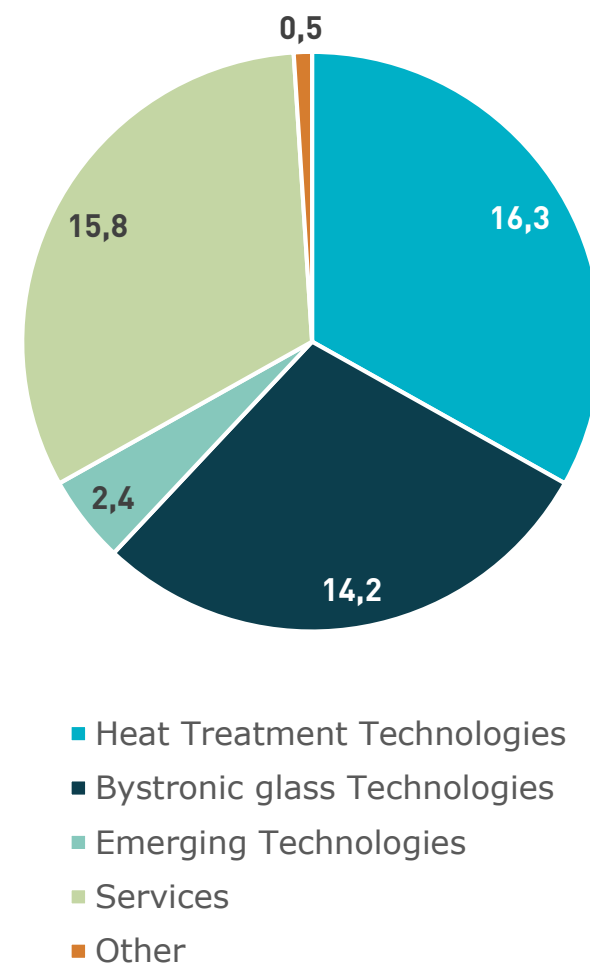
Glaston Group orders received



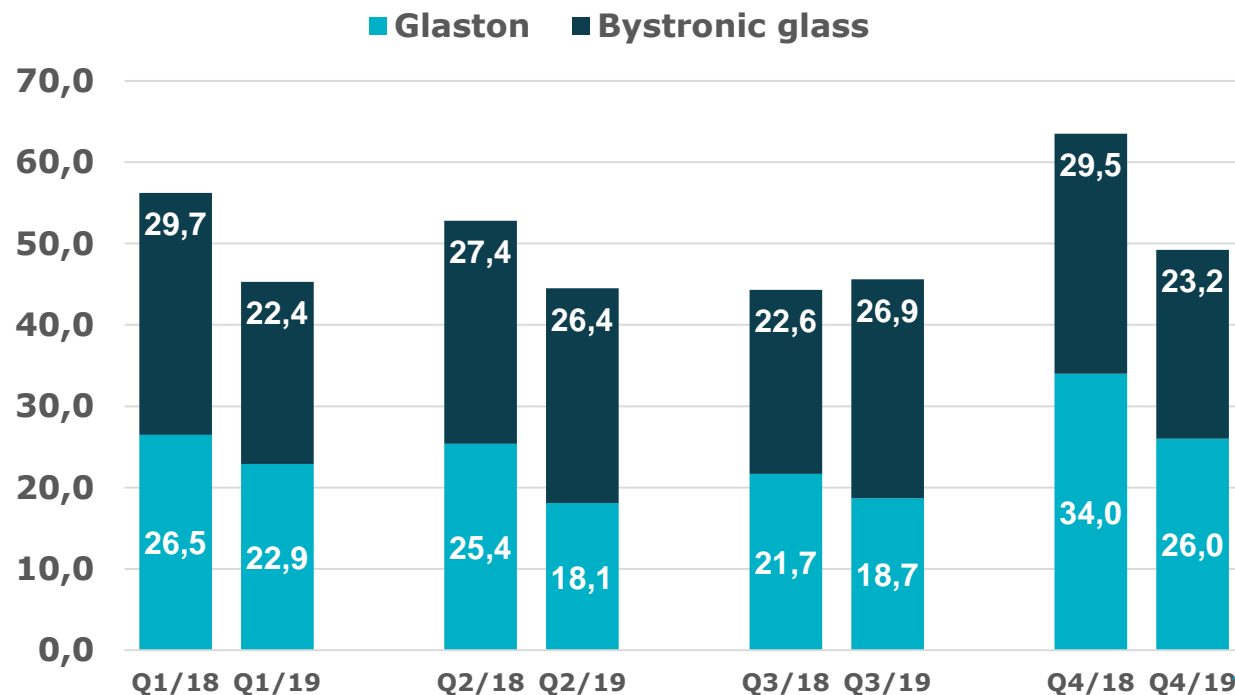
Q4/19 orders received decreased from the lively Q4/18 Glasstec quarter.



Orders received by product area
Q4/19 (MEUR)



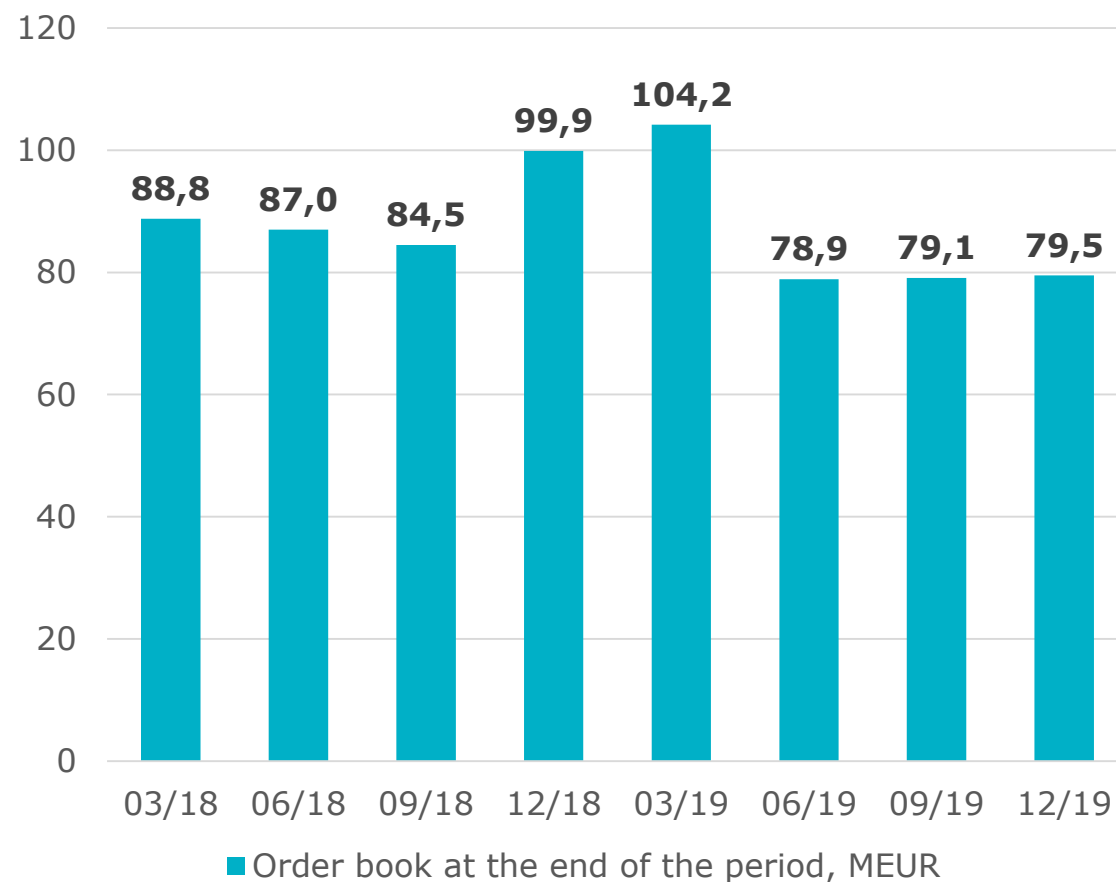
Quarterly orders received by segment



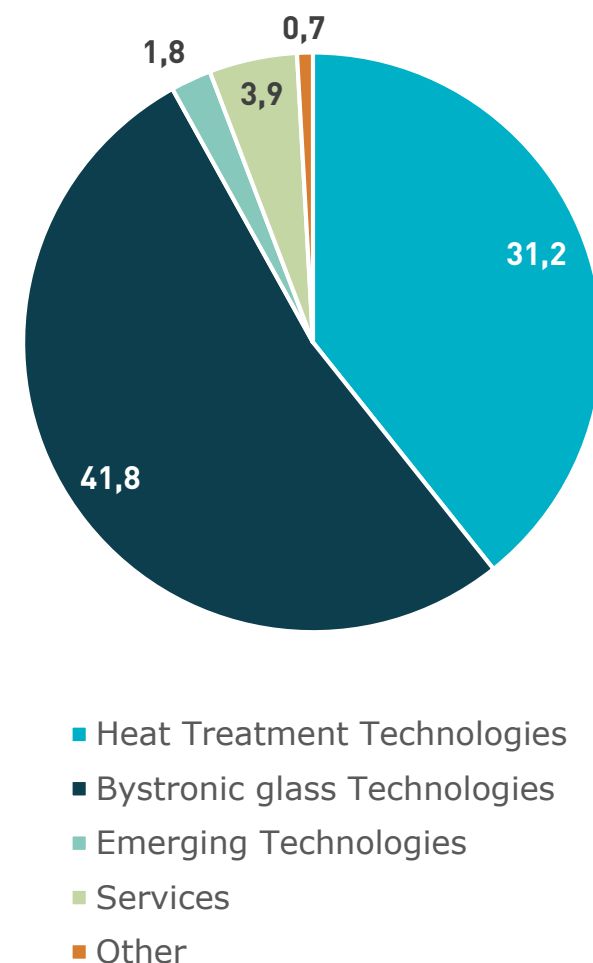
Orders received pro forma, M€	Actual 10–12/19	Pro forma 10–12/18	Change %	Pro forma 1–12/19	Pro forma 1–12/18	Change %
Glaston	26,0	34,0	-24 %	85,7	107,6	-20 %
Bystronic glass	23,2	29,5	-21 %	98,9	109,1	-9 %
Glaston Group	49,2	63,4	-22 %	184,6	216,7	-15 %

- Orders received by the Glaston segment grew from the previous low quarters.
- Orders received by the Bystronic glass segment declined. Demand for insulating glass equipment was at a good level, although orders received did not reach the level of the lively quarter last year.
- Demand for automotive glass equipment modest.
- Comparison period (Q4 /18) was a lively quarter due to the Glasstec fair.

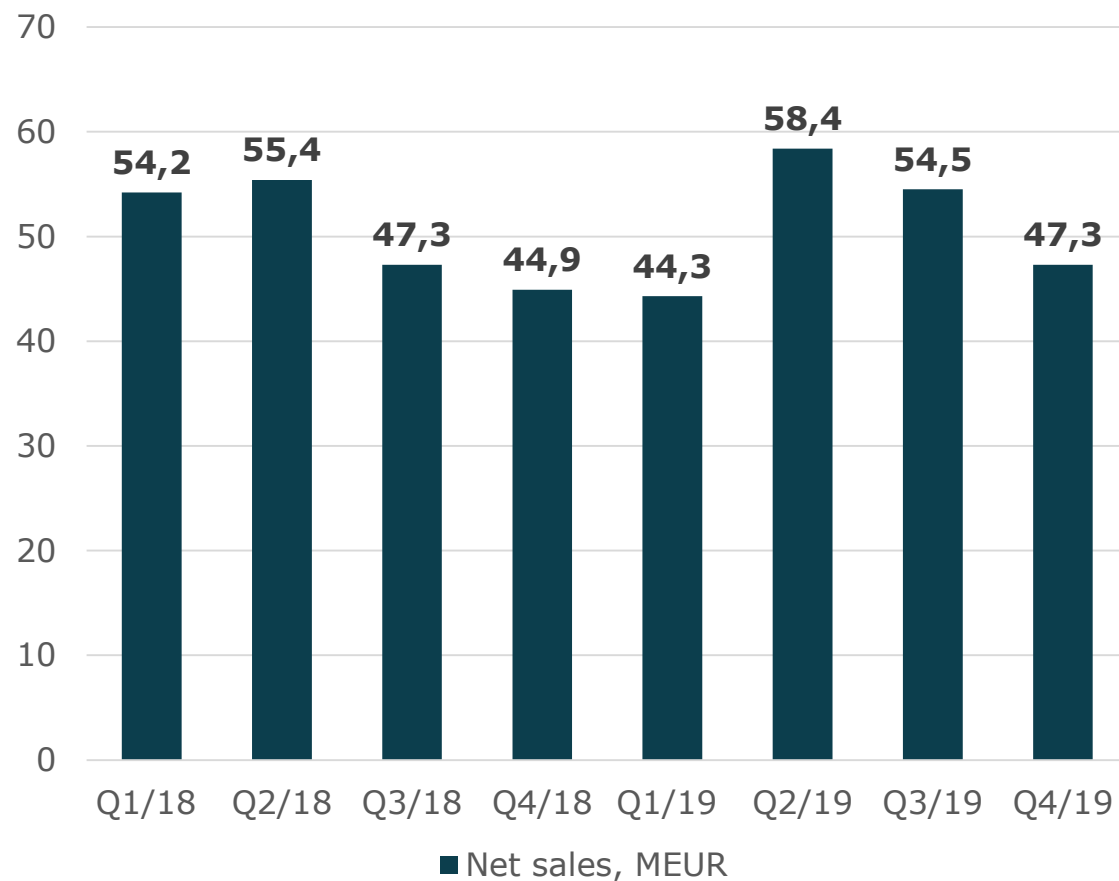
Glaston Group's order book



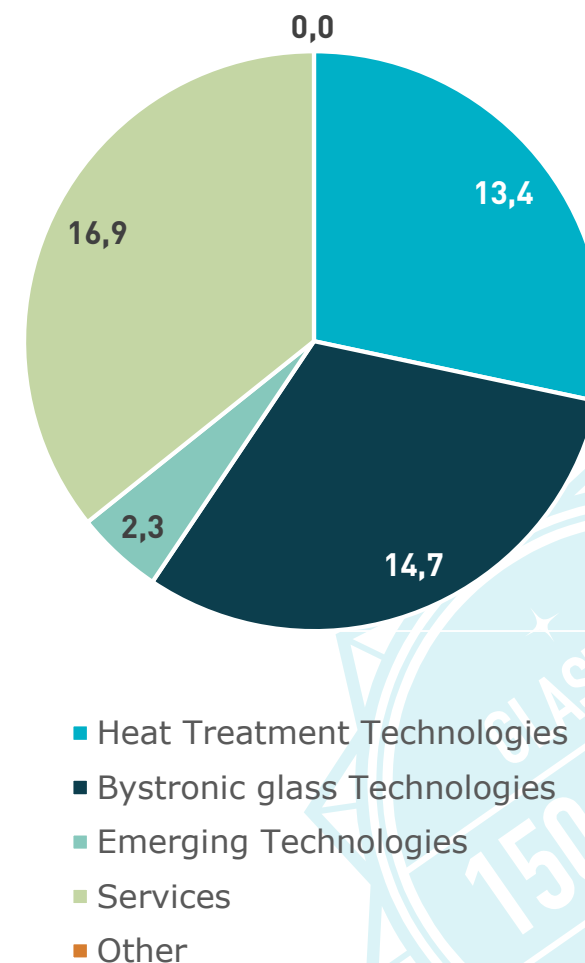
Order book by product area 31 December 2019



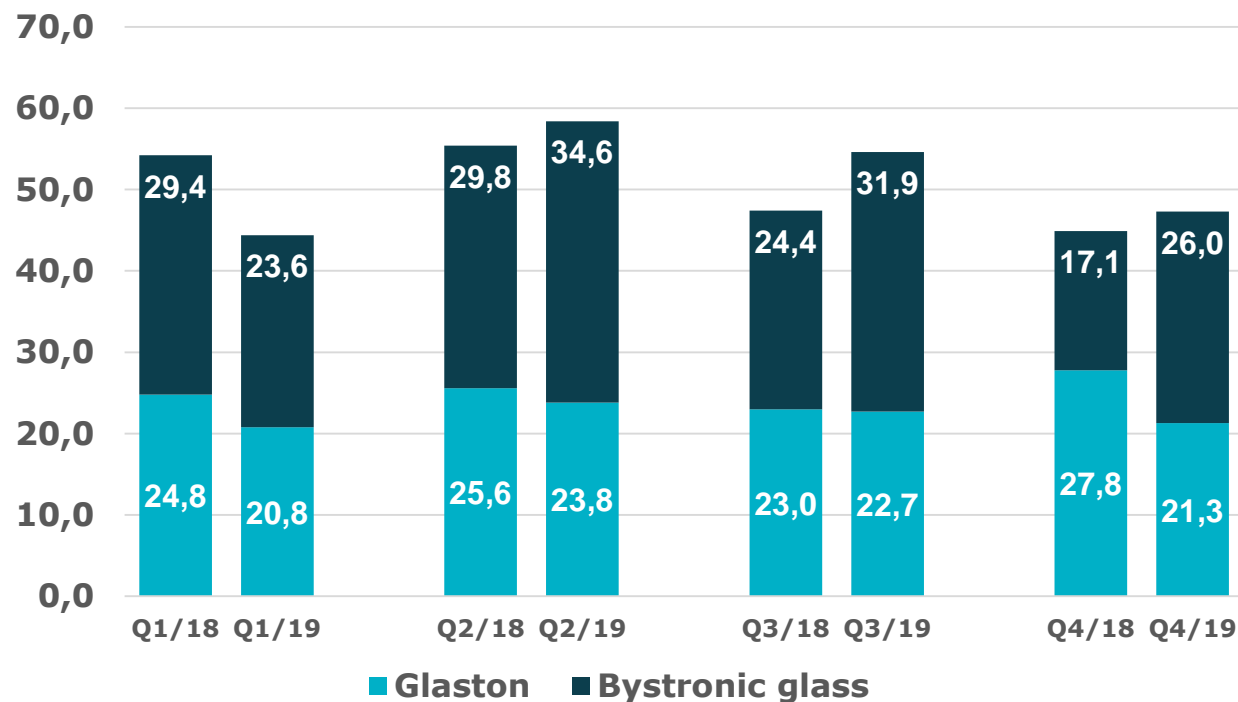
Q4/19 net sales grew 5% on comparison period



Net sales by product area
Q4/19 (pro forma, MEUR)



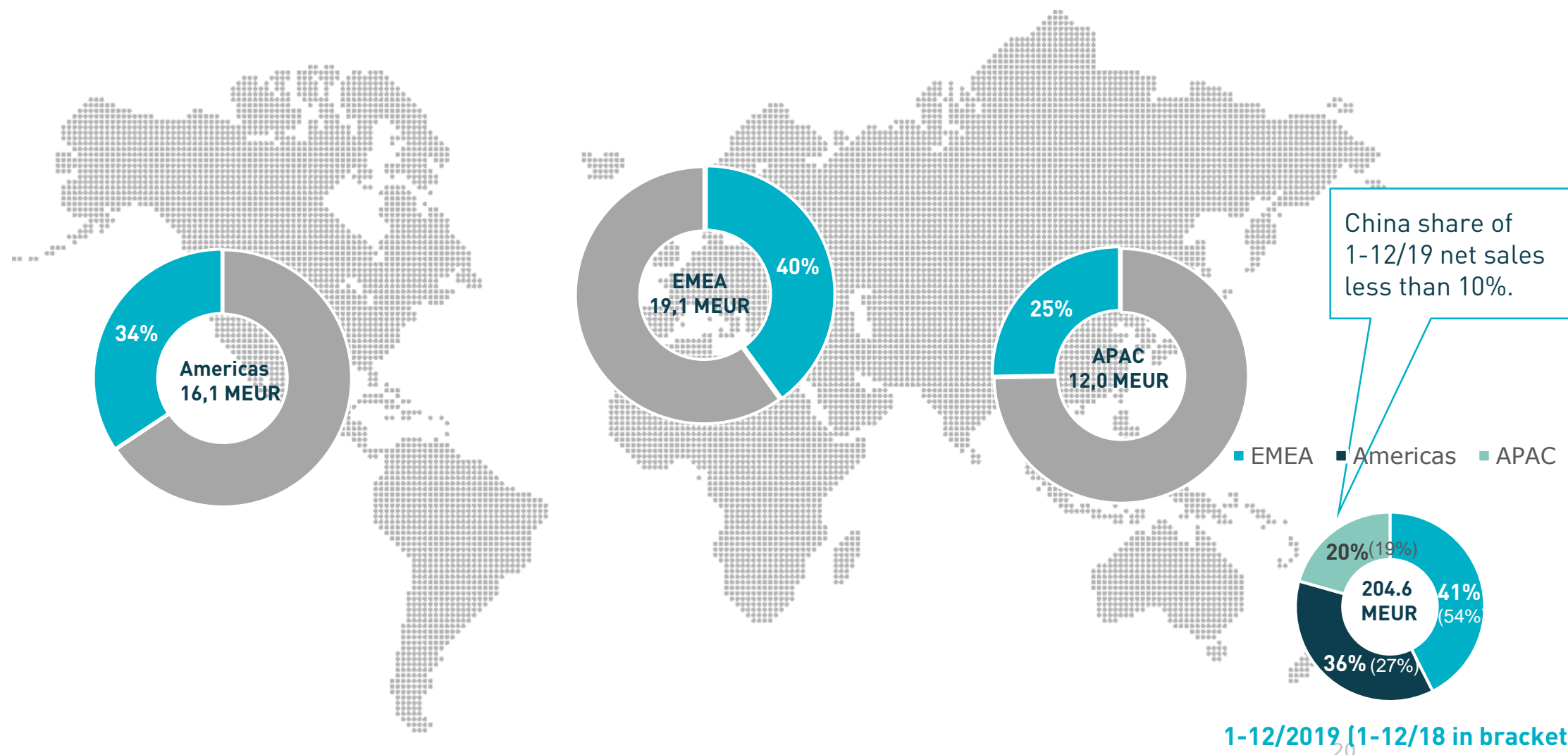
Quarterly net sales by segment



Net Sales pro forma, MC	Actual 10–12/19	Pro forma 10–12/18	Change %	Pro forma 1–12/19	Pro forma 1–12/18	Change %
Glaston	21,3	27,8	-23 %	88,6	101,1	-12 %
Bystronic glass	26,0	17,1	52 %	116,0	100,7	15 %
Glaston Group	47,3	44,9	5 %	204,6	201,8	1 %

- Glaston's net sales were impacted by low revenue recognition of heat treatment machines projects and the divestment of the Tools and pre-processing operations at the end of 2018 and 2019.
- The Bystronic glass segment's revenue development was significantly affected by the timing of projects.

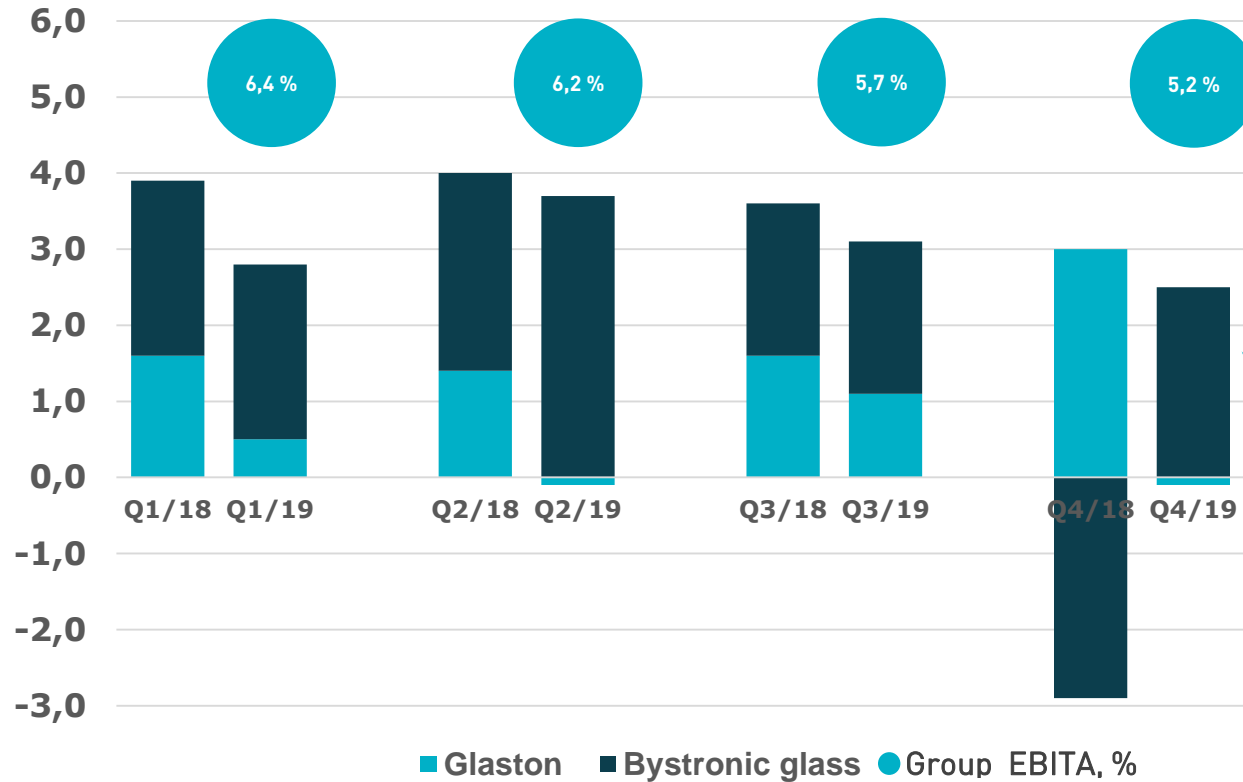
Geographical distribution of net sales Q4/2019



Result and profitability



Comparable EBITA, MEUR





Pro forma Comparable EBITA, EUR million	Actual 10-12/19	Pro forma 10-12/18	Pro forma 1-12/19	Pro forma 1-12/18
Glaston	-0.1	3.0	1.6	7.6
Bystronic glass	2.5	-2.9	10.5	3.9
Total	2.5	0.1	12.1	11.5

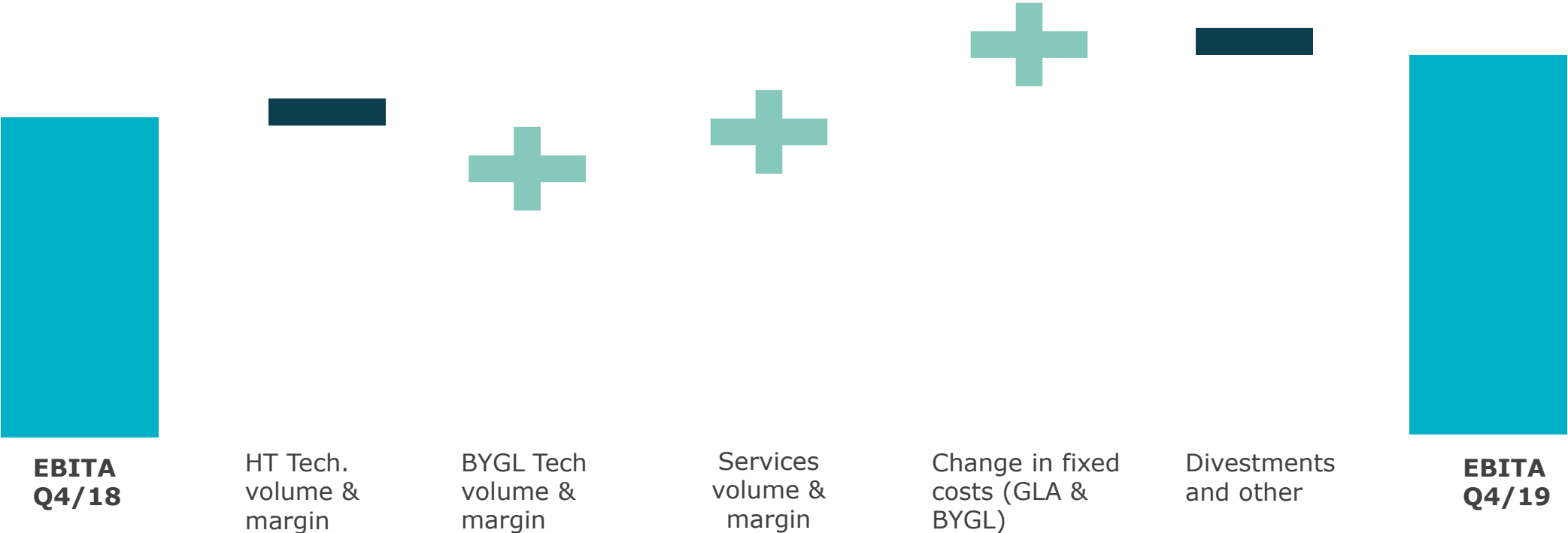
- Glaston segment's decline in comparable EBITA:
 - Volume and margins.
 - Higher than normal unforeseen costs associated with projects and customer receivables.
 - The comparison period includes divested businesses.
- The profitability of the Bystronic glass segment developed positively.
 - Both Q4/19 and Q4/18 profitability was significantly affected by the timing of projects.

Glaston Group's profitability development



Please note! The picture is for illustrative purposes only

 Growth
 Decrease

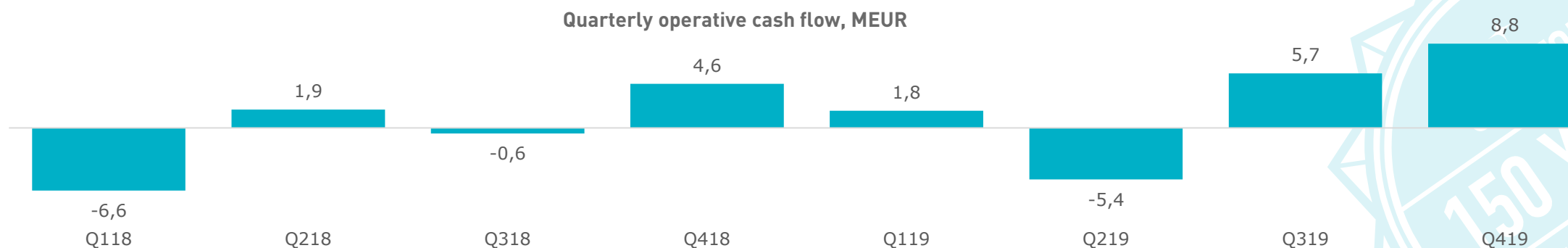
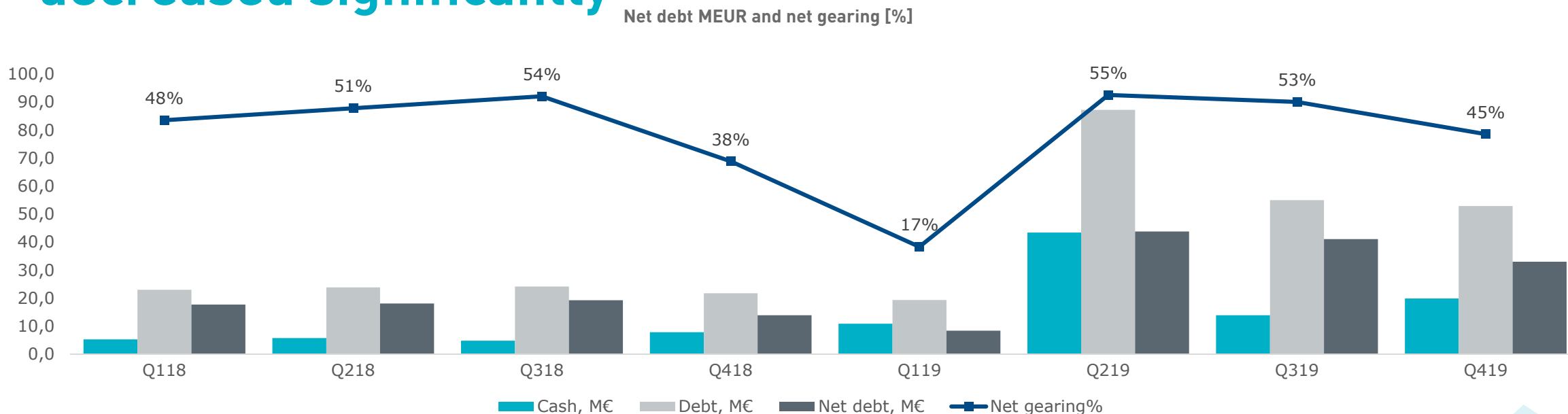


Items affecting profitability



Items affecting comparability		Q1/19	Q2/19	Q3/19	Q4/19	01- 12/19	Total 2019-2021
EBIT impact	Integration costs	-	1,2	1,4	1,7	4,3	7 MEUR
	Transaction costs with EBIT impact	0,8	0,9	0,2	0,1	1,9	approx. 3 MEUR
	Other			0,5	0,5	1,0	
	Total	0,8	2,1	2,0	2,3	7,2	
One time financing costs with earnings impact related to refinancing arrangements		-	0,9	-	-	0,9	approx. 1 MEUR

Strong operational cash flow, net gearing decreased significantly



Near-term uncertainties and outlook



Uncertainties and factors affecting near future development



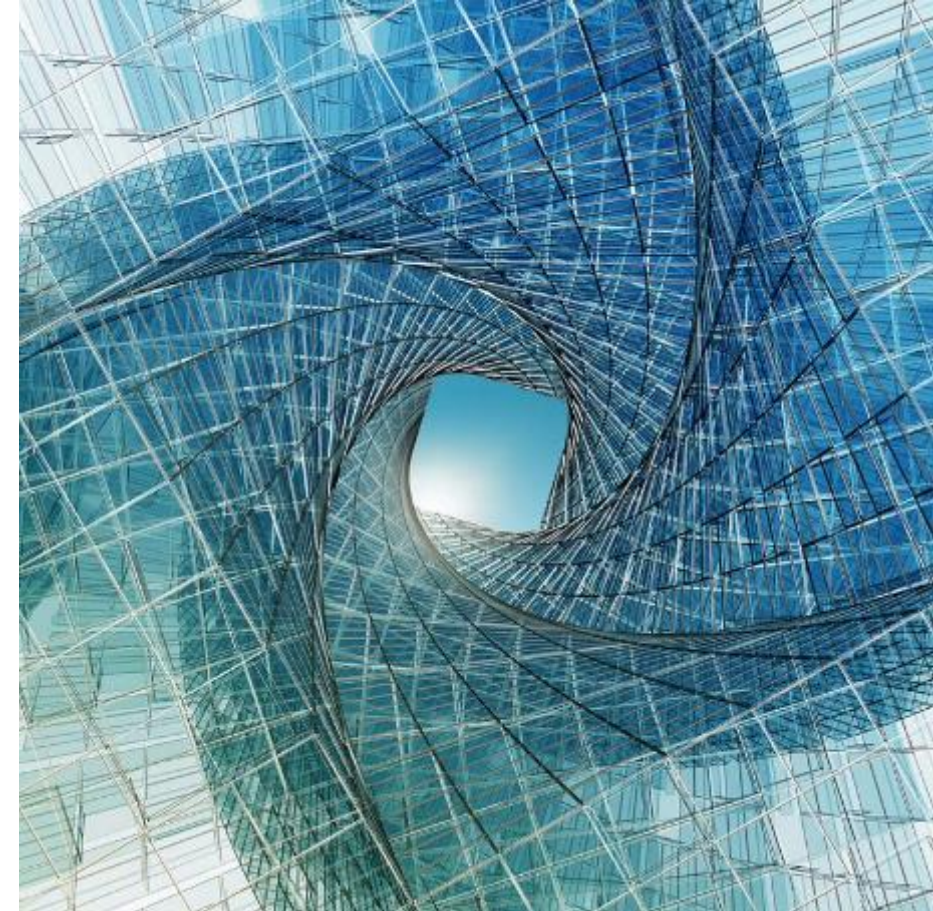
- In the fourth quarter of 2019 uncertainty continued, particularly in the European heat treatment machines market, but a slight recovery in demand was already apparent.
- Demand for insulating glass machines has continued to be good in all market areas and this is also expected to continue into 2020.
- Challenges remain in the automotive glass market and the same trend is expected to continue, at least in the short term.
- The corona virus epidemic that began in China at the end of 2019 is causing uncertainty for the market outlook and, if prolonged and extended, it might affect the company's development.



Glaston's outlook for 2020



- Glaston expects that 2020 comparable EBITA will improve from the 2019 level (2019 comparable pro forma EBITA EUR 12.1 million).



Board of directors' proposal on the distribution of profits



- The Board of Directors proposes that, based on the balance sheet adopted for 2019, a return of capital of EUR 1,685,798 (1,157,067) be distributed, which is EUR **0.02** ([0.014 share-adjusted) per share.
- The return of capital will be paid to shareholders who are registered in the company's register of shareholders, maintained by Euroclear Finland Ltd, on the record date for payment, **6 April 2020**.
- The Board of Directors proposes to the Annual General Meeting that the return of capital be paid on **23 April 2020**.





THANK YOU!

**GLASTON's ANNUAL REPORT WILL BE PUBLISHED DURING WEEK 11.
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