

GLASTON CORPORATION'S HALF-YEAR FINANCIAL REPORT 1 JANUARY – 30 JUNE 2020:

**COVID-19 PANDEMIC IMPACTED ORDERS AND NET SALES,
TIMELY COST-SAVINGS SUPPORTED HEALTHY COMPARABLE EBITA**

6.8.2020

Acting President and CEO Sasu Koivumäki & CFO Päivi Lindqvist



This half year financial report provides estimates on future prospects involving risk and uncertainty factors, and other factors as a result of which the performance, operation or achievements of Glaston may substantially deviate from the estimates. Forward-looking statements relating to future prospects are subject to risks, uncertainties and assumptions, the implementation of which depends on the future business environment and other circumstances, such as the development of the COVID-19 pandemic.



Q2/20 in brief



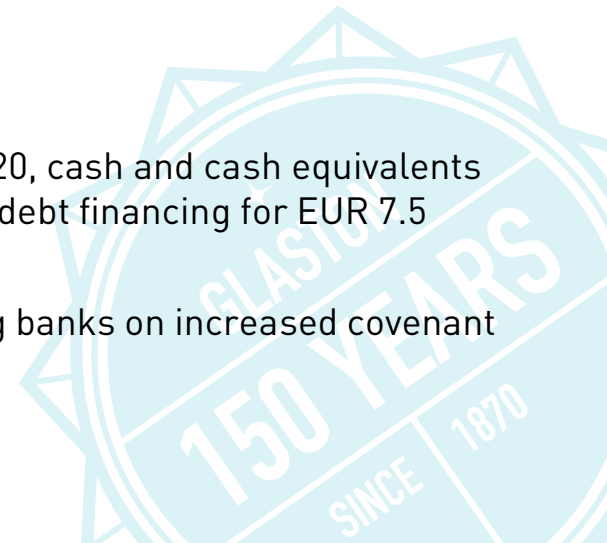
- Orders received EUR 24.0 (44.5) million
- Net sales EUR 48.9 (58.4) million
- Comparable EBITA EUR 2.3 (3.6) million, i.e. 4.8 (6.2)% of net sales
- Order book EUR 49.1 (78.9) million at end of June
- Cash flow from operating activities EUR -0.3 (-5.4) million



COVID-19 IMPACTS AND MITIGATING UNCERTAINTIES



- All production operations maintained throughout the pandemic.
- Orders received declined significantly, market activity clearly picked up towards end of the quarter.
- The majority of trade fairs, including the entire industry's most important bi-annual event Glasstec in Düsseldorf, has been postponed until 2021.
 - opportunity to renew and remodel sales and marketing efforts.
- Glaston continues to implement additional measures, such as temporary layoffs of employees in various locations and strict cost management. Glaston's fixed costs were significantly lower in the review period, compared to the corresponding period 2019, due to
 - organizational streamlining,
 - temporary lay-offs,
 - additional synergy benefits from the Bystronic glass integration,
 - lower marketing and travelling costs than normal
- Glaston closely monitors and manages its liquidity and financial position. At the end of the second quarter 2020, cash and cash equivalents totaled EUR 20.6 million. Additionally, Glaston has committed revolving credit facilities, which enable further debt financing for EUR 7.5 million euros and guarantees for 10.2 million euros.
- As a measure to ensure adherence to the terms of its external financing Glaston has agreed with its financing banks on increased covenant levels and postponement of debt repayments for the remainder of 2020.
- No orders in the order book have been cancelled.



OPERATING ENVIRONMENT Q2/2020

In the second quarter the COVID-19 pandemic changed the market situation significantly from the stable first quarter

AMERICAS

- In North America market activity ceased. Investments were frozen during April and May. In June activity picked up with positive signs of increasing investments.
- US architectural glass manufacturers continued to run their operations almost at normal level throughout the quarter, although COVID-19 infections were rapidly increasing.
- COVID-19 could still significantly impact the US economy, particularly in the Southern states.

EMEA


- General market uncertainty, government mitigation measures as well as travel and meeting restrictions slowed or postponed customers' decision-making and ordering as well as installations and field service
- Towards the end of the second quarter some recovery was noted.

CHINA AND REST OF ASIA

- In China market activity recovered in the second quarter, but competition remained strong.
- The situation varied across South-East Asia with the lockdowns of most countries' being lifted during the second quarter but investment decisions remaining slow or on hold.

OPERATING ENVIRONMENT Q2/2020

The already fragile investment-intensive automotive industry is facing an economic crisis due to COVID-19.

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- The low activity level in the automotive glass market continued in the second quarter. During the peak of the first COVID-19-wave, production activities at most car factories ceased. Thus, the subcontractor production was also considerably reduced or stopped, which led to very low machinery order intake and service activities.
 - Signs of a gradual increase in production was noted during the quarter.
 - Going forward, market activity and investment readiness is expected to remain low.

SEGMENT DEVELOPMENT Q2 IN BRIEF



Heat Treatment

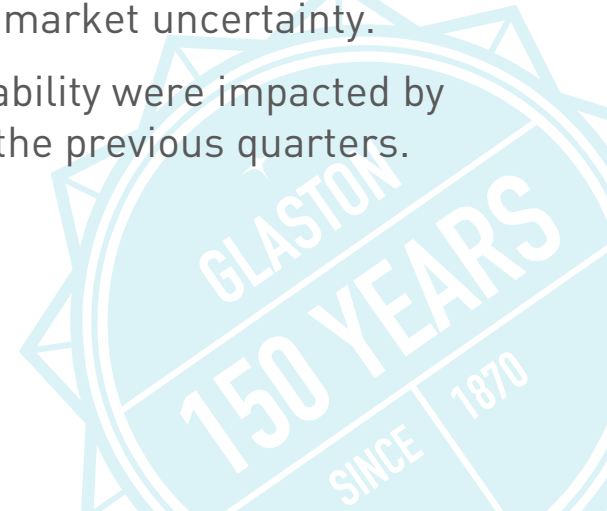
- Orders received declined sharply due to the uncertainty in the market.
- Net sales impacted by postponements of deliveries and low services volume actions.
- Fixed cost savings and other adaptation measures slowed down the decline in the comparable EBITA.

Insulating Glass

- The Insulating glass market was clearly impacted by the COVID-19 pandemic and new orders declined significantly.
- Some larger Insulating Glass projects were accepted and delivered, and net sales grew by 9%.
- Profitability declined as project margins were below the previous year's exceptionally high level and the relative share of services revenue declined.

Automotive and Emerging Technologies

- The automotive glass market was subdued and customer operations shutdown during the quarter. A slow ramp up started towards the end of the quarter.
- Some smaller Automotive and Display orders were received, Emerging Technologies activity was dormant due to market uncertainty.
- Net sales and profitability were impacted by very low demand in the previous quarters.

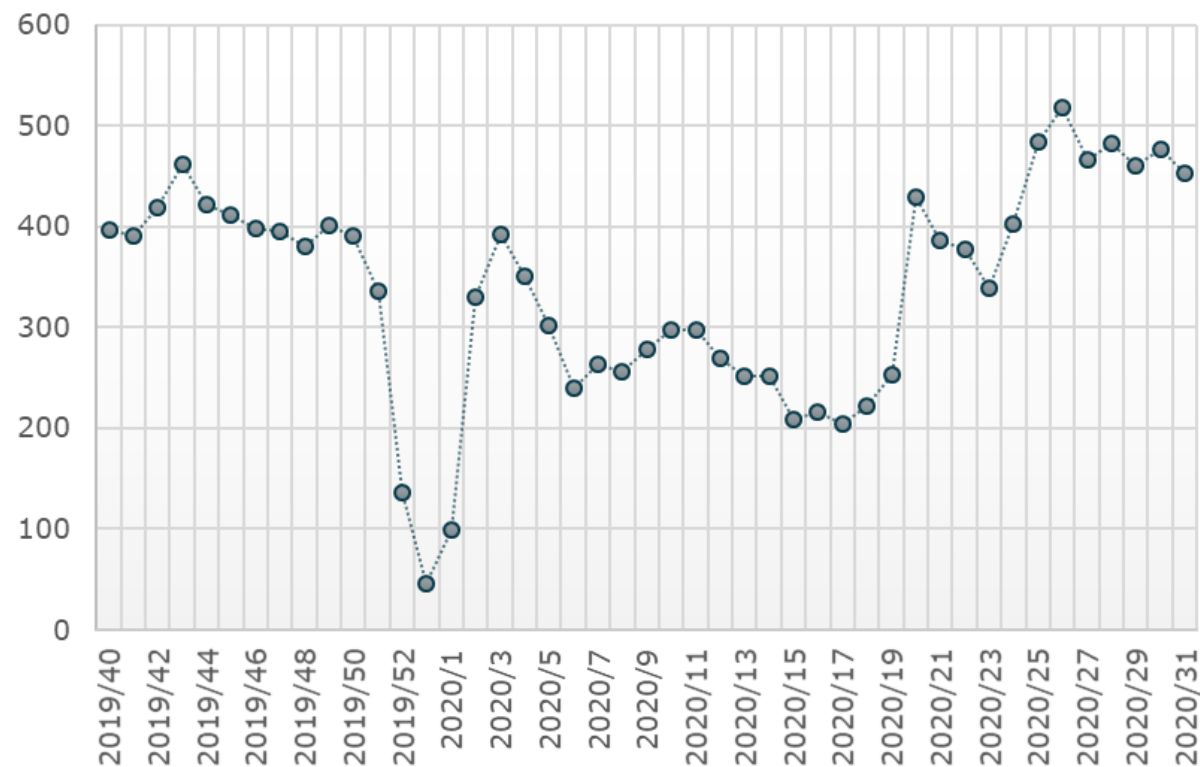


CUSTOMER OPERATIONS PICKING UP

Heat Treatment machines



Loads per active machine



March-April

Source: Glaston database



INTEGRATION

- In 2020, integration has continued but due to the uncertainty caused by the coronavirus, certain long-term integration projects, i.e. integration of ERP systems) are postponed
- Annual cost savings from all measures undertaken since the acquisition are estimated to reach close to EUR 6 million (in connection with the acquisition, Glaston's estimate was approximately EUR 4 million)



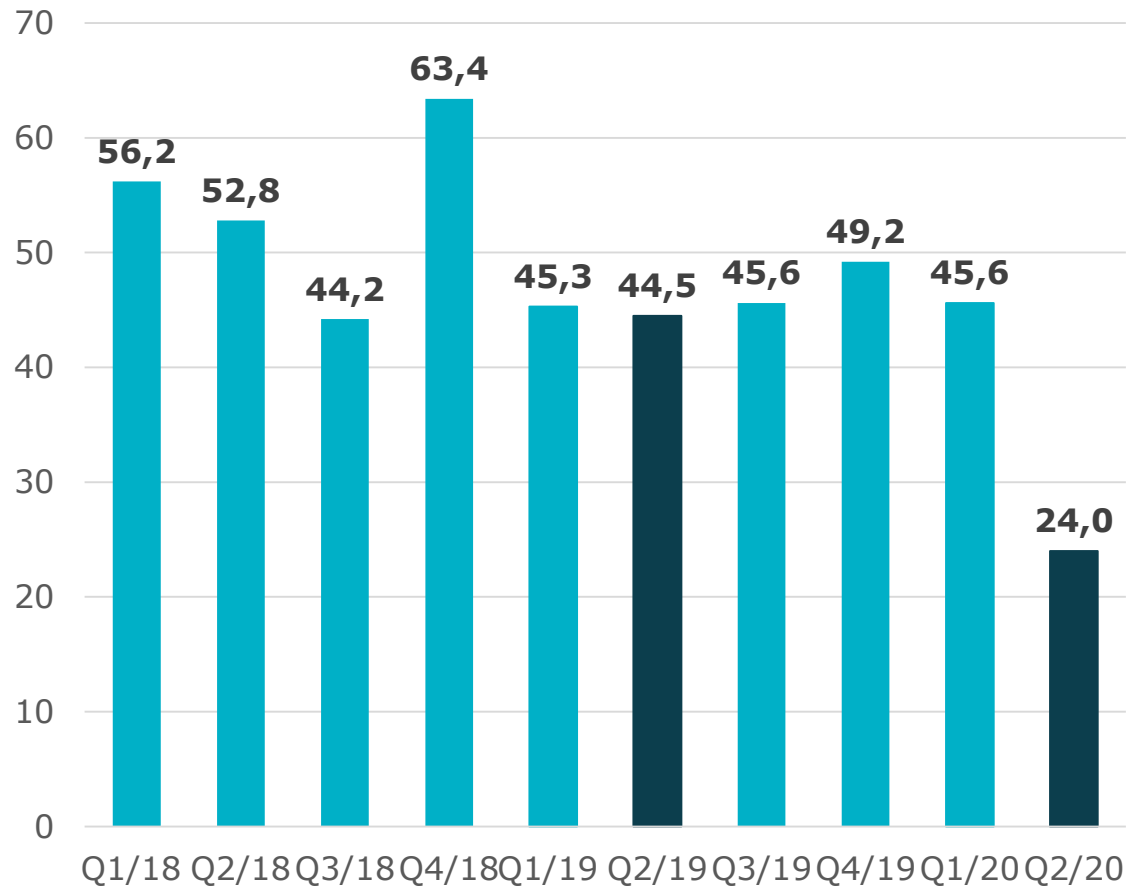
FINANCIAL DEVELOPMENT JANUARY-JUNE 2020



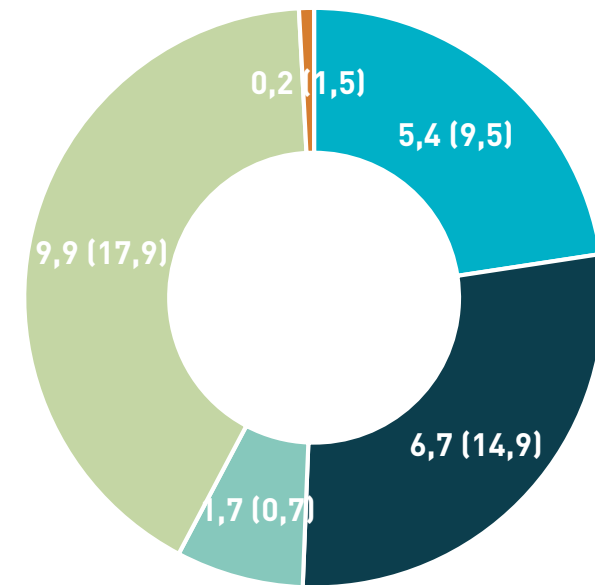
Orders received



Group orders received



Orders received by product area Q2/20 (MEUR)

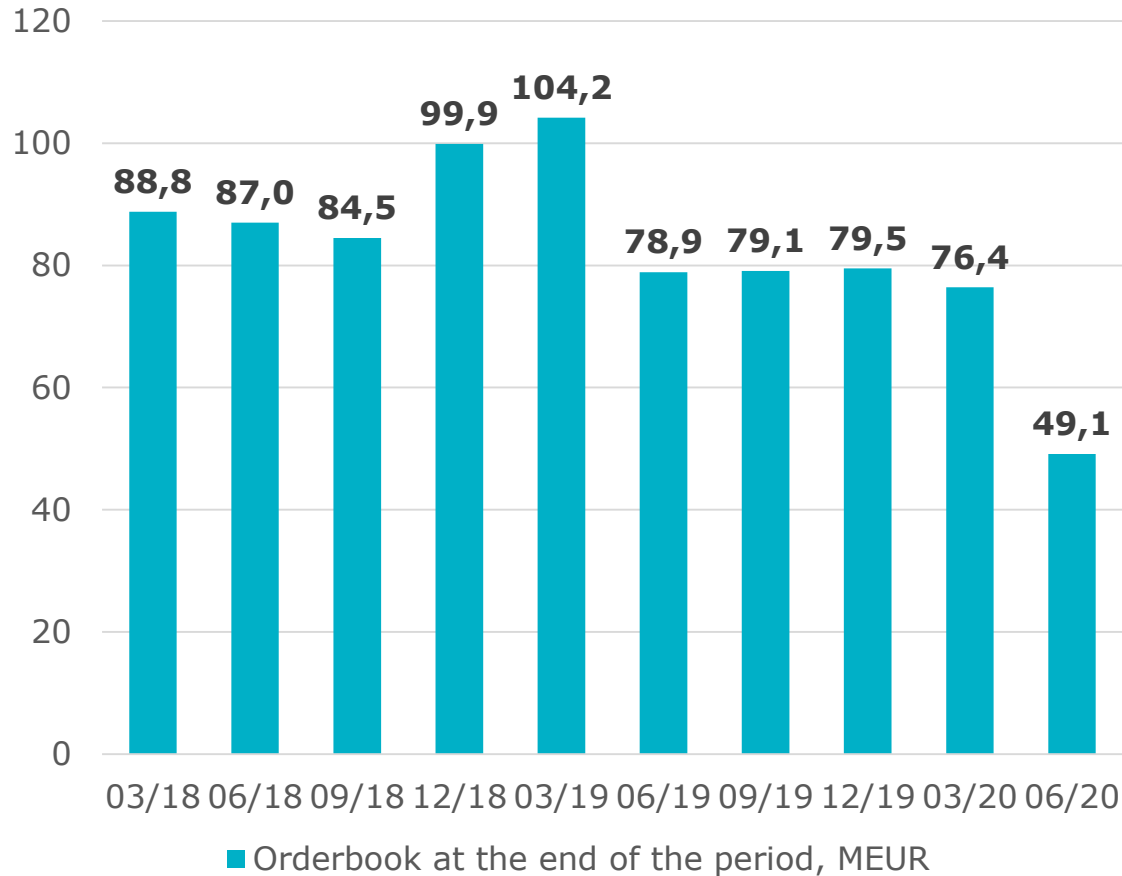


- Heat Treatment Technologies
- Insulating Glass Technologies
- Auto & ET
- Services
- Unallocated and eliminations

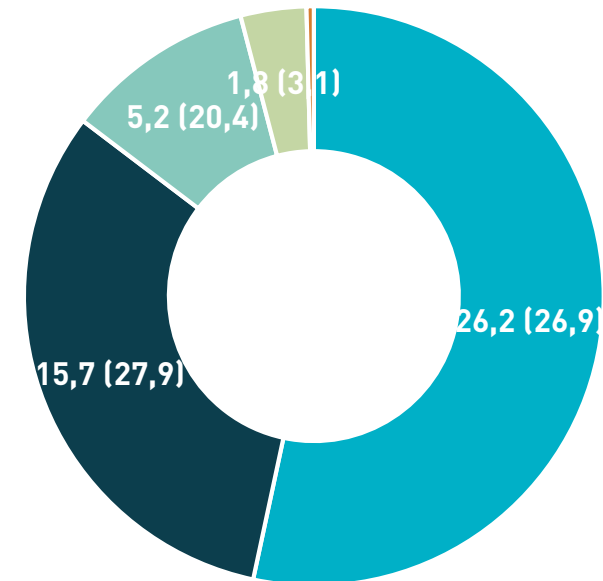
Group order book at the end of the period



Group order book

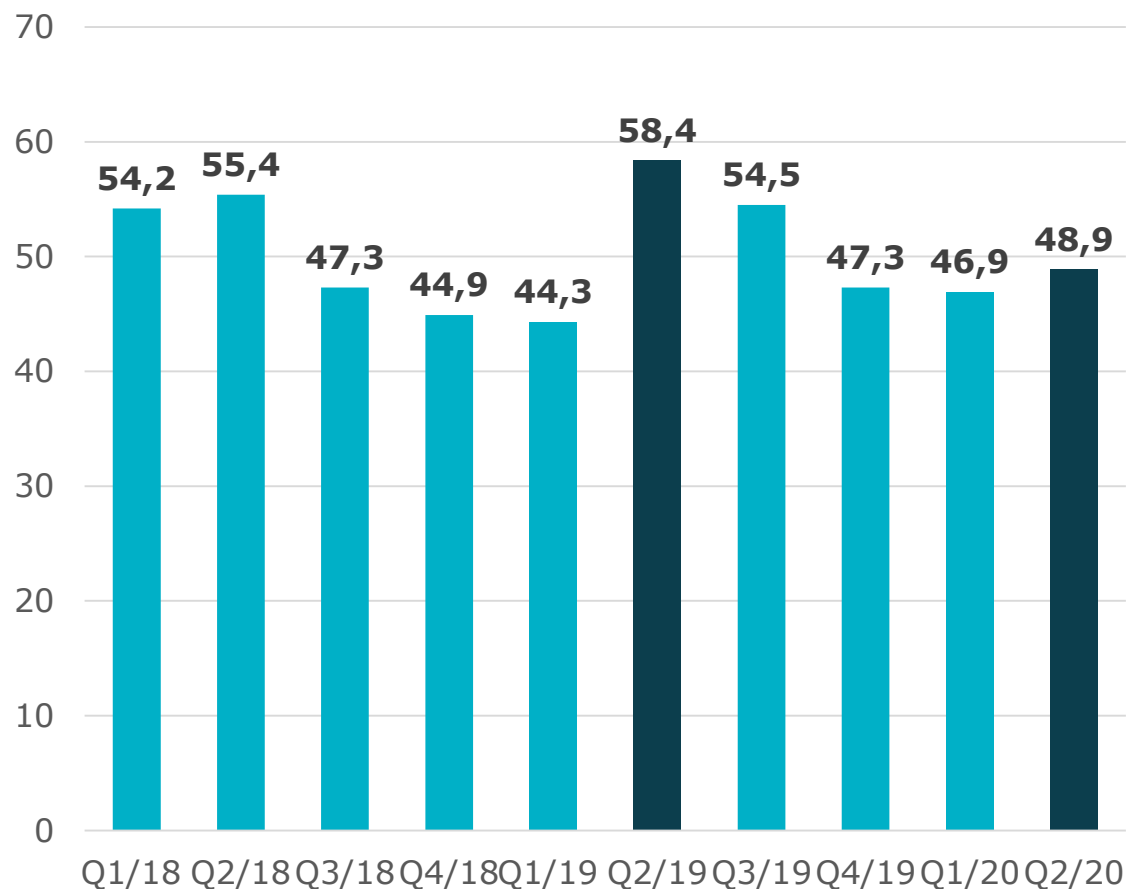


Order book by product area 30 June 2020 (MEUR)

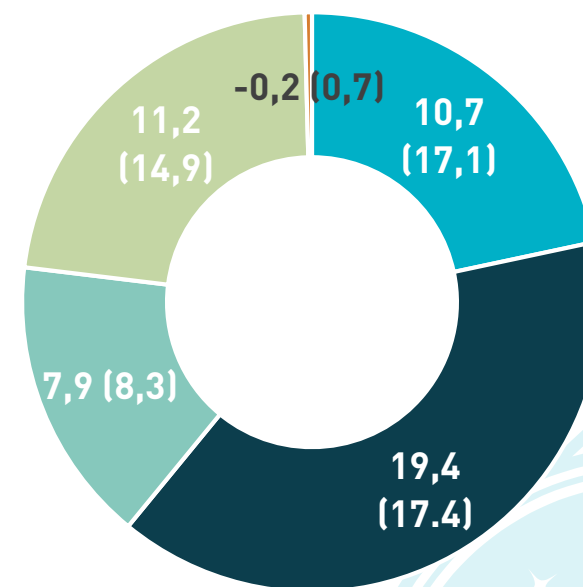


- Heat Treatment Technologies
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Q2/20 net sales at reasonable level compared to peaking Q2/19

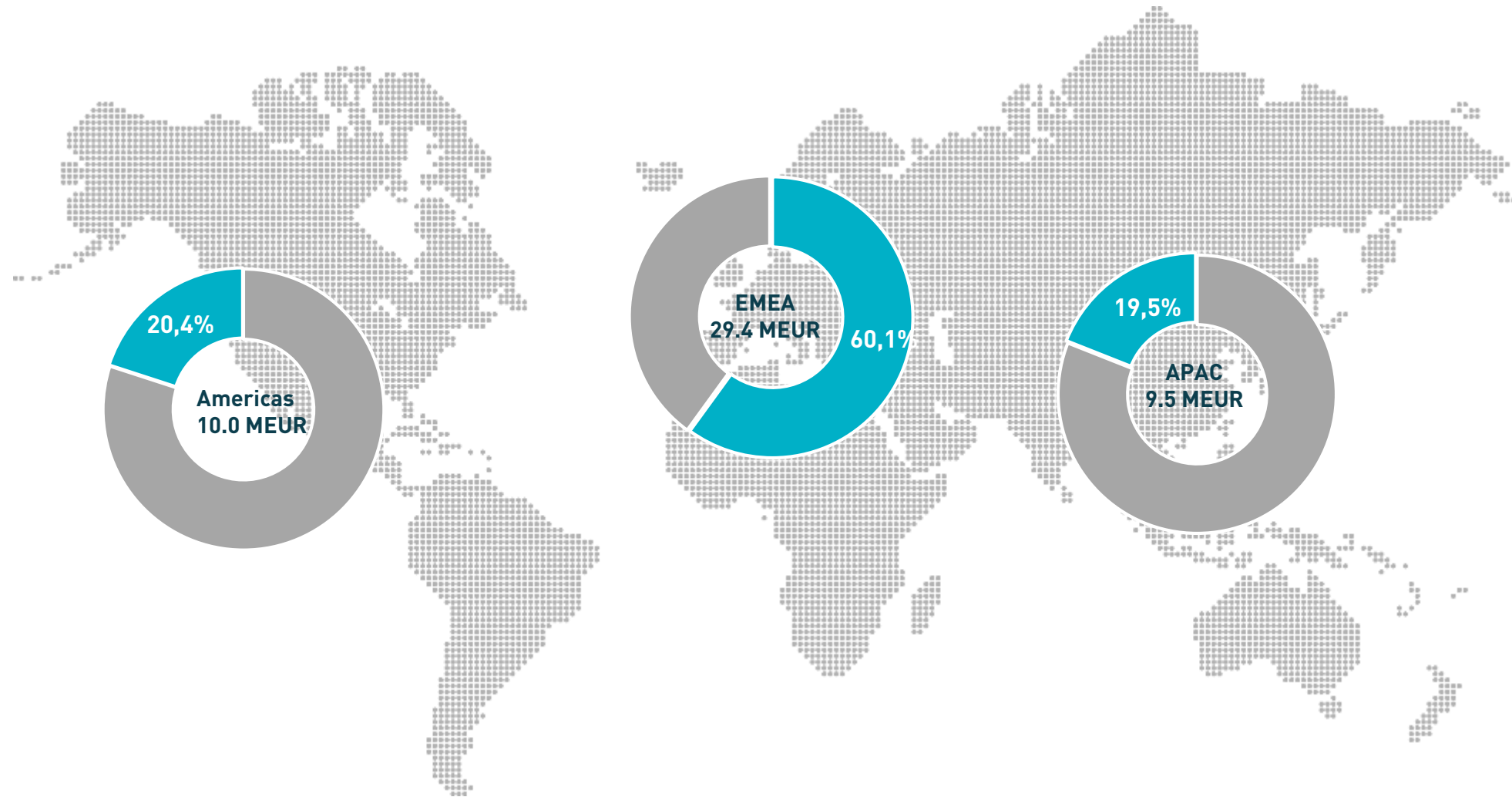


Net Sales by product area

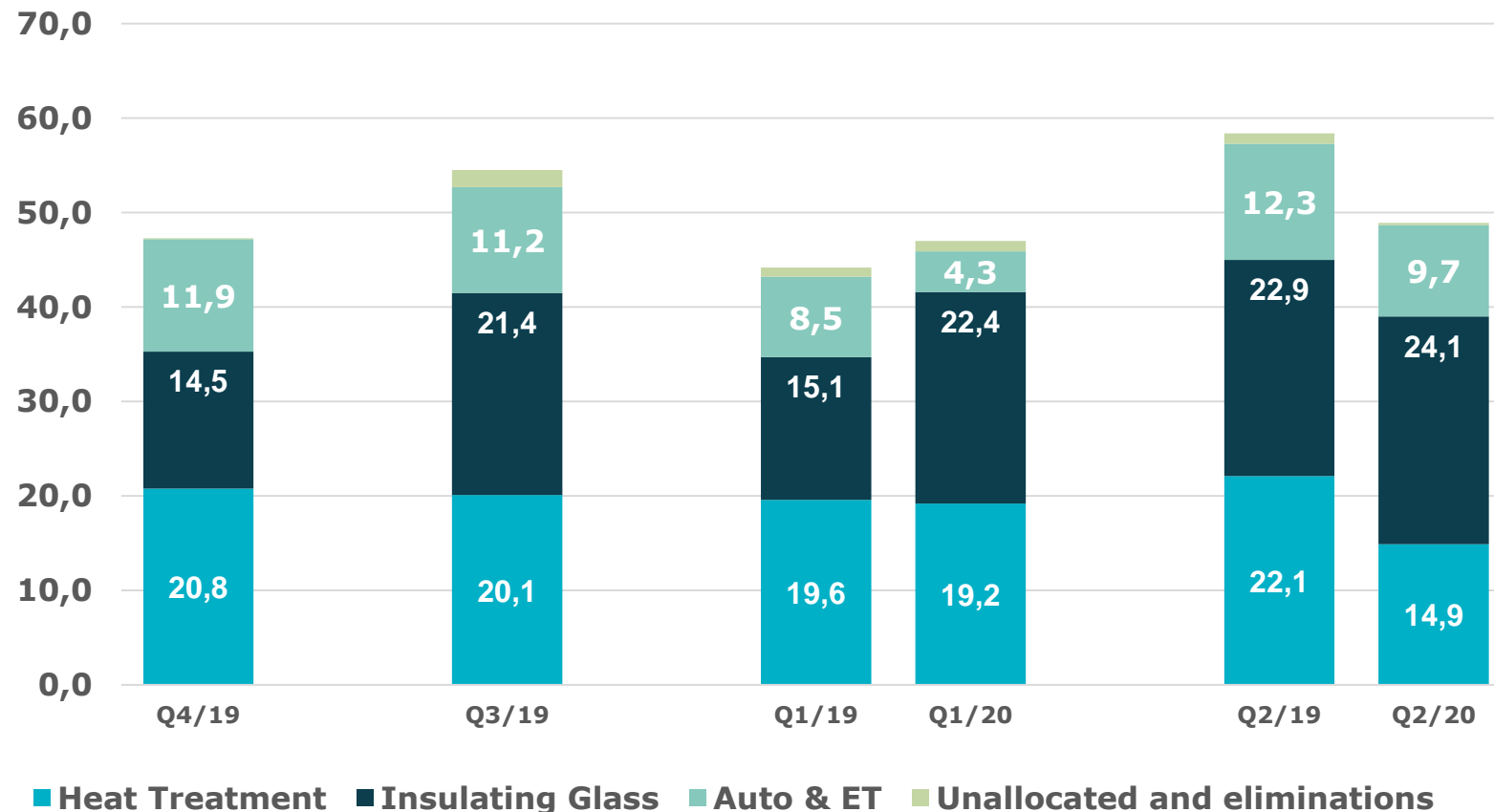


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Geographical distribution of net sales Q2/2020



Quarterly net sales by segment



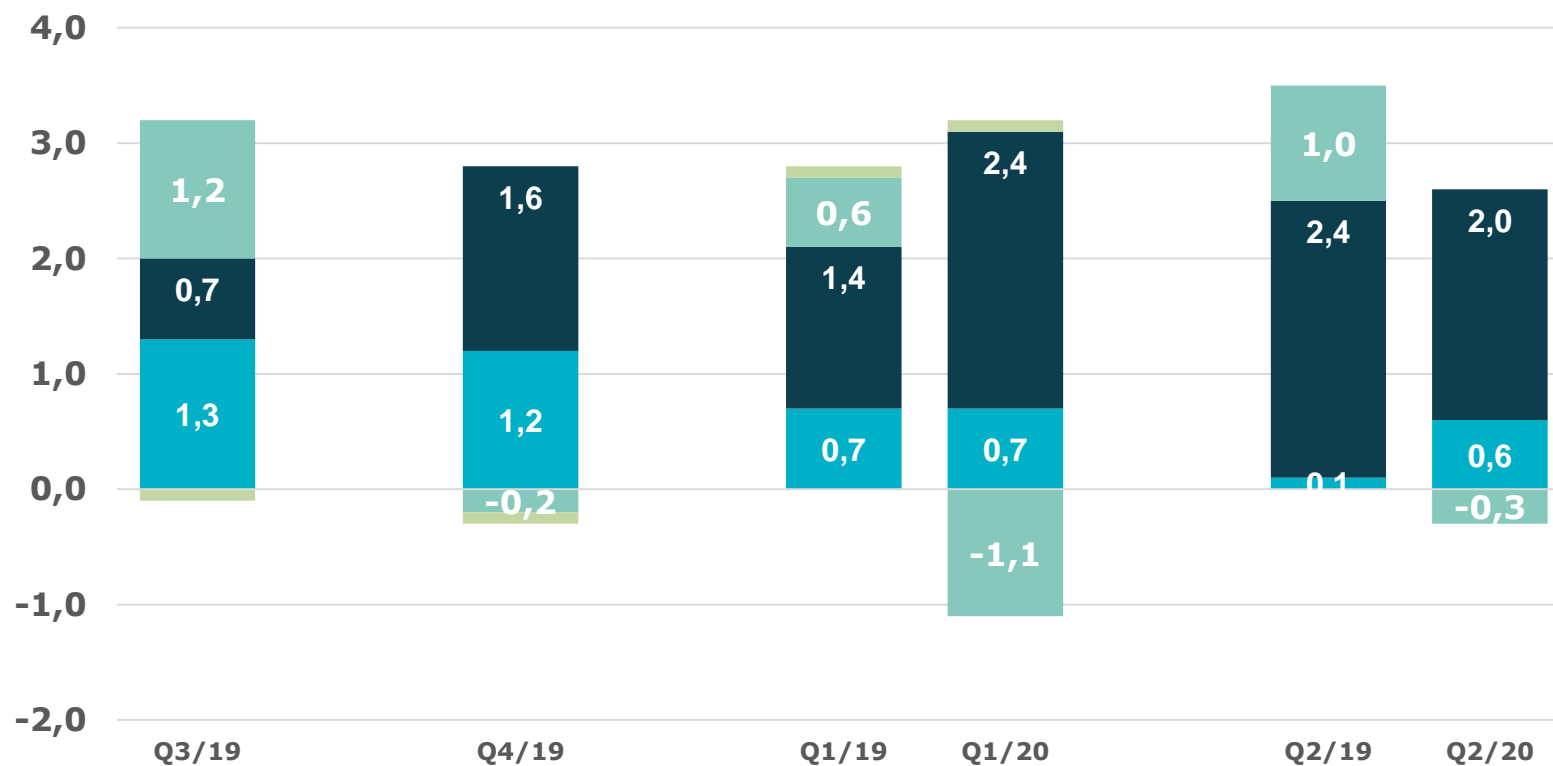
The segment net sales totaled EUR 48.9 (58.4) million

- HT net sales decreased by 33%, mainly due to lower preceding quarters' order intake and a clear decline in spare parts and field service revenue. The segment's sales were particularly high Q2/19 due to the delivery of several orders placed at the Glasstec fair in 2018.
- IG net sales grew by 5% to EUR 24.1 (22.9) million. Several larger projects received their final acceptance.
- Auto & ET, one major project received acceptance and was fully recognized in revenue.

Comparable EBITA by segment



Comparable EBITA EUR Q2/20 2.3 (3.6) million.



■ Heat Treatment ■ Insulating Glass ■ Auto & ET ■ Unallocated and eliminations

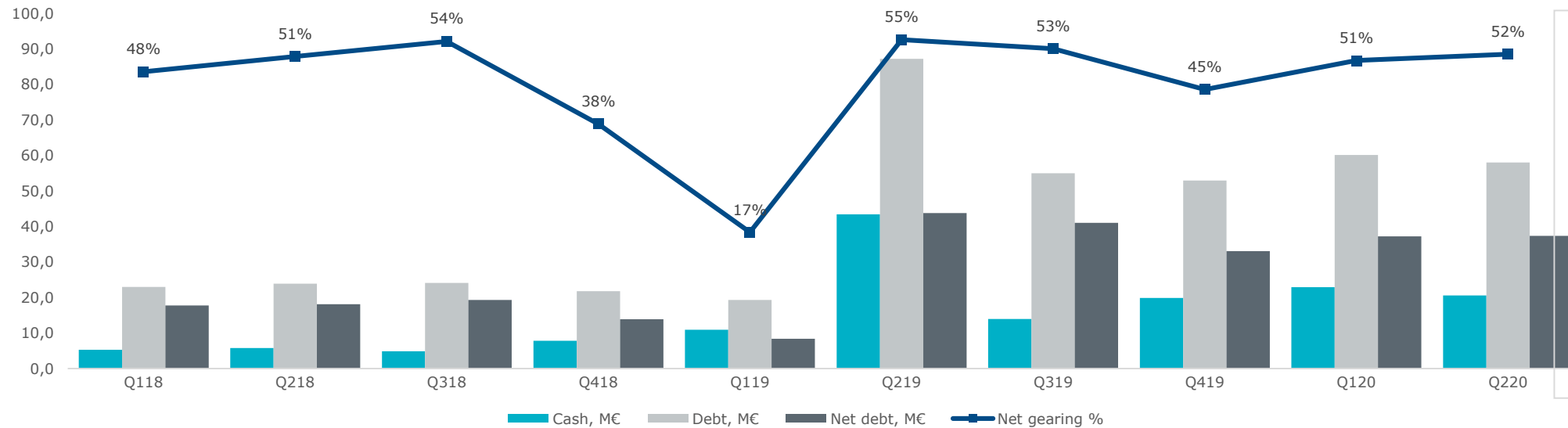
Profitability development Q2/20

Segment	Machines	Services	Fixed costs
HT	●	●	●
IG	●	●	●
Auto & ET	●	●	●

Net debt and cash flow

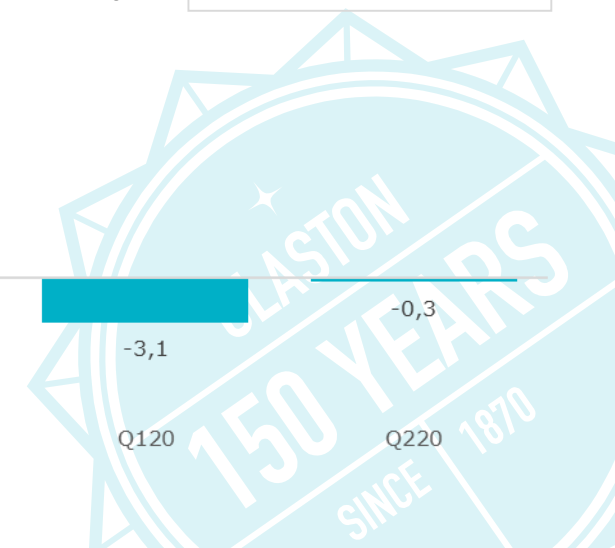
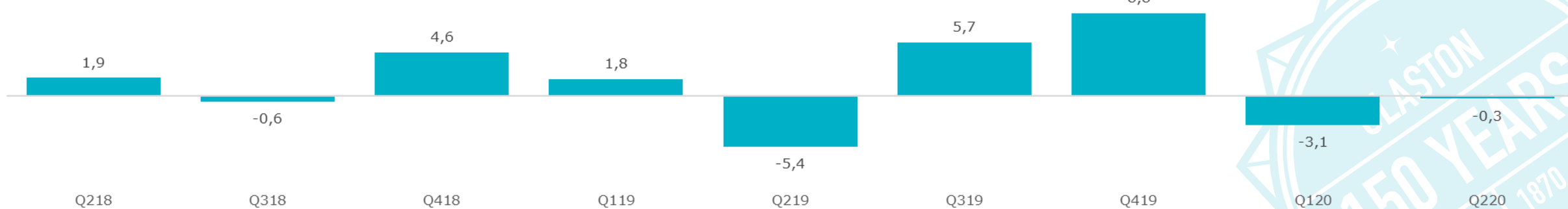


Debt, net debt [M€] and gearing [%]



- Cash and cash equivalents were EUR 20.6 million at the end of the period.
- Committed revolving credit facilities enable further financing of EUR 7.5 million and guarantees for EUR 10.2 million.

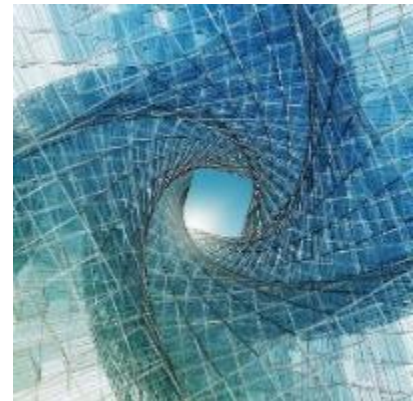
Operating cash flow by quarter [M€]



GLASTON'S OUTLOOK FOR 2020 UNCHANGED



- Glaston Corporation estimates that comparable EBITA for 2020 will decline from the 2019 level.
- The company's current assessment is that the market will recover gradually and that third- and fourth-quarter orders will improve from the second quarter but stay below the previous year's levels.
- The lower than 2019 order intake and slower than normal volume in services business impacts the development of net sales and earnings in 2020.
- The uncertainty surrounding the assessment remains, and the situation might change quickly depending on the development of the COVID-19 pandemic and the general economic climate.



glaston

THANK YOU!

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