NZX, ASX and Media Release 25 November 2019

Traction made in Australia and New Zealand, in difficult market conditions

Summary of the unaudited results for the six months ended 30 September 2019 (1H20) [1]

$m	New Zealand		Australia		Group	
	1H20	1H19	1H20	1H19	1H20	1H19
Revenue	**109.6**	**113.0**	**27.1**	**27.5**	**136.7**	**140.5**
Segmental EBIT pre NZ IFRS 16[2]	16.3	17.0	(2.2)	(1.3)		
Segmental EBIT	**17.2**		**(2.3)**			
EBIT pre NZ IFRS 16					13.6	15.5
EBIT					**14.5**	
NPAT pre NZ IFRS 16					8.3	9.1
NPAT					**7.7**	

- Group revenue of $136.7m (-3%), EBIT of $14.5m (-6%) and NPAT of $7.7m (-15%), impacted by variable activity and heightened competition in the Upper North Island and Victoria
- Continued improvement and stability in customer service levels across New Zealand and Australia
- Sydney based operations to be consolidated and focused on supplying double glazing products, improving Australian profitability going forward
- Reported net debt reduced to $73.4m (1.9x net debt to EBITDA), down $21.9m from 12 months ago

Metro Performance Glass (NZX.MPG, ASX.MPP, Metroglass) today released interim results for the 2020 financial year with group performance slightly behind the same period last year. This was principally due to variable customer demand levels and increased competition in the upper North Island of NZ and Victoria, Australia.

Group revenue for the six months to 30 September 2019 (1H20) of $136.7m was 3% below the prior comparable period (1H19). New Zealand revenue declined 3% to $109.6m while Australian revenue in NZ dollars fell 1% to $27.1m. Including the impacts from accounting standard changes[2], Group earnings before interest and tax (EBIT) for the half year was $14.5m, down from $15.5m in 1H19 and net profit after tax (NPAT) in 1H20 was $7.7m, down from $9.1m in 1H19.

Net debt has declined by $21.9m year on year to $73.4m, supported by a $5.3m reduction of working capital. Over the past six months net debt reduced by $10.0m.

New Zealand performance

Metroglass is operating in an increasingly competitive market, with variable levels of construction activity across the country. In the first half of the year, New Zealand revenue declined 3% to $109.6m, impacted by softness in the Auckland residential window fabricator and merchant segments in particular. Retrofit sales were marginally below last year, and commercial glazing revenue declined 6% to $22.8m. Pleasingly profitability has improved in the South Island in a very challenging market, following a restructure to better align with lower activity levels.

In New Zealand, including the impacts from accounting standard changes, EBIT rose 2% with lower revenue offset by improved margins. Gross profit increased from 51.0% to 52.8% following prior price increases and a higher value product mix. Metroglass

[1] All prior period comparisons are to the half year ended 30 September 2018 (1H19) unless otherwise stated.
[2] The NZ IFRS 16 lease accounting standard was adopted in 1H20 with no adjustments made to prior years. Financial reporting impacts from these changes are detailed in note 9 to the financial statements.

New Zealand operations delivered improved customer experiences and operational performance through sustained continuous improvement initiatives.

Metroglass CEO Simon Mander said "Our commitment to delivering the best customer service in our market enabled us to strengthen our relationships with key customers, and further differentiate our offering. This approach will continue to be critical given the highly competitive markets we operate in."

Australian performance

In Australia we have been implementing a state-by-state plan to improve Australian Glass Group's (AGG) operational and financial performance. In the first half of the year, the business made significant progress on many fronts and is now receiving increasingly positive feedback from customers.

AGG's revenue grew 1% in Australian dollar terms in 1H20 versus the prior comparable six-month period, including 3% growth in the key double-glazing segment. Including the impacts from accounting standard changes, AGG's EBIT loss increased from $1.3m in 1H19 to $2.3m in 1H20 on the back of adverse foreign exchange and pricing movements in a competitive market.

"We have had a clear plan and milestones in place for AGG, and pleasingly the business has continued to build on the operational improvements seen in the latter stages of FY19. Our customers, new and returning, have reacted positively" said Mr. Mander.

New South Wales (NSW) restructure

AGG's Victorian and Tasmanian operations are profitable, and the NSW business has significantly improved its operational performance and customer service. In the last 6 months double glazing sales in NSW grew by 19%, however this was offset by declines in margins and volumes of other processed glass.

Despite our best efforts NSW has continued to be a loss-making business. While we continue to see long term value and opportunity in the NSW market as the penetration of double-glazing increases, this will take time. Going forward, Sydney operations will be consolidated and focused on supplying double glazing to window manufacturers, with local production of non-window or processed glass being discontinued.

Mr. Mander said "We remain cognisant of the deteriorating market conditions across Australia, and the challenges that AGG has continued to face. This restructure will regrettably impact a significant number of our Sydney based staff and our priority is to support those affected.

"We believe these changes will provide an improved competitive position and financial performance over the medium term."

In FY20, the restructure will have a one-off cash impact of $2.5m (of which $1.1m is already provided for) and an estimated asset write-off totalling $3.5m. The transition is planned to be completed by the end of March 2020.

Market conditions and outlook

Elevated levels of residential and non-residential construction in New Zealand are expected to continue in the near term, however we expect further softness in certain regional markets in the near term, including in Auckland.

In south east Australia leading indicators point to softening in Australian residential construction activity in the near term, impacting multi-residential approvals in particular. AGG is primarily involved in the new detached housing and alterations and additions segments which have been less impacted to date but are also expected to decline.

Mr. Mander said "Market competition has intensified in both countries with several glass processors having introduced new capacity to the market in the last 12-18 months. We are confident that Metroglass is building its resilience by focusing on production reliability, pricing and cost management and by creating stronger relationships with key channel participants."

For the 12 months to 31 March 2020, the Group now anticipates:

- Group EBIT in the range of $21m - $24m, excluding:
    - The impact of the change to IFRS 16 which we expect to increase reported EBIT by ~$1.7m
    - A net abnormal charge of approximately $5m related to the restructure of NSW (asset write-off of $3.5m and cash costs of $2.5m, less $1.1m already provided for)
- Reduction in net debt of circa. $15m (<u>inclusive</u> of impacts from the restructuring of NSW)

/ends

HALF YEAR RESULTS WEBCAST AND CONFERENCE CALL:

Metro Performance Glass Limited will release its results for the 6 months ended 30 September 2019 at 8:30am (NZDT) on Monday, 25 November 2019, followed by a briefing for investors, analysts and media at 10am.

You can listen to the webcast via the company's website: http://www.metroglass.co.nz/investor-centre or directly: https://globalmeet.webcasts.com/starthere.jsp?ei=1270342&tp_key=3693305f3d. Please allow extra time prior to the webcast to visit the site and download streaming media software if required. An online archive of the event will be available after 2pm on the day.

To join the conference call, participants will need to dial in to one of the numbers below at least 5 minutes prior to the scheduled call time and identify yourself to the operator. When prompted, please quote the conference code: **8210337**.

New Zealand Toll Free	0800 423 970	International	+64 (0)9 9133 622
Australia Toll Free	1800 573 793	United states/ Canada	800-458-4121
Australia (Melbourne)	+61 (0)3 8317 0932	United Kingdom Toll Free	0800 358 6377
Australia (Sydney)	+61 (0)2 9193 3706		

For further information please contact:

Andrew Paterson**,** Investor Relations
(+64) 027 403 4323
andrew.paterson@metroglass.co.nz