NZX, ASX and Media Release

20 November 2017

RESULTS FOR THE SIX MONTHS TO 30 SEPTEMBER 2017

Metro Glass reports increased Australian contribution offset by softer than anticipated construction activity in NZ resulting in flat half year net profit

Summary of results for the six months ended 30 September 2017 (1H18) [1]

$m	New Zealand		Australia		Group	
	1H18 *(6 months)*	1H17 *(6 months)*	1H18 *(6 months)*	1H17[2] *(1 month)*	**1H18 *(6 months)***	**1H17 *(6 months)***
Revenue	112.1	111.7	29.6	4.6	**141.7**	**116.3**
Segmental EBITDA[3]	21.4	23.8	3.9	0.8		
Normalised[4] EBITDA					**24.7**	**24.0**
Reported EBITDA					**24.7**	**23.1**
Normalised NPAT					**11.8**	**12.5**
Reported NPAT					**11.8**	**11.5**

- Strong group operating cash flow of $17.6 million in the half year, up +252% from $5.0 million in 1H17
- NZ RetroFit double glazing revenue grew 14.4% to $11.6 million
- NZ Commercial glazing revenue fell 6.1% to $25.2 million, however the commercial forward book grew from $29.7 million to a record $30.7 million
- Declared a fully-imputed interim dividend of 3.6 cents per share, in line with 1H17
- Launched a Strategic Review of the business, expected to be completed by March 2018
- Peter Griffiths elected as the new Chairman effective today, following Sir John Goulter's retirement

Metro Performance Glass (NZX.MPG, ASX.MPP, Metro Glass) today reports net profit after tax for the six months to 30 September 2017 of $11.8 million, broadly in line with the result achieved in the same period a year ago, and the financial guidance provided at the Annual Shareholders' Meeting in August 2017.

While the company maintained its leadership position in the Australasian glass processing industry and held its glass category share in NZ above 55%, construction activity levels in NZ were considerably softer than anticipated. The company's half year result was also impacted by inefficiency in factory labour and continuing pricing pressures in the South Island, somewhat offset by an increased contribution from Australian Glass Group.

Anticipated growth in NZ residential and commercial construction activity in the six month period did not eventuate, contributing to a disappointing financial result in NZ. The sector was adversely impacted by housing affordability and the availability of credit, difficult winter conditions, uncertainty around the general election, and continued industry-wide capacity constraints.

New Zealand revenue rose marginally to $112.2 million from $111.7 million in the prior corresponding period. EBITDA fell by $2.4 million or 10% to $21.4 million, impacted by competitive pricing pressures in the South Island, factory labour utilisation and a spike in electricity prices during the period. However, pleasing progress

[1] All prior period comparisons are to the half year ended 30 September 2016 (1H17) unless otherwise stated.

[2] Australian Glass Group ("AGG") was acquired on 1 September 2016. Results for the Australia segment include 1 month of ownership for 1H17 and 6 months of ownership for 1H18.

[3] All non-Generally Accepted Accounting Principles (GAAP) financial measures are defined and reconciled to a GAAP measure on page 5.

[4] EBITDA and NPAT were normalised in the prior period to exclude $1.0m of one-off expenses related to the acquisition of AGG.

was made in the Company's development businesses particularly with profitability improvements delivered in both Auckland commercial glazing and Auckland RetroFit.

Sales in the NZ commercial glazing business fell 6.1% to $25.2 million versus the same period last year as the business focussed on profitable growth and projects within the business' core competencies. Installation of glass at the Acute Services Building at Christchurch Hospital contributed to strong growth in South Island commercial glazing. However this was offset by a decline in the North Island following a focus on improved profitability, and deferral in the execution on a number of key projects. The commercial forward book grew 3% year on year to $30.7 million at 30 September 2017.

Auckland commercial glazing delivered considerably improved margins despite a 6.6% decline in revenue in the half year following changes to tendering processes and glazier management. These results include the integration of the former Mint Glass business which has been restructured since its assets were acquired from receivership in December 2015.

The NZ RetroFit double-glazing business grew half-year sales by 14.4% to $11.6 million from $10.0 million at the same time a year ago. RetroFit has a strong forward order book and the business anticipates stronger growth in the second half of the financial year. Auckland RetroFit increased revenue by 34% and delivered an EBITDA contribution of 15% after making a small loss in the prior corresponding period.

Australian Glass Group (AGG) sales for the 6 months increased 12% on the prior period (on a pro-forma basis assuming AGG had been owned for the entire prior comparable period). This growth was driven by a 33% increase in Double Glazed Unit (DGU) sales in Victoria, as penetration of double glazing in residential homes continues to increase.

AGG's profitability in the half year was impacted by a number of short-term factors that will be addressed by improvement programs that the business has in place. Firstly, machine reliability issues were experienced in the New South Wales facility that will be improved in the current financial year's capital expenditure program, and secondly AGG's glass procurement transitioned to an international import model utilising Metro Glass' suppliers. This change saw two glass storage facilities opened in the period with attendant costs, but will provide cost savings in the second half.

AGG will spend approximately $9.5 million on capital expenditure in FY18. This will close to double AGG's DGU production capacity, and step change the business' ability to service the growing Victorian and Tasmanian markets, with processing capabilities in New South Wales also improved.

Group revenue for the six months to 30 September 2017 rose 22% to $141.7 million from $116.3 million in the same period a year ago, lifted by a full six-month contribution from AGG compared to one month in the prior corresponding period. Group EBITDA rose 7% to $24.7 million from $23.1 million in the same period last year.

Net profit after tax rose 2% to $11.8 million in the half year compared with $11.5 million in the prior corresponding period. Excluding the one-off AGG acquisition costs in the previous corresponding period, Normalised NPAT declined to $11.8 million from $12.5 million in the same period a year ago.

Operating cash flow improved considerably to $17.6 million in the half year, up 252% from $5.0 million in the prior corresponding period. The improvement was driven by the increased contribution from AGG, improved debtor and creditor management and the timing of tax payments.

BALANCE SHEET AND DIVIDEND

The company remains in a secure financial position with strong operating cash flow supporting the capital expenditure program, dividends and reduced net debt. Total net interest-bearing debt reduced to $93.9 million at 30 September 2017 from $94.5 million at 31 March 2017 and $95.4 million at 30 September 2016.

The Metro Glass Board has today declared a fully-imputed interim dividend of 3.6 cents per share, in line with the dividend paid in the first half of last year. The record date for dividend entitlements is 9 January 2018 and the payment date is 23 January 2018.

GOVERNANCE

Sir John Goulter retired from the Board effective today, and the Board has elected Peter Griffiths, who joined the Board in September 2016, as the new Chairman. The Board wishes to thank Sir John for his contribution to Metro Glass from IPO through to today, a period which has seen significant changes to the business and the environment in which it operates.

Peter Griffiths said: "Metro Glass is a great NZ Inc. story. It is a solid business that has grown rapidly in recent years and I'm excited by the opportunities that lie ahead."

The Board is continuing to evaluate the composition of Board.

STRATEGIC REVIEW

Following an extended period of growth in volumes and wholesale changes in product complexity in New Zealand, Metro Glass is now entering a period of more moderate growth. Since listing on the NZX and ASX in July 2014 the business has held its position as the New Zealand market leader and established a technical and service capability that is locally and internationally competitive. Metro Glass acknowledges this approach, in the face of very strong demand, has come at some cost to short term returns for shareholders.

As a consequence of significant variations in the timing of both residential and commercial work put in place in New Zealand between Metro Glass' assumptions and the actual market, the Metro Glass Board announced that it had initiated a Strategic Review in October 2017.

Peter Griffiths said: "The bones of the group are very solid. This review is serving to ensure that the company's business model is effective and efficient for the two countries in which we operate and that we prioritise the best opportunities to improve customer experience and financial returns to our shareholders."

The Strategic Review is expected to be completed by March 2018. FNZC has been appointed to work with the Board and management on aspects of this Review.

MATCHING INVESTMENT WITH DEMAND

As was advised at the annual meeting in August, Metro Glass had configured its New Zealand business for a higher level of activity, but now in recognition of softer than expected conditions, steps have been taken to improve efficiency and capital expenditure plans have been revised.

The company indicated at its investor day in July 2017 that it expected to incur capital expenditure in FY18 of up to $25 million across the Group. This capital spend has been reviewed and is now expected to be in the vicinity of $20 million.

This capital spend will improve processing ability for high specification glass across the Group. It will also simplify the operations of the Highbrook plant whilst giving it the capability to more efficiently process larger panels of glass. Additionally the Australian capital spend will step change AGG's ability to service the South East Australian market and will ensure the business has the necessary processing capabilities to meet the growth in DGU penetration anticipated over the next 2-3 years.

Implementation of the programme is on track with key equipment to be installed over the Christmas – New Year shutdown period, with benefits targeted to be delivered from the start of FY19. Annual capital expenditure in the next two years is expected to be in the range of $10 million to $12 million. "Planned capex over the next quarter will set Metro Glass up well for FY19 and this is in line with the Board's commitment to prudent capital management," says Peter Griffiths

The Company has also engaged an international manufacturing consultancy to help drive increased throughput and efficiency at Highbrook, Metro Glass' largest processing plant. This project is still in its early stages and an update on progress will be provided with the Company's full year results.

MARKETS

In New Zealand, residential construction activity is forecast to remain around current levels, with continuing and significant levels of migration, the current shortage of housing in Auckland, and the new Government's proposed KiwiBuild programme that aims to build 100,000 new homes over 10 years (50% of these in Auckland), underpinning demand for new homes.

While economic and demographic fundamentals are expected to support strong demand over the medium-term, there are a number of supply-side constraints dampening growth. These include labour shortages and bottlenecks in the materials supply chain, as well as borrowing restrictions put in place by major lenders which has had the effect of slowing demand in the residential and non-residential construction markets.

In Australia, the business is primarily focussed on the rate of DGU penetration in construction of new detached dwellings and the alterations and additions markets in Victoria, Tasmania and New South Wales. The increase in DGU penetration is expected to more than offset the single percentage figure declines currently being seen in new building approvals in these states. The value of alterations and additions consented in New South Wales remained flat over the past 12 months, but increased close to 10% in Victoria.

LOOKING FORWARD

Whilst market activity is difficult to predict, forecasters are typically estimating that residential dwelling consents in New Zealand will continue in a range of 28,500 to 35,000 per annum in the next 2-3 years.

Metro Glass is adjusting its New Zealand business to reflect softer market conditions, and assuming no significant variation to the Company's expectations, the Group's net profit after tax for the 12 months to 31 March 2018 is likely to be in the range of $18.5 million - $20.0 million. This compares to $19.4 million for the 12 months to 31 March 2017.

To deliver this result, the company is focussing on re-aligning costs to expected volumes and driving processing efficiencies at the key Highbrook plant. Strong execution of the Group's capital investment programme remains critical to position the business well for FY19.

Finally, the Board would like to thank all Metro Glass employees for their efforts over the last six months. The company has a team of very committed and motivated people who compete hard every day and are committed to improving returns.

/ends

HALF YEAR RESULTS WEBCAST AND CONFERENCE CALL:

Metro Glass will host a conference call today to review the results for the 6 months to 30 September 2017. The conference call is scheduled to begin at 10:00am NZDT, 8:00am AEDT and will be webcast simultaneously over the Internet. To view the webcast, please follow the link available on the company's investor website: http://www.metroglass.co.nz/investor-centre/. The webcast can also be accessed directly from: https://edge.media-server.com/m6/p/ajnwxv4v.

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 approximately two hours after the webcast.

To instead 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: **8456680**

New Zealand Toll Free	0800 423 970	International	+64 (0)9 9133 622
Australia Toll Free	1800 573 793	Australia	+61 (0)2 9193 3706
United Kingdom Toll Free	0800 358 6377	US/Canada Toll Free	866 548 4713

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APPENDIX 1: GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) TO NON-GAAP RECONCILIATION

Metro Glass' standard profit measure prepared under New Zealand Generally Accepted Accounting Practice (GAAP) is profit for the period, or net profit after tax. Metro Glass has used non-GAAP measures which are not prepared in accordance with New Zealand International Financial Reporting Standards (NZ IFRS) when discussing financial performance in this document. The directors and management believe that these non-GAAP financial measures provide useful information to readers to assist in the understanding of the company's financial performance, financial position or returns, and are used internally to evaluate the performance of business units and to establish operational goals. These measures should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with NZIFRS. Non-GAAP financial measures may not be comparable to similarly titled amounts reported by other companies. Definitions of non-GAAP financial measures used in this report:

- **EBITDA**: Earnings before interest, tax, depreciation and amortisation.
- **EBIT**: Earnings before interest and tax.
- **Segmental EBITDA**: EBITDA of an operating segment in the Group. Excludes Group costs including insurance, professional services, director fees and expenses, listing fees and share incentive scheme costs. Further details provided in the Segment Information note of the 2018 Interim Report.
- **Normalised EBITDA**: EBITDA, normalised in 1H17 to exclude $1.0m of one-off expenses related to the acquisition of Australian Glass Group ("1H17 AGG Acquisition Expenses").
- **Normalised EBIT**: EBIT, normalised to exclude 1H17 AGG Acquisition Expenses.
- **Normalised net profit after tax**, normalised to exclude 1H17 AGG Acquisition Expenses.
- **NPATA** is defined as net profit after tax before amortisation of acquisition-related intangibles and its associated tax effect.

Six months to 30 September (NZ$ million)	1H18	1H17
Normalised net profit after tax	**11.8**	**12.5**
Less: 1H17 AGG Acquisition Expenses	-	1.0
Net profit after tax (or Profit for the period) (GAAP)[5]	**11.8**	**11.5**
Add back: taxation expense[8]	4.8	5.0
Add back: net finance expense[8]	2.3	1.7
EBIT	18.8	18.2
Add back: depreciation & amortisation[8]	5.8	4.8
EBITDA	24.7	23.1
EBIT	18.8	18.2
Add back: 1H17 AGG Acquisition Expenses	-	1.0
Normalised EBIT	**18.8**	**19.2**
EBITDA	24.7	23.1
Add back: 1H17 AGG Acquisition Expenses	-	1.0
Normalised EBITDA	**24.7**	**24.0**
Net profit after tax (or Profit for the period) (GAAP)[8]	11.8	11.5
Add back: amortisation of acquisition-related intangibles and its associated tax effect	0.9	0.8
NPATA	**12.7**	**12.3**

Due to rounding, numbers presented in the table above may not add up precisely to the totals provided.

[5] Extracted from interim financial statements.