METRO
PERFORMANCE GLASS

NZX, ASX and Media Release 25 May 2017

RESULTS FOR THE TWELVE MONTHS TO 31 MARCH 2017

Metro Performance Glass delivers strong revenue growth and completes integration of Australian Glass Group

FY17 highlights versus the prior comparable period (FY16)[1]:

- Group revenue of $244.3 million, up 30% and New Zealand revenue of $213.8 million, up 14%
- Normalised EBITDA[2] rose 20% to $44.9 million, reported EBITDA was $43.9 million
- Normalised NPAT[3] rose 11% to $21.3 million, reported NPAT was $19.4 million
- Completed the acquisition and integration of Australian Glass Group
- RetroFit double glazing revenue grew 23% to $17.2 million
- Declared a fully-imputed final dividend of 4.0 cents per share

Metro Performance Glass (NZX.MPG, ASX.MPP, Metro Glass) today reports strong growth in revenue and EBITDA for the year to 31 March 2017 as it continues to reinforce its leadership of the Australasian glass processing industry.

The company also reports positive early results from Australian Glass Group (AGG). AGG was acquired in September 2016 in line with Metro Glass' strategic objective to leverage its glass procurement and manufacturing expertise and its distribution capabilities in high-opportunity Australian markets.

Group revenue for the year to 31 March 2017, including the seven-month contribution from AGG, rose 30% to $244.3 million from $188.0 million in the same period 12 months ago. Excluding AGG, Metro Glass' New Zealand revenue rose 14% to $213.8 million.

Normalised EBITDA for the year rose 20% to $44.9 million from $37.5 million in the prior year. Normalised net profit after tax (NPAT) rose 11% to $21.3 million from $19.3 million last year. Reflecting the impact of one-off expenses related to the acquisition of AGG and adjustments to tax expense for charges incurred in prior years, reported NPAT fell 6% to $19.4 million from $20.5 million last year.

Chairman Sir John Goulter said: "Metro Glass continues to benefit from supportive markets in New Zealand. Residential housing activity in Christchurch declined this year as the post-earthquake residential rebuild tapered off, while growth in Wellington also paused temporarily following the November 2016 earthquake.

"Nevertheless, low interest rates, strong net migration, a robust economy and the persistent housing shortage in the upper North Island, are fuelling one of the larger surges in residential and commercial construction activity the country has seen.

"In addition to delivering top-line revenue growth, the company continued to expand its presence in the strategically-important retrofit double glazing and commercial markets. It has also worked to improve and

[1] All prior period comparisons are to the full year ended 31 March 2016 (FY16) unless otherwise stated.

[2] Earnings before interest tax, depreciation and amortisation (EBITDA), normalised to exclude $1.0m of one-off expenses related to the acquisition of Australian Glass Group, which are not tax deductible ("FY17 AGG Acquisition Expenses"). This is a non-Generally Accepted Accounting Principles (GAAP) financial measure that is reconciled to GAAP measure of net profit on page 5 of this release.

[3] Net profit after tax (NPAT), normalised to exclude FY17 AGG Acquisition Expenses and tax adjustments relating to IPO expenses and the finalisation of prior year tax positions. These tax adjustments decreased FY16 reported NPAT by $1.0m and increased FY17 reported NPAT by $1.0m. This is a non-Generally Accepted Accounting Principles (GAAP) financial measure that is reconciled to GAAP measure of net profit on page 5 of this release.

develop its manufacturing capabilities as it adapts to and leads the significant technological shift towards larger, more complex and higher-performance glass products.

"In order to ensure Metro Glass retains its industry leadership position, it continues to invest in new technologies and markets. These investments for the future come with some initial cost and will provide improved returns over time. Importantly, they will also enable the company to build a business that can defend itself against import competition for the long term," Sir John said.

Following the acquisition of AGG, net debt grew to $94.5 million at 31 March 2017 from $43.6 million a year ago. Gearing, as measured by net debt to net debt plus equity, increased to 38% but remains well within the company's banking covenants.

Metro Glass' board has declared a fully imputed final dividend of 4.0 cents per share, taking total dividends for the year to 7.6 cents per share. This is consistent with last year's dividend and the company's dividend policy to pay out between 55% and 75% of NPATA[4]. The dividend will be fully imputed for New Zealand shareholders. The record date for dividend entitlements is 7 July 2017 and the payment date is 24 July 2017.

GROWING IN ALL MARKETS

Chief Executive Nigel Rigby said: "Metro Glass continues to build a strong position in Australasian glass markets. Through manufacturing excellence and a dedication to customer service, we are delivering a broad range of high-performance glass products at a cost that is competitive with both domestic and international manufacturers.

"The execution of this strategy has been made more challenging by the strong customer demand the company is experiencing and the dramatic changes we are seeing in glass products and glass processing technologies. Our ability to deliver a broad range of high-specification products to a short lead time remains a key competitive advantage, and provides a strategic defence throughout the building cycle.

"We are pleased with the progress we are making across the group's businesses. We processed a record volume of glass in the 2017 financial year and factory labour costs fell slightly as a percentage of sales versus last year.

"Trading performance in Canterbury was particularly challenging in the second half of the financial year with both slowing market activity and increased competitive pressures. The company has diversified its operations across the South Island which will partially offset the decline in the Canterbury market.

"While catering for strong growth in both volume and product complexity, we also need to further focus on automation, processes, and costs across the New Zealand business – from manufacturing to procurement, glazing and logistics. We are assessing the investment required to meet these challenges, and anticipate capital expenditure will increase in the 2018 financial year, with priority given to meeting our requirements in the upper North Island," Mr Rigby said.

DEVELOPMENT BUSINESSES

"Operating leverage in the core business has been impacted this year by a series of investments into what we broadly label our "development businesses", of which several are yet to contribute meaningfully to group earnings. We believe these investments will provide improved returns over time and help to consolidate Metro Glass' industry-leadership position.

"The development businesses include a number of our regional distribution businesses, our Auckland commercial glazing operations and our RetroFit double glazing business. Each business has a different maturity point, but, we remain confident they will all reward our shareholders over the longer term.

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[4] NPATA is defined as net profit after tax before the amortisation of acquisition related intangibles and its associated tax effect. This is a non-Generally Accepted Accounting Principles (GAAP) financial measure that is reconciled to GAAP measure of net profit on page 5 of this release.

“The commercial market is strategically important to Metro Glass, not least because it is the most advanced glass market in the country. A strong presence is essential if we wish to build on our leadership in high-performance glass. In the year to 31 March 2017 our Auckland commercial glazing business grew revenue by 35%.

“As anticipated, our forward commercial order book was steady at $28.8 million at year end, as our increased delivery of projects matched new contracts being won. The average contract size in the forward book was ~$100,000.

“In the year to 31 March 2017, RetroFit sales grew by 23% (following 39% growth in FY16), with the business continuing to develop well. While some years we will be ahead and some years behind, we maintain our target of growing RetroFit revenue by 30% per year over the long term.

“RetroFit will also benefit from the investments we have made in the company’s New Zealand network of regional distribution operations. These businesses expand the company’s channels to market and enable us to take full advantage of the significant opportunities we see in the new residential, retrofit and commercial markets nationwide.

AUSTRALIAN MARKET ENTRY

“While New Zealand remains our primary focus, we believe that Australia presents significant longer term opportunities for Metro Glass. In the short-to-medium term we see double glazing penetration gathering considerable momentum in cooler climates like Victoria. This trend is being hastened by building code changes, mirroring the New Zealand experience following code changes in 2007.

“While it is still early days for us, AGG has proved a sound investment to date, with both sales and EBITDA coming in ahead of our expectations for the seven months to 31 March 2017. The integration of the business has gone well and AGG has begun to benefit from Metro Glass’ procurement and manufacturing disciplines. We are now in the process of assessing AGG’s short-to-medium-term capital requirements to allow it to achieve its significant potential over the medium term,” Mr Rigby said.

FY18 OUTLOOK

Chairman Sir John Goulter said: “Metro Glass is striving to develop the capability and capacity to deliver strong growth in both volume and product complexity, and continues to target both a service and cost-leadership position through manufacturing excellence and customer focus.

“The company is continuing to optimise its business to make the most of the supportive market conditions. It anticipates that the strong residential and commercial construction markets, particularly in the upper North Island, as well as the growth opportunities available across the Tasman, will underpin improved results in the 2018 financial year,” Sir John said.

/ends

FULL YEAR RESULTS CONFERENCE CALL:

Metro Glass will host a conference call today to review the results for the 12 months to 31 March 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, access the company's website at http://www.metroglass.co.nz/investor-centre/. 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 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: **2352968**

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About Metro Performance Glass

Metro Performance Glass (NZX.MPG; ASX.MPP) Metro Glass is at the forefront of providing high-performance glass and industry-leading service to Australasian residential and commercial construction markets. We have an extensive network of four processing and sixteen distribution or retail sites across New Zealand. In addition, via our subsidiary Australian Glass Group, we operate two processing and distribution sites in Victoria and New South Wales. We are Australasia's leading manufacturer and installer of double-glazed windows for both new residential and retrofit markets. We also process annealed, toughened, laminated, painted and digitally-printed glass products for applications ranging from mirrors, showers, balustrades and kitchen splashbacks to commercial facades. Our goal, in everything we do, is 'Performance without Compromise'.
Learn more: www.metroglass.co.nz

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.
- **Normalised EBITDA**: EBITDA, normalised to exclude $1.0m of one-off expenses related to the acquisition of Australian Glass Group, which are not tax deductible ("FY17 AGG Acquisition Expenses").
- **Normalised EBIT**: EBIT, normalised to exclude the FY17 AGG Acquisition Expenses.
- **Normalised net profit after tax**, normalised to exclude FY17 AGG Acquisition Expenses and tax adjustments relating to IPO expenses and the finalisation of prior year tax positions.
- **NPATA** is defined as net profit after tax before the amortisation of acquisition-related intangibles and its associated tax effect.

Full Year to 31 March (NZ$ million)	FY17	FY16
Normalised net profit after tax	**21.3**	**19.3**
Less: Tax adjustments relating to prior periods	1.0	(1.2)
Less: FY17 AGG Acquisition Expenses	1.0	-
Net profit after tax (or Profit for the period) (GAAP)[5]	**19.4**	**20.5**
Add back: taxation expense[5]	9.6	6.5
Add back: net finance expense[5]	4.0	3.2
EBIT	32.9	30.1
Add back: depreciation & amortisation[5]	11.0	7.4
EBITDA	43.9	37.5
EBIT	32.9	30.1
Add back: FY17 AGG Acquisition Expenses	1.0	-
Normalised EBIT	**33.9**	**30.1**
EBITDA	43.9	37.5
Add back: FY17 AGG Acquisition Expenses	1.0	-
Normalised EBITDA	**44.9**	**37.5**
Net profit after tax (or Profit for the period) (GAAP)\[5]	19.4	20.5
Add back: amortisation of acquisition-related intangibles and its associated tax effect	1.7	1.5
NPATA	**21.1**	**21.9**

[5] Extracted from audited financial statements.