

Asahi 2007 Financial Results Show Rise in Company, Glass Segment Income

Asahi Glass Co. Ltd. in Japan has released its consolidated financial results for 2007. The Group posted net sales of \$15.9 billion USD (1,681.2 billion yen) for the fiscal year ended December 31, 2007, up 3.7 percent from the previous year's \$15.3 billion USD. Its operating income of \$1.9 billion USD was up 44.5 percent, while ordinary income of \$1.8 billion USD rose 39.7 percent. Asahi's operating income margin increased 3.3 percentage point, to 11.7 percent, exceeding the company's 10-percent target.

Net income increased \$232.4 million USD to \$657.5 million USD. The company noted that its net income was impacted by extraordinary losses that included, among other things, provisions for the European Union price fixing related expenses both in the flat glass and automotive glass sectors in Europe (see December 2007 *USGlass*, page 36).

The company reported that flat glass sales increased compared with the preceding year. Shipments rose in fast-growing markets such as Russia, and demand remained high in Western Europe, although a decline in housing starts affected shipments in Japan and North America. Net sales at the com-

pany's glass operations for 2007 were \$8.2 billion USD, an increase of 6.2 percent from the preceding year. The segment's operating income was up 37 percent to \$601.7 million USD.

With regard to its 2008 outlook, income before income taxes is projected to increase over fiscal 2007. However, the company says it is preparing for the global economy to slow as a result of uncertain factors including prices of raw materials and fuels such as oil, as well as the effect of the subprime loan problems. In Japan, the trend of economic expansion may weaken, influenced by a strong yen and slow consumer spending in addition to economic trends overseas. The Chinese economy is forecast to remain strong, driven by an increase in capital expenditure, exports and investment ahead of the 2008 Beijing Olympic Games. In the United States, consumer spending and employment are predicted to slow, despite ongoing monetary easing. The company does expect higher demand for flat glass for construction in fast-growing markets such as Russia, and higher demand for high value-added products, including raw glass for automotive use and for industrial use. How-

ever, there are concerns over the high prices of energy and the future direction of flat glass products.

Related to its concern over rising energy prices, the Group aims to increase production capacity for glass for solar cells and supply high value-added products worldwide by establishing development, production and sales systems covering Europe, North America, Japan and the rest of Asia.

► www.agc.co.jp

Glaston Sees Improvement at Year End

Finland-based Glaston Corp.'s consolidated net sales grew by 23 percent to \$408.1 million USD (EUR 269.8 million) during 2007. In the final quarter of the year, net sales reached \$134.3 million USD. Operating profit, excluding non-recurring items, was \$25.1 million USD—or 6.2 percent of net sales—compared to \$16.5 million USD last year. In the final quarter of the year, the operating profit was \$10.7 million USD, versus \$8.3 million USD during the same period in 2006.

Fourth quarter net sales for the company's pre-processing segment, which includes glass pre-processing machines sold under the Bavelloni brand, were \$43.1 million USD, accounting for \$300,000 USD of that quarter's operating profit. For 2007, sales reached \$142.4 million USD. According to information from the company, the segment's operating profit improved during the financial year, although the level "was still unsatisfactory."

The heat treatment segment's net sales were \$79.9 million USD, with an operating profit of \$11.7 million USD. The heat treatment segment includes tempering, bending and laminating machines sold

Glass Segment Performance (million USD)		
	FY2007	FY2006
Net Sales	8,181.5	7,702.5
Operating Income	601.8	439.3
Consolidated Financial Results for 2007 (million USD)		
	FY2007	FY 2006
Net sales	15,881.6	15,306.6
Operating income	1,865.0	1,290.8
Ordinary income	1,775.1	1,271.1
Net income	232.4	425.2

Glaston Group Segment-Specific Data

(million USD)

	Net Sales		Operating Profit*	
	2007	2006	2007	2006
Pre-processing	142.4	134.8	2.1	0.5
Heat Treatment	245.5	198.6	29.7	20.4
Software Solutions	22.2	-	3.9	-
Parent company and eliminations	-1.9	-2.3	-10.6	-4.5
Total	408.3	331.3	25.1	16.5

*excluding non-recurring items

under the Tamglass and Uniglass brands, maintenance and service operations, as well as the glass processing operations of Tamglass Glass Processing.

According to information from the company, the segment's results were burdened by the Tamglass Glass Processing results, which "fell short of set targets." However, demand for safety glass machines grew in the Middle East, Eastern Europe, China and South America.

The software solution segment's net sales were \$11.9 million USD, and its operating profit was \$1.5 million USD. The company says that the slow North American market did not affect software sales because a number of large glass manufacturers are investing in new software solutions.

According to Glaston's financial report, environmental questions such as the energy efficiency of buildings and the high added value of glass products associated with it represent a significant development trend that supports growth. The solar energy market is expected to open new opportunities for the company. In addition, tightening official regulations are expected to lead to increased sales of safety glass.

Glaston representatives feels that the outlook for 2008 is positive, with the exception of North America. Glaston expects that it will increase its net sales

and operating profit compared to 2007. Quarterly net sales and profit are expected to develop as in 2007, with the first quarter being the weakest and the fourth quarter being the strongest.

► www.glaston.net

Saint-Gobain Net Income is Hit by Flat Glass Fines

The Saint-Gobain Group has reported a 4.4 increase in sales for 2007, to \$65,782 million USD (EUR 43,421 million), while its operating income rose 10.6 percent to \$6,220 million USD. Net income was 9.2 percent lower year-on-year at \$2,251 million USD, hit by the provision for the flat glass fines for price fixing (see December 2007 *USGlass*, page 36).

The Group reported that all five of its sectors contributed to this performance, particularly in activities linked to the construction markets in Europe (including flat glass), which enjoyed strong demand bolstered by new regulations promoting energy efficiency in buildings. According to the company, this momentum offset a downturn in U.S. construction activities. While sales in North America, which make up 13 percent of Group sales, declined 7.1 percent, the rest of the world delivered sustained sales growth.

The flat glass sector turned in

the Group's strongest performance, both in terms of sales (up 10.4 percent on a reported basis) and operating income (up 49.4 percent), reflecting strong demand across both the construction and automotive markets.

Non-operating costs came in at \$1,490 million USD, versus \$555 million USD in 2006, and included the \$1,050 million USD provision in respect of the two proceedings conducted by the European Commission into the flat glass sector.

For 2008 and beyond, the Group intends to press ahead with the strategic focuses unveiled in July 2007, including stepping up expansion efforts through growth investments in emerging countries; pursuing acquisition-led growth; and intensifying research and development initiatives and innovation, particularly in terms of energy and the environment.

With regard to its 2008 performance, the Group expects to contend with a more difficult and uncertain macroeconomic climate than in 2007, with a possible recession for the United States economy and growth in housing starts across Europe losing momentum due to stricter lending criteria. As a result, for 2008 it is targeting modest growth in operating income at constant exchange rates and recurring net income and a solid financial structure and continuing high levels of free cash flow. ■

Flat Glass Business Segment Information

(in million USD)

	2006	2007
Sales	7,698	8,498
Operating Income	726	1,085
Business Income	689	-74
Cash Flow	801	1,026
Capital Expenditure	679	792