Glaston Interim Report 1 January – 31 March 2016: Net sales and orders received grew

This interim report's comparison year figures refer to Continuing Operations

In January-March 2016

- Orders received totalled EUR 25.0 (22.5) million.
- The order book on 31 March 2016 was EUR 34.5 (52.8) million.
- Net sales totalled EUR 29.4 (26.3) million.
- EBITDA was EUR 1.4 (2.1) million, i.e. 4.7 (8.0)% of net sales. 1).
- The operating profit was EUR 0.7 (1.2) million, i.e. 2.4 (4.7)% of net sales. 1).
- Continuing Operations' return on capital employed (ROCE) was 6.0 (25.8)%.
- Continuing Operations' earnings per share were EUR 0.00 (0.01).
- Interest-bearing net liabilities amounted to EUR 10.9 (-1.2) million.

1) Due to the sale of the pre-processing machines business, figures for 2015 have been restated. Internal purchases eliminated in the comparison figures up to 30 June 2015 changed from 1 July 2015 to external purchases. This impacts the comparability of Continuing Operations' operating profit. In Continuing Operations' comparable operating profit, those internal items that from 1 July 2015 changed to external items have been restated.

Outlook unchanged

Glaston's outlook remains unchanged. Due to the subdued market situation and the reduced order book, we expect 2016 net sales to be slightly below the 2015 level. We expect the operating profit, excluding non-recurring items, to be at the 2015 level. (In 2015 net sales were EUR 123.4 million and comparable operating profit, excluding non-recurring items, was EUR 6.1 million).

President & CEO Arto Metsänen:

"At the end of last year, uncertainty in the glass processing market increased, and the situation remained unchanged as we entered the new year. In the first quarter, the markets were relatively quiet, except for North America. In an unstable market situation, reliability and quality become even stronger competitive factors and we succeeded in increasing our market share.

Despite the market instability, our net sales grew by 12% compared with the corresponding period the previous year and totalled EUR 29.4 million. Our comparable operating profit was EUR 0.7 million. Order intake was EUR 25.0 million, representing 11% growth compared with the previous year.

We cannot be satisfied with our operating profit and therefore we have initiated measures to improve our profitability. We will further intensify our cost saving programmes, which still primarily concern Brazil and China. In Finland, we have already launched an action programme to reduce fixed costs.

In March, we announced our updated strategy as well as our financial targets for the period 2016–2018. Glaston is moving to a new strategic phase, the cornerstones of which are growth, technology leadership and the industry's best customer experience. We will focus on high-technology heat treatment and services. Our core expertise is flat tempering technology. In this segment, we estimate that our global market share is slightly under 40%. We are pursuing growth through product development and a first-class product range. Based on our core business, we see growth opportunities not only in flat tempering technology but also in other safety glass categories, such as bending, tempering-bending and laminating."

Operating environment

In the first quarter of 2016, uncertainty was still perceptible in the glass processing market. After a quiet January, the market picked up during February and March. In North America, the growth of the market continued. In the EMEA area, markets were still challenging. In South America, particularly in Brazil, the markets remained subdued. In Asia, particularly in China, market instability continued.

Machines

In the first quarter, the Machines business markets developed reasonably positively and Glaston maintained its strong market position in the flat tempering machines segment.

In North America, demand continued at a good level. In the EMEA area, the market slowed down in the latter part of 2015, but however in the first quarter the market situation was reasonable. In Asia and South America, market uncertainty continued. In China, demand was affected by slower economic growth as well as the large investments in production capacity expansions of previous years. In Brazil, the uncertain political situation and a shortage of reasonably priced financing put the brake on customers' investment willingness.

During the review period, Glaston sold a number of RC200™, RC350™ and FC500™ machines. The company also closed a major deal of approximately EUR 4 million with a leading US glass manufacturer for flat tempering and laminating lines. In automotive products, Glaston received a large Matrix™ machine order from Egypt.

Services

After a quiet January, the Services business markets picked up during February and March. Services' strongest market area was in North America, where, for example, a large modernisation deal was closed for a Glassrobots flat tempering machine. In Asia, market activity was at the previous year's level. In the EMEA area and South America, the market situation was challenging, and demand for services remained weak.

In modernisation products, the first quarter was quiet. With the exception of North America, the market situation was difficult and new orders were at a low level. The spare parts product group developed positively and invoicing grew by 26% compared with the corresponding period of the previous year. The number of new service agreements fell short of expectations.

Orders received and order book

Glaston's first-quarter order intake totalled EUR 25.0 (22.5) million. The order intake of the Machines business was EUR 15.3 (12.5) million. The most significant orders were received from the USA, Croatia, Hungary, Turkey and Egypt. The order intake of the Services business was EUR 9.7 (10.0) million. The largest orders were received from Egypt, Italy and Colombia.

At the end of March, Glaston's order book stood at EUR 34.5 (52.8) million: the comparison year figure was a record high. Of the order book, the Machines business accounted for EUR 31.5 (48.7) million and the Services business for EUR 3.0 (4.1) million.

Order book, EUR million	31.3.2016	31.3.2015	31.12.2015
Machines	31.5	48.7	34.9
Services	3.0	4.1	3.6
Total	**34.5**	**52.8**	**38.5**

Net sales

Glaston's net sales grew in January-March by 12% compared with the corresponding period of the previous year and were EUR 29.4 million (1-3/2015: EUR 26.3 million). The net sales of the Machines business were EUR 19.0 (16.7) million. The net sales on the Services business were EUR 10.6 (9.9) million.

The slowness in the EMEA area in the final quarter of 2015 continued in the first quarter of 2016, and EMEA area net sales totalled EUR 10.5 million (1-3/2015: EUR 11.2 million). In North America, the market continued on a positive note. The net sales of the Americas area grew by 10% compared with the previous year and were EUR 12.2 million (1–3/2015: EUR 11.0 million). In Asia, net sales grew and were EUR 6.8 million (1-3/2015: EUR 4.1 million).

Net sales, EUR million	1-3/2016	1-3/2015	1-12/2015
Machines	19.0	16.7	76.4
Services	10.6	9.9	48.2
Other and internal sales	-0.2	-0.4	-1.3
Total	**29.4**	**26.3**	**123.4**

Operating result and profitability

Glaston's comparable operating profit in January-March was EUR 0.7 (1.2) million, i.e. 2.4 (4.7)% of net sales. No non-recurring items were recognised in the review period. Operating profit continued to be influenced by exceeding costs related to certain customer projects.

Comparable EBIT, EUR million	1-3/2016	1-3/2015[1).	2015[1).
EBIT, excluding non-recurring items	0.7	1.2	6.1
Non-recurring items	-	-	-1.6
EBIT	**0.7**	**1.2**	**4.5**

[1)] Due to the sale of Glaston Italy S.p.A., internal purchases eliminated in the comparison figures up to 30 June 2015 changed from 1 July 2015 to external purchases. This impacts the comparability of Continuing Operations' operating profit. In comparable operating profit, those internal items that from 1 July 2015 changed to external items have been restated.

The first-quarter operating profit was EUR 0.7 (2.5) million. Financial expenses amounted to EUR -0.2 (-0.5) million. From the beginning of 2016, unrealised exchange rate differences relating to an internal loan given to the Group's Brazilian company have been recognised in other comprehensive income in accordance with IAS 21. The result before taxes was EUR 0.5 (1.9) million. The result for the review period was EUR 0.2 (0.1) million.

Continuing Operations' earnings per share in January-March were EUR 0.00 (0.01). Discontinued Operations' earnings per share for the comparison period were EUR -0.01 on 31 March 2015. Continuing and Discontinued Operations' earnings per share totalled EUR 0.00 (0.00). The January-March return on capital employed (ROCE) for Continuing Operations was 6.0 (25.8)%.

Financial position, cash flow and financing

Glaston's cash flow from operating activities, before the change in working capital, was EUR 1.7 (1.1) million in January-March. The change in working capital was EUR -3.4 (-4.4) million. Cash flow from investments was EUR -1.5 (-1.6) million and cash flow from financing activities was EUR 0.7 (-0.0) million.

At the end of the reporting period, the Group's liquid funds totalled EUR 3.3 (16.3) million. Interest-bearing net debt totalled EUR 10.9 (-1.2) million and net gearing was 29.6 (-2.5)%.

At the end of March, the consolidated asset total was EUR 92.9 (130.9) million. The equity attributable to the owners of the parent was EUR 36.4 (48.9) million. The share issue-adjusted equity per share was EUR 0.19 (0.25). Return on equity in the reporting period was 2.5 (0.8)%. Continuing Operations' return on capital employed (ROCE) was 6.0 (25.8)%.

Capital expenditure, depreciation and amortisation

The gross capital expenditure of Glaston's Continuing and Discontinued Operations totalled EUR 1.5 (1.6) million. The investments were mainly related to product development and to the expansion of the factory in China.

Continuing Operations' depreciation and amortisation on property, plant and equipment and on intangible assets totalled EUR 0.7 (0.9) million.

Strategy 2016–2018

In March, Glaston's Board of Directors confirmed the company's new strategic priorities and financial targets for the period 2016–2018. The cornerstones of the strategy are growth, technology leadership and the industry's best customer experience.

Glaston aims to be its industry's leading pioneer, whose identifying characteristics are technology leadership and high quality. The company's expertise is strongest in flat tempering technology. In this segment, the company will further strengthen its position through continuous product development and a regularly renewed product offering. Glaston will seek growth not only in flat tempering technology but also in other safety glass categories, such as bending, tempering-bending and laminating. In addition to these, innovative glass technologies and digitalisation will bring to Glaston significant new business opportunities.

In accordance with its strategy, at the end of 2015 Glaston took a new step in its product development by investing in a Californian company specialising in the development of smart glass. In the project, Glaston is acting as the product developer, designer, manufacturer and seller of production lines. The project is proceeding according to plan and a prototype line is due to be completed in autumn 2016.

Financial targets

Glaston updated its financial targets in connection with the announcement of its new strategy.

Glaston expects the glass machine market to grow at 3-5% per year up to 2018. The financial targets for the strategy period 2016–2018 are annuall growth of net sales (CAGR) exceeding market growth, operating profit margin (EBIT) over 8%, excluding non-recurring items, at the end of the period, and return on capital employed (ROCE) over 20% at the end of the period.

Dividend policy

In March, Glaston's Board of Directors adopted a new dividend policy, according to which the objective is to distribute annually a dividend or return of capital amounting to 30-50% of the company's earnings per share, excluding non-recurring items. The amounts and dates of payment of any future dividends or returns of capital will be influenced by, among other things, the company's financial position and future outlook. In addition, the dividend policy takes into account growth targets in line with strategy as well as financing requirements for growth.

Organisation and employees

Artturi Mäki was appointed Senior Vice President of Glaston's Services business and member of the Executive Management Group as of 8 February 2016. As of the same date, Senior Vice President, Services Pekka Huuhka was appointed as Senior Advisor. In this role, Huuhka will focus on growth projects in line with Glaston's strategy. Huuhka also continues as a member of the Executive Management Group.

At the end of March 2016, Glaston had 453 (514) employees. The average number of employees was 452 (509). Of the Group's employees, 37% worked in Finland and 14% elsewhere in the EMEA area, 31% in Asia and 18% in the Americas.

Shares and share prices

Glaston Corporation's share capital on 31 March 2016 was EUR 12.7 million and the number of issued and registered shares totalled 193,708,336. The company has one series of share. At the end of March, the company held 788,582 of the company's own shares (treasury shares), corresponding to 0.41% of the total number of issued and registered shares and votes. The counter book value of the treasury shares is EUR 51,685.

Every share that the company does not hold itself entitles its owner to one vote at a General Meeting of Shareholders. The share has no nominal value. The counter book value of each registered share is EUR 0.07.

During January-March 2016, approximately 8.4 (34.2) million of Glaston's shares were traded on NASDAQ Helsinki Ltd, i.e. 4.4 (17.7)% of the average number of registered shares. In the review period, the lowest price paid for a share was EUR 0.39 (0.37) and the highest price EUR 0.51 (0.60). The volume-weighted average price of shares traded in January-March was EUR 0.42 (0.50). The closing price on 31 March 2016 was EUR 0.39 (0.58).

Glaston's market value on 31 March 2016 was EUR 75.2 (111.9) million, excluding treasury shares. The share issue-adjusted equity per share attributable to the owners of the parent was EUR 0.19 (0.25).

At the end of the review period, Glaston had 5,893 registered shareholders (31 March 2016: 6,079). At the end of the review period, 0.6% of Glaston's shares were in foreign ownership.

Events after the review period

The Annual General Meeting of Glaston Corporation was held in Helsinki on 5 April 2016. The Annual General Meeting adopted the financial statements and consolidated financial statements for the period 1 January – 31 December 2015. In accordance with the proposal of the Board of Directors, the Annual General Meeting resolved that a return of capital of EUR 0.01 per share be paid. The record date of the payment was 7 April 2016 and return of capital will be paid on 28 April 2016.

The Annual General Meeting discharged the Members of the Board of Directors and the President & CEO from liability for the financial year 1 January – 31 December 2015.

The number of the Members of the Board of Directors was resolved to be seven. The General Meeting decided to re-elect all current Members of the Board of Directors, Andreas Tallberg, Teuvo Salminen, Claus von Bonsdorff, Anu Hämäläinen, Kalle Reponen and Pekka Vauramo as Members of the Board of Directors for a term of office ending at the closing of the next Annual General Meeting. In addition, it was decided to elect Sarlotta Narjus M.Sc.(Architecture) as Member of the Board of Directors for the same term of office.

After the Annual General Meeting, the Board of Directors held an organising meeting, at which it elected Andreas Tallberg as Chairman of the Board and Teuvo Salminen as Deputy Chairman of the Board.

The Annual General Meeting resolved that the annual remuneration payable to Members of the Board of Directors would remain as follows: The Chairman of the Board shall be paid EUR 40,000, the Deputy Chairman EUR 30,000 and the other Members of the Board EUR 20,000.

The Annual General Meeting elected accounting firm Ernst & Young Oy as the company's auditor, with Authorised Public Accountant Kristina Sandin as the main responsible auditor.

The Annual General Meeting authorised the Board of Directors to decide on the issuance of shares as well as the issuance of options and other rights granting entitlement to shares. The authorisation covers a maximum of 20,000,000 shares.

The authorisation does not exclude the Board of Directors' right to decide on a directed issue. It was proposed that the authorisation be used for executing or financing arrangements important from the company's point of view, such as business arrangements or investments, or for other such purposes determined by the Board of Directors in which a weighty financial reason would exist for issuing shares, options or other rights granting entitlement to shares and possibly directing a share issue.

The Board of Directors is authorised to resolve on all other terms and conditions of the issuance of shares, options and other rights entitling to shares as referred to in Chapter 10 of the Companies Act, including the payment period, grounds for the determination of the subscription price and the subscription price or allocation of shares, options or other rights without payment or that the subscription price may be paid besides in cash also with other assets either partially or entirely. The authorisation is valid until 30 June 2017 and it invalidates earlier authorisations.

In accordance with the proposal of the Board of Directors, the General Meeting resolved to amend the charter of the Shareholder's Nomination Board, established by the Annual General Meeting in 2013, to reflect the content of the new Corporate Governance Code. In addition, the meeting adopted a change according to which the proposal of the Nomination Board shall be the opinion supported by the majority of the members of the Nomination Board.

Risks and uncertainties in the near future

Glaston operates in a global market in which both political and economic instability arise. Glaston's uncertainties in the near future are to a large extent linked to the development of the global economy. Demand for products is also influenced by geopolitical tensions. A possible slow-down in the construction market, particularly in North America and Europe, might impact the company's order intake. A weak outlook for the market environment may reduce customers' willingness to invest.

Glaston has taken into account in its forecasts for the near future the short-term weak development outlook for the global economy and its impact on the development of the sector. Glaston's market outlook continues to be challenging. If the recovery of the sector slows, this will have a negative impact on Glaston's future cash flows.

Glaston performs annual goodwill impairment testing during the final quarter of the year. In addition, we perform such testing in the event that we perceive indications of a reduction in value of asset items. If market uncertainty is prolonged, it is possible that Glaston's recoverable amounts will be insufficient to cover the carrying amounts of assets, particularly goodwill. If this happens, it will be necessary to recognise an impairment loss, which, when implemented, will weaken the result and equity.

Outlook unchanged

Glaston still expects the overall market to develop on a cautiously positive note. The North American market and the EMEA area are expected to develop positively. We expect the Asian markets to remain stable at their current level. In China, market activity continues to be low. In South America, market continues to be subdued, particularly in Brazil.

In the heat treatment machines market, no significant changes are anticipated, and we expect demand for heat treatment machines to remain at the previous year's level. The outlook for the services market continues to be cautiously positive.

Glaston's outlook remains unchanged. Due to the subdued market situation and the reduced order book, we expect 2016 net sales to be slightly below the 2015 level. We expect the operating profit, excluding non-recurring items, to be at the 2015 level. (In 2015 net sales were EUR 123.4 million and comparable operating profit, excluding non-recurring items, was EUR 6.1 million).

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Glaston Corporation
Glaston is a leading company in glass processing technologies. We provide high-quality heat treatment machines and services for architectural, solar, appliance and automotive applications. We are committed to our customers' success over the entire lifecycle of our offering. Moreover, we continuously innovate and develop technologies to enable the glass processing industry to reach ever higher standards in quality and safety. Glaston's shares (GLA1V) are listed on NASDAQ Helsinki Ltd. Further information is available at www.glaston.net.

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GLASTON CORPORATION

CONDENSED FINANCIAL STATEMENTS AND NOTES 1 JANUARY – 31 MARCH 2016

The consolidated interim financial statements of Glaston Group are prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting as approved by the European Union. They do not include all of the information required for full annual financial statements.

The accounting principles applied in these interim financial statements are the same as those applied in consolidated financial statements, except for the adoption of new standards and interpretations effective during 2016. The changes did not have material impact on the Interim Report.

These interim financial statements are not audited. As a result of rounding differences, the figures presented in the tables may not add up to the total.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	31.3.2016	31.3.2015	31.12.2015
Assets			
Non-current assets			
Goodwill	30.6	36.8	30.6
Other intangible assets	6.3	7.6	6.3
Property, plant and equipment	9.4	8.8	8.8
Available-for-sale assets	3.2	0.4	3.2
Loan receivables	1.4	1.8	1.4
Deferred tax assets	2.3	3.1	2.4
Total non-current assets	**53.2**	**58.5**	**52.7**
Current assets			
Inventories	14.2	28.1	17.3
Receivables			
Trade and other receivables	22.1	27.7	23.9
Assets for current tax	0.0	0.4	0.4
Total receivables	22.1	28.1	24.3
Cash equivalents	3.3	16.3	6.1
Total current assets	**39.6**	**72.5**	**47.6**
Total assets	**92.9**	**130.9**	**100.3**

EUR million	31.3.2016	31.3.2015	31.12.2015
Equity and liabilities			
Equity			
Share capital	12.7	12.7	12.7
Share premium account	25.3	25.3	25.3
Other restricted equity reserves	0.1	0.1	0.1
Reserve for invested unrestricted equity	43.5	43.5	43.5
Treasury shares	-3.3	-3.3	-3.3
Fair value reserve	0.1	0.1	0.1
Other unrestricted equity reserves	0.1	0.1	0.1
Retained earnings and exchange differences	-42.2	-29.6	-28.1
Net result attributable to owners of the parent	0.2	0.1	-13.8
Equity attributable to owners of the parent	**36.4**	**48.9**	**36.5**
Non-controlling interest	**0.3**	**0.3**	**0.3**
Total equity	**36.7**	**49.2**	**36.8**
Non-current liabilities			
Non-current interest-bearing liabilities	6.7	7.5	6.0

Non-current interest-free liabilities and provisions	1.7	2.7	1.6
Deferred tax liabilities	0.4	1.0	0.4
Total non-current liabilities	**8.8**	**11.2**	**8.0**
Current liabilities			
Current interest-bearing liabilities	7.5	7.6	7.5
Current provisions	2.5	3.2	2.5
Trade and other payables	37.4	59.0	44.4
Liabilities for current tax	0.0	0.7	1.1
Total current liabilities	**47.4**	**70.5**	**55.4**
Total liabilities	**56.2**	**81.7**	**63.5**
Total equity and liabilities	**92.9**	**130.9**	**100.3**

CONDENSED STATEMENT OF PROFIT OR LOSS

EUR million	1-3/2016	1-3/2015	1-12/2015
Net sales	**29.4**	**26.3**	**123.4**
Other operating income	0.3	0.2	0.9
Expenses	-28.3	-23.2	-114.3
Depreciation, amortization and impairment	-0.7	-0.9	-3.4
Operating result	**0.7**	**2.5**	**6.6**
Financial items, net	-0.2	-0.5	-5.8
Result before income taxes	**0.5**	**1.9**	**0.9**
Income taxes	-0.2	-0.1	-0.7
Profit / loss for the period from continuing operations	0.2	1.8	0.2
Profit / loss after tax for the period from discontinued operations	-	-1.7	-14.0
Profit / loss for the period	**0.2**	**0.1**	**-13.8**
Attributable to:			
Owners of the parent	0.2	0.1	-13.8
Non-controlling interest	-0.0	-0.0	-0.0
Total	**0.2**	**0.1**	**-13.8**
Earnings per share, EUR, continuing operations	0.00	0.01	0.00
Earnings per share, EUR, discontinued operations	-	-0.01	-0.07
Earnings per share, EUR, basic and diluted	**0.00**	**0.00**	**-0.07**
Operating result, continuing operations , as % of net sales	2.4	9.3	5.4
Profit / loss for the period, continuing operations , as % of net sales	0.8	6.9	0.1
Profit / loss for the period, as % of net sales	0.8	0.4	-11.2
Non-recurring items included in operating result, continuing operations	-	-	-1.6
Operating result, non-recurring items excluded, continuing operations	0.7	2.5	8.2
Operating result,continuing operations, non-recurring items excluded, as % of net sales	2.4	9.3	6.7

CONSOLIDATED STATEMENT OF COMPEREHENSIVE INCOME

EUR million	1-3/2016	1-3/2015	1-12/2015
Profit / loss for the period	**0.2**	**0.1**	**-13.8**
Other comprehensive income that will be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	-0.3	2.1	3.6
Fair value changes of available-for-sale assets	-0.0	0.0	0.1
Income tax on other comprehensive income	0.0	-0.0	-0.0
Other comprehensive income that will not be reclassified subsequently to profit or loss:			
Exchange differences on actuarial gains and losses arising from defined benefit plans	0.0	-0.0	-0.0
Actuarial gains and losses arising from defined benefit plans	-	-	-0.0
Other comprehensive income for the reporting period, net of tax	**-0.3**	**2.1**	**3.6**
Total comprehensive income for the reporting period	**-0.1**	**2.2**	**-10.2**
Attributable to:			
Owners of the parent	-0.1	**2.2**	-10.2
Non-controlling interest	-0.0	0.0	-0.0
Total comprehensive income for the reporting period	**-0.1**	**2.2**	**-10.2**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

CONDENSED STATEMENT OF CASH FLOWS			
EUR million	1-3/2016	1-3/2015	1-12/2015
Cash flows from operating activities			
Cash flow before change in net working capital	1.7	1.1	6.5
Change in net working capital	-3.4	-4.4	-9.5
Net cash flow from operating activities	**-1.8**	**-3.3**	**-3.0**
Cash flow from investing activities			
Other purchases of non-current assets	-1.5	-1.6	-7.1
Proceeds from sale of business	-	-	0.2
Proceeds from sale of other non-current assets	-0.0	0.0	0.1
Net cash flow from investing activities	**-1.5**	**-1.6**	**-6.9**
Cash flow before financing	**-3.2**	**-4.9**	**-9.8**
Cash flow from financing activities			
Increase in non-current liabilities	0.7	-	7.5
Decrease in non-current liabilities	-0.0	-0.0	-10.1
Changes in loan receivables (increase - / decrease +)	-	-	0.1
Increase in short-term liabilities	-	5.0	22.5
Decrease in short-term liabilities	-	-5.0	-21.3
Return of capital	-	-	-3.9
Net cash flow from financing activities	**0.7**	**-0.0**	**-5.1**
Effect of exchange rate changes	**-0.2**	**1.1**	**1.0**
Net change in cash and cash equivalents	**-2.7**	**-3.8**	**-14.0**
Cash and cash equivalents at the beginning of period	6.1	20.0	20.0
Cash and cash equivalents at the end of period	3.3	16.3	6.1
Net change in cash and cash equivalents	**-2.7**	**-3.8**	**-14.0**

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2015 cash flows include also cash flows arising from discontinued operations.

<u>Proceeds from divestment of businesses:</u>

EUR million	2016	2015
Purchase consideration received in cash	-	0.8
Expenses related to the sale, paid during the year	-	-0.3
Cash and cash equivalents of divested subsidiaries	-	-0.3
Net cash flow	**-**	**0.2**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Share capital	Share premium account	Reserve for inv. unrestr. equity	Treasury shares	Fair value and other reserves	Ret. earn-ings	Exch. diff.	Equity attr. to owners of the parent	Non-contr. interest	Total equity
Equity at 1 January, 2015	**12.7**	**25.3**	**47.3**	**-3.3**	**0.2**	**-33.3**	**1.6**	**50.5**	**0.3**	**50.8**
Total compr. income for the period	-	-	-	-	-	0.1	2.1	**2.2**	0.0	**2.2**
Return of equity	-	-	-3.9	-	-	-	-	**-3.9**	-	**-3.9**
Equity at 31 March, 2015	**12.7**	**25.3**	**43.5**	**-3.3**	**0.2**	**-33.2**	**3.7**	**48.9**	**0.3**	**49.2**

EUR million	Share capital	Share premium account	Reserve for inv. unrestr. equity	Treasury shares	Fair value and other reserves	Ret. earn-ings	Exch. diff.	Equity attr. to owners of the parent	Non-contr. interest	Total equity
Equity at 1 January, 2016	**12.7**	**25.3**	**43.5**	**-3.3**	**0.2**	**-47.1**	**5.2**	**36.5**	**0.3**	**36.8**
Total compr. income for the period	-	-	-	-	-0.0	0.2	-0.3	**-0.1**	-0.0	**-0.1**
Equity at 31 March, 2016	**12.7**	**25.3**	**43.5**	**-3.3**	**0.2**	**-46.8**	**4.9**	**36.4**	**0.3**	**36.7**

KEY RATIOS

	31.3.2016	31.3.2015	31.12.2015
EBITDA, as % of net sales (1	4.7	12.6	8.1
Operating result (EBIT), as % of net sales	2.4	9.3	5.4
Profit / loss for the period, as % of net sales	0.8	0.4	-11.2
Gross capital expenditure, continuing and discontinued operations, EUR million	1.5	1.6	7.2
Gross capital expenditure, as % of net sales of continuing and discontinued operations	5.0	5.4	5.6
Equity ratio, %	45.3	45.3	43.9
Gearing, %	38.7	30.6	36.7
Net gearing, %	29.6	-2.5	20.2
Net interest-bearing debt, EUR million	10.9	-1.2	7.4
Capital employed, end of period, EUR million	50.9	64.3	50.3
Return on equity, %, annualized	2.5	0.8	-31.5
Return on capital employed, %, annualized	6.0	15.2	-13.8
Return on capital employed, continuing operations %, annualized	6.0	25.8	10.0
Number of personnel, average	452	509	494
Number of personnel, end of period	453	514	450

PER SHARE DATA

	31.3.2016	31.3.2015	31.12.2015
Number of registered shares, end of period, treasury shares excluded (1,000)	192 920	192 920	192 920
Number of shares, average, adjusted with share issue, treasury shares excluded (1,000)	192 920	192 920	192 920
EPS, continuing operations, basic and diluted, adjusted with share issue, EUR	0.00	0.01	0.00
EPS, Discontinued Operations, basic and diluted, adjusted with share issue, EUR	-	-0.01	-0.07
EPS, total, basic and diluted, adjusted with share issue, EUR	0.00	0.00	-0.07
Adjusted equity attributable to owners of the parent per share, EUR	0.19	0.25	0.19
Capital repayment per share, EUR	-	-	0.01
Capital repayment ratio, %	-	-	-
Capital repayment yield	-	-	2.0
Price per adjusted earnings per share (P/E) ratio	319.7	966.8	-7.0
Price per adjusted equity attributable to owners of the parent per share	2.07	2.29	2.64
Market capitalization of registered shares, EUR million	75.2	111.9	96.5
Share turnover, % (number of shares traded, % of the average registered number of shares)	4.4	17.7	32.7
Number of shares traded, (1,000)	8 413	34 214	63 067
Closing price of the share, EUR	0.39	0.58	0.50
Highest quoted price, EUR	0.51	0.60	0.60
Lowest quoted price, EUR	0.39	0.37	0.37
Volume-weighted average quoted price, EUR	0.42	0.50	0.50

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SEGMENT INFORMATION

The reportable segment consists of operating segments, which have been aggregated in accordance with the criteria of IFRS 8.12. Operating segments have been aggregated, when the nature of the products and services is similar, the nature of the production process is similar, as well as the type or class of customers. The remaining business consists of the manufacture and sale of heat treatment glass machines as well as the service operations for these machines. There is a high level of integration between safety glass machines and maintenance. Product development as well as sales and distribution are shared functions, serving both business areas. Their customers are the same, as is their market development, which is linked to the general development of the global market. Also the methods to distribute products or to provide services are similar. In the long term, also sales development and gross profit of the operating segments are similar.

Glaston's highest operative decision maker (CODM, Chief Operating Decision Maker) is Glaston Corporation's President & CEO, supported by the Executive Management Group. The President & CEO assesses the Group's financial position and its overall development.

Continuing Operations' non-recurring item of EUR -1.6 million in 2015 consists of a restructuring costs provision.

CONTINUING OPEARATIONS

NET SALES

EUR million	1-3/2016	1-3/2015	1-12/2015
Machines	19.0	16.7	76.4
Services	10.6	9.9	48.2
Other and intersegment sales	-0.2	-0.4	-1.3
Net sales Glaston Group total	**29.4**	**26.3**	**123.4**

Order intake

EUR million	1-3/2016	1-3/2015	1-12/2015
Machines	15.3	12.5	59.9
Services	9.7	10.0	47.5
Total Glaston Group	**25.0**	**22.5**	**107.4**

Net sales by geographical areas (continuing operations)

EUR million	1-3/2016	1-3/2015	1-3/2015
EMEA	10.5	11.2	48.0
Asia	6.8	4.1	18.2
America	12.2	11.0	57.2
Total	**29.4**	**26.3**	**123.4**

QUARTERLY NET SALES, OPERATING RESULT, ORDER INTAKE AND ORDER BOOK

Net sales

EUR million	1-3/2016	10-12/2015	7-9/2015	4-6/2015	1-3/2015
Machines	19.0	19.4	21.0	19.4	16.7
Services	10.6	13.4	13.9	11.0	9.9
Other and intersegment sales	-0.2	-0.2	-0.5	-0.2	-0.4
Net sales Glaston Group total	**29.4**	**32.6**	**34.3**	**30.1**	**26.3**
EBIT excluding non-recurring items	**0.7**	**0.6**	**2.5**	**2.7**	**2.5**
EBIT-%, excl. non-recurring items	2.4	1.7	7.4	8.9	9.3
Non-recurring items	-	-1.3	-0.1	-0.2	-
EBIT	**0.7**	**-0.7**	**2.4**	**2.5**	**2.5**
EBIT-%	2.4	-2.2	7.0	8.2	9.3

Order book

	31.3.2016	31.12.2015	30.9.2015	30.6.2015	31.3.2015
Machines	31.5	34.9	42.0	50.1	48.7
Services	3.0	3.6	5.8	5.9	4.1
Total Glaston Group	**34.5**	**38.5**	**47.8**	**56.0**	**52.8**

Order intake

EUR million	1-3/2016	10-12/2015	7-9/2015	4-6/2015	1-3/2015
Machines	15.3	13.3	15.1	19.0	12.5
Services	9.7	10.9	13.1	13.5	10.0
Total Glaston Group	**25.0**	**24.2**	**28.2**	**32.5**	**22.5**

CONTINUING OPERATIONS, COMPARABLE EBIT

EUR million	1-3/2016	1-3/2015	1-12/2015
EBIT excluding non-recurring items	**0.7**	**2.5**	**8.2**
Adjusment	-	-1.2	-2.1
Comparable EBIT excluding non-recurring items	**0.7**	**1.2**	**6.1**
Comparable EBIT-%, excl. non-recurring items	2.4 %	4.7 %	4.9 %
Non-recurring items	-	-	-1.6
Comparabale EBIT	**0.7**	**1.2**	**4.5**
Comparable EBIT-%	2.4 %	4.7 %	3.6 %

Comparable EBIT

EUR million	1-3/2016	10-12/2015	7-9/2015	4-6/2015	1-3/2015
EBIT excluding non-recurring items	**0.7**	**0.6**	**2.5**	**2.7**	**2.5**
Adjusment	-	0.0	-	-0.9	-1.2
Comparable EBIT excluding non-recurring items	**0.7**	**0.6**	**2.5**	**1.7**	**1.2**
Comparable EBIT-%, excl. non-recurring items	2.4 %	1.7 %	7.4 %	5.8 %	4.7 %
Non-recurring items	-	-1.3	-0.1	-0.2	-
Comparabale EBIT	**0.7**	**-0.7**	**2.4**	**1.5**	**1.2**
Comparable EBIT-%	2.4 %	-2.2 %	7.0 %	5.1 %	4.7 %

(* In Glaston group, there are transactions between continuing and discontinued operations, that continue as external transactions after the sale of the preprocessing business. The subsidiaries in Glaston group continue as distributors of preprocessing machines, and will continue buying these from former Glaston Italy S.p.A, current Bavelloni S.p.A. In the comparison figures, the group internal purchases that have been eliminated in group figures until 30.6.2015, are reported as external purchases starting 1.7.2015 (due to sale of company), and consequently these are not eliminated anymore. This affects the comparability of the continuing operations, and in order to be able to provide our investors with comparable figures, we adjust those group internal transactions, that henceforward will be external transactions in the group.

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DISCONTINUED OPERATIONS

Glaston announced in May 2015 that it was negotiating the sale of its pre-processing machines business, and the sale of 100% of the shares of Glaston Italy S.p.A. was completed as the second quarter ended.
The result of Glaston's Discontinued Operations includes the result of the pre-processing business and the sales loss on the disposal of the business area.

Revenue, expenses and result of discontinued operations	**1-3/2016**	**1-3/2015**	**1-12/2015**
EUR million			
Revenue	-	3.1	6.5
Expenses	-	-4.8	-10.4
Gross profit	**-**	**-1.7**	**-3.9**
Finance costs, net	-	-0.0	-0.0
Profit / loss before tax from discontinued operations	**-**	**-1.7**	**-3.9**
Current income tax	-	-0.0	-0.2
Loss from disposal of discontinued operations	-	-	-9.9
Profit / loss from discontinued operations	**-**	**-1.7**	**-14.0**

Net cash flows of discontinued operations	**1-3/2016**	**1-3/2015**	**1-12/2015**
Operating	-	-2.3	-4.6
Investing	-	-0.1	-0.5
Financing	-	-	-
Net cash flow	**-**	**-2.4**	**-5.1**

PROPERTY, PLANT AND EQUIPMENT

EUR million

Changes in property, plant and equipment	**1-3/2016**	**1-3/2015**	**1-12/2015**
Carrying amount at beginning of the period	8.8	7.5	7.5
Additions	1.1	1.2	2.4
Disposals	-0.0	-0.0	-0.2
Depreciation and amortization	-0.3	-0.3	-1.2
Reclassification and other changes	-0.0	0.0	0.1
Exchange differences	-0.2	0.4	0.2
Carrying amount at end of the period	9.4	8.8	8.8

At the end of March 2016 Glaston has EUR 0.1 million contractual commitments for the acquisition of property, plant and equipment (31.3.2015 0.9; 31.12.2014 0.8).

INTANGIBLE ASSETS

EUR million

Changes in property, plant and equipment	**1-3/2016**	**1-3/2015**	**1-12/2015**
Carrying amount at beginning of the period	36.9	44.6	44.6
Additions	0.4	0.4	2.0
Disposals	-	-	-7.1
Depreciation and amortization	-0.4	-0.7	-2.5
Impairment losses and reversals of impairment losses	-	-0.0	-0.0
Reclassification and other changes	-	-0.0	-0.0
Exchange differences	-0.0	0.1	-0.1
Carrying amount at end of the period	36.8	44.4	36.9

CONTINGENT LIABILITIES

EUR million	31.3.2016	31.3.2015	31.12.2015
Mortgages and pledges			
On own behalf	166,9	303,4	166,9
Guarantees			
On own behalf	2,3	7,7	4,4
On behalf of others	0,2	0,0	0,1
Lease obligations	15,7	18,8	15,6
Repurchase obligations	0,4	0,6	0,5

Mortgages and pledges include EUR 23.9 million shares in group companies.

Glaston Group has international operations and can be a defendant or plaintiff in a number of legal proceedings incidental to those operations. The Group does not expect the outcome of any unmentioned legal proceedings currently pending, either individually or in the aggregate, to have material adverse effect upon the Group's consolidated financial position or results of operations.

DERIVATIVE INSTRUMENTS

EUR million	31.3.2016		31.3.2015		31.12.2015	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Fair value
Commodity derivatives						
Electricity forwards	0,4	0,1	0,4	-0,1	0,4	-0,1

Derivative instruments are used only for hedging purposes. Nominal values of derivative instruments do not necessarily correspond with the actual cash flows between the counterparties and do not therefore give a fair view of the risk position of the Group. The fair values are based on market valuation on the date of reporting.

FINANCIAL INSTRUMENTS AT FAIR VALUE

Financial instruments at fair value include derivatives. Other financial instruments at fair value through profit or loss can include mainly Glaston's current investments, which are classified as held for trading i.e. which have been acquired or incurred principally for the purpose of selling them in the near future. Also available-for-sale financial assets are measured at fair value.

Fair values of publicly traded derivatives are calculated based on quoted market rates at the end of the reporting period (fair value hierarchy level 1). All Glaston's derivatives are publicly traded.

Listed investments are measured at the market price at the end of the reporting period (fair value hierarchy level 2). Investments, for which fair values cannot be measured reliably, such as unlisted equities, are reported at cost or at cost less impairment (fair value hierarchy level 3).

Fair value measurement hierarchy:

Level 1 = quoted prices in active markets

Level 2 = other than quoted prices included within Level 1 that are observable either directly or indirectly

Level 3 = not based on observable market data, fair value equals cost or cost less impairment

During the reporting period there were no transfers between levels 1 and 2 of the fair value hierarchy.

During the reporting period there were no changes in the valuation techniques of levels 2 or 3 of the fair value hierarchy.

Fair value measurement hierarchy, Level 3, changes during the reporting period

EUR million	**2016**	**2015**
1 January	3.1	0.2
Impairment losses	-	-
Reclassification	-	-
31 March	3.1	0.2

Financial instruments measured at fair value and included in level 3 of fair value hierarchy had no effect on the profit or loss of the reporting period or on other comprehensive income. These financial instruments are not measured at fair value on recurring basis.

Fair value hierarchy, fair values

EUR million

Fair value measurement hierarchy	**31.3.2016**	**31.3.2015**	**31.12.2015**
Available-for-sale shares			
Level 1	0.2	0.1	0.2
Level 3	0.2	0.2	0.2
	0.4	0.4	0.4
Other long term investments			
Level 3	2.8	-	2.8
Derivatives			
Level 2	0.1	-0.1	-0.1

RELATED PARTY TRANSACTIONS

Glaston Group’s related parties include the parent and subsidiaries. Related parties also include the members of the Board of Directors and the Group's Executive Management Group, the CEO and their family members. Also the shareholders which have significant influence in Glaston through shareholdings are considered to be related parties as well as the companies controlled by these shareholders.

Glaston follows the same commercial terms in transactions with related parties as with third parties.

During the review period there were no related party transactions whose terms would differ from the terms in transactions with third parties.

Share-based incentive plan

Share-based incentive plan 2016

On 19 January 2016, Glaston’s Board of Directors approved a new period for the long-term incentive and commitment plan for the Group’s key personnel including senior management of the Group and its subsidiaries.

The incentive plan is based on the development of Glaston’s share price. The plan covers the years 2016–2018 and the possible rewards will be paid in spring 2019. The incentive plan for 2016 covers 18 key persons of Glaston.

Share-based incentive plan 2015

On 27 January 2015, Glaston's Board of Directors approved a new period for the long-term incentive and commitment plan for the Group's key personnel including senior management of the Group and its subsidiaries.

The period covers the years 2015–2017 and the possible rewards will be paid in spring 2018. The incentive plan for 2015 covers 31 key persons of Glaston.

Share-based incentive plan 2014

On 21 January 2014, Glaston's Board of Directors approved a new long-term incentive and commitment plan for the Group's key personnel including senior management of the Group and its subsidiaries.

The incentive plan is based on the development of Glaston's share price. The plan covers the years 2014–2016 and the possible rewards will be paid in spring 2017. The incentive plan for 2014 covers 30 key persons of Glaston.

SHAREHOLDER INFORMATION

20 largest shareholders 31 March, 2016

	Shareholder	Number of shares	% of shares and votes
1	Oy G.W.Sohlberg Ab	33 253 679	17,17
2	Etera Mutual Pension Insurance Company	22 593 878	11,66
3	Hymy Lahtinen Oy	22 133 285	11,43
4	Varma Mutual Pension Insurance Company	12 786 643	6,6
5	Evli Finnish Small Cap Fund	9 589 209	4,95
6	Nordea Pro Finland Fund	7 174 483	3,7
7	Päivikki and Sakari Sohlberg Foundation	3 965 600	2,05
8	Danske Invest Finnish Small Cap Fund	3 960 197	2,04
9	Oy Investsum Ab	3 438 000	1,77
10	The Central Church Fund	2 730 000	1,41
11	Sijoitusrahasto Taaleritehdas Mikro Markka	2 550 000	1,32
12	Säästöpankki Pienyhtiöt	2 307 860	1,19
13	Sumelius-Fogelholm Birgitta	1 994 734	1,03
14	Sumelius Bjarne Henning	1 881 504	0,97
15	Von Christierson Charlie	1 600 000	0,83
16	Oy Nissala Ab	1 500 000	0,77
17	Metsänen Arto Juhani	1 500 000	0,77
18	Sumelius Christer	1 398 533	0,72
19	Sumelius-Koljonen Barbro	1 235 988	0,64
20	Lahtinen Jeppe Juhani Urponpoika	1 198 267	0,62
	20 largest shareholders total	138 791 860	71,65 %
	Nominee registered shareholders	1 676 398	0,87 %
	Other shares	53 240 078	27,48 %
	Total	193 708 336	

DEFINITIONS OF KEY RATIOS

Per share data

Earnings per share (EPS), continuing operations:
Net result of continuing operations attributable to owners of the parent / Adjusted average number of shares

Earnings per share (EPS), discontinued operations:
Net result of discontinued operations attributable to owners of the parent / Adjusted average number of shares

Earnings per share (EPS):
Net result attributable to owners of the parent / Adjusted average number of shares

Diluted earnings per share:
Net result attributable to owners of the parent adjusted with the result effect of the convertible bond / Adjusted average number of shares, dilution effect of the convertible bond taken into account

Dividend per share*:
Dividends paid / Adjusted number of issued shares at end of the period

Dividend payout ratio*:
(Dividend per share x 100) / Earnings per share

Dividend yield*:
(Dividend per share x 100) / Share price at end of the period

Equity attributable to owners of the parent per share:
Equity attributable to owners of the parent at end of the period / Adjusted number of shares at end of the period

Average trading price:
Shares traded (EUR) / Shares traded (volume)

Price per earnings per share (P/E):
Share price at end of the period / Earnings per share (EPS)

Price per equity attributable to owners of the parent per share:
Share price at end of the period / Equity attributable to owners of the parent per share

Share turnover:
The proportion of number of shares traded during the period to weighted average number of shares

Market capitalization:
Number of shares at end of the period x share price at end of the period

Number of shares at period end:
Number of issued shares - treasury shares

*The definition is also applied with return of capital

Financial ratios

EBITDA:
Profit / loss of continuing operations before depreciation, amortization and impairment, share of associates' results included

Operating result (EBIT):
Profit / loss of continuing operations after depreciation, amortization and impairment, share of associates' results included

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Operating result (EBIT) excluding non-recurring items:
Profit / loss of continuing operations after depreciation, amortization and impairment, share of associates' results included, non-recurring items excluded

Cash and cash equivalents:
Cash + other financial assets (includes cash and cash equivalents classified as held for sale)

Net interest-bearing debt:
Interest-bearing liabilities (includes interest-bearing liabilities classified as held for sale) - cash and cash equivalents

Financial expenses:
Interest expenses of financial liabilities + fees of financing arrangements + foreign currency differences of financial liabilities (total of continuing and discontinued operations)

Equity ratio, %:
Equity (Equity attributable to owners of the parent + non-controlling interest) x 100 / Total assets - advance payments received

Gearing, %:
Interest-bearing liabilities x 100 / Equity (Equity attributable to owners of the parent + non-controlling interest)

Net gearing, %:
Net interest-bearing debt x 100 / Equity (Equity attributable to owners of the parent + non-controlling interest)

Return on capital employed, % (ROCE):
Profit / loss before taxes + financial expenses x 100 / Equity + interest-bearing liabilities, average of 1 January and end of the reporting period

Return on equity, % (ROE).
Profit / loss for the reporting period x 100 /
Equity (Equity attributable to owners of the parent + non-controlling interest), average of 1 January and end of the reporting period

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