

Glaston Half Year Financial Report

1 January – 30 June 2016: Order intake picked up from the early part of the year

ESMA (European Securities and Markets Authority) has published new guidelines on alternative performance measures. As a result, Glaston is renaming the alternative non-IFRS performance measures that it uses. Comparable operating result excluding non-recurring items has been replaced with comparable operating result, and comparable EBITDA excluding non-recurring items has been replaced with comparable EBITDA. The definitions of the alternative performance measures used are presented in the item 'performance measure calculation formulas' of the table section of the interim report. A reconciliation with IFRS performance measure is presented in the item 'comparable operating result'.

This half year report's comparison year figures refer to Continuing Operations.

April–June 2016

- Orders received totalled EUR 28.6 (32.5) million.
- Net sales totalled EUR 22.1 (30.1) million.
- Comparable EBITDA was EUR 0.2 (2.6) million.
- The operating result was a loss of EUR 0.6 (2.5 profit) million, i.e. -2.7 (8.2)% of net sales.
- The comparable operating result was a loss of EUR 0.4 (1.7 profit) million, i.e. -1.9 (5.8)% of net sales.

January–June 2016

- Orders received totalled EUR 53.7 (55.0) million.
- The order book on 30 June 2016 was EUR 40.9 (56.0) million.
- Net sales totalled EUR 51.5 (56.5) million.
- Comparable EBITDA was EUR 1.6 (4.7) million, i.e. 3.1 (8.3)% of net sales.
- The operating profit was EUR 0.1 (4.9) million, i.e. 0.2 (8.7)% of net sales.
- The comparable operating profit was EUR 0.3 (3.0) million, i.e. 0.5 (5.3)% of net sales.
- Continuing Operations' return on capital employed (ROCE) was 0.7 (20.2)%.
- Continuing Operations' earnings per share were EUR -0.00 (0.01).
- Interest-bearing net liabilities amounted to EUR 11.4 (6.1) million.

Outlook

Glaston expects 2016 net sales to be approximately EUR 105 – 110 million and the comparable operating profit to be approximately EUR 2 – 4 million. (In 2015 net sales were EUR 123.4 million and comparable operating profit was EUR 6.1 million).

President & CEO Arto Metsänen:

"Glaston's markets remained quiet in the second quarter of the year and the operating environment continued to be challenging. Our April–June net sales declined from the previous year and totalled EUR 22.1 (30.1) million. The decline in net sales was due primarily to weaker machine sales in the EMEA area. In the Americas area, net sales were at a good level. In the Asian market, the positive development of net sales that began in the first quarter continued.

Orders received in the second quarter totalled EUR 28.6 million and grew by 14.4% compared with the first quarter. Despite this, the order intake for the first half of the year, a total of EUR 53.7 (55.0) million, was not at the targeted level.

Glaston's comparable operating result for April–June was a loss of EUR -0.4 (1.7 profit) million. The result was affected in particular by lower than expected net sales. Enhanced cost-saving measures will take effect and balances the impact of the lower net sales.

The glass processing market will continue to be challenging during the latter part of the year. We will purposefully continue our measures to adjust costs to the market situation. In Finland, we will initiate consultations with personnel on the possible need for lay-offs and job reductions. The consultations will cover all Glaston personnel in Finland.”

Operating environment

In April–June, there were significant regional differences in the development of the glass processing market. Growth in the North American market continued, although more moderately. The South American market remained quiet. The Asian market area grew slightly. In the EMEA area, the market levelled off.

Machines

In the second quarter, the glass processing machines market continued to be challenging. In a difficult market situation, Glaston succeeded in maintaining its market position relative to competitors.

In North America, the market situation continued to be favourable, and Glaston received a follow-up order exceeding EUR 2 million from the US company Cardinal Glass Industries for a Glaston FC1000™ tempering line. The second quarter brought no change in the situation of the South American market. The market remained quiet, and the weak Brazilian currency and instability in the financial markets negatively impacted operations.

In the Asian market area, positive development was perceptible in the Indian, Australian and New Zealand markets. In China, the market situation continued to be subdued, but cautious signs of a pick-up were evident at the end of the period.

In the EMEA area, the operating environment remained fairly low in the second quarter. The economic uncertainty prevailing in the area and tightening operating conditions slowed customers' investment decisions. In May, Glaston closed a deal exceeding EUR 2 million for the delivery of high technology safety glass machines to HORN Glass Industries AG.

The nanotechnology project proceeded according to plan in the second quarter, and the California-based nanotechnology company ordered a prototype line. The assembly of the line will take place in the current quarter, and the line is due to start up in the final quarter of the year.

Services

Services' strongest market remained North America. The EMEA area overall was quiet, but demand varied significantly from country to country. In South America and Asia, demand for services remained subdued.

In the spare parts product group, good development continued in the second quarter in all of the main market areas. The service market also developed positively. Tool sales in the EMEA area advanced well, but continued to decline in the other market areas. Pre-processing machine business and related services remained at the level of the previous quarter.

The second quarter did not bring an improvement in the market for modernisation products. The number of orders received in the second quarter was low. In the EMEA area, Glaston received from the UK a large modernisation order for a Uniglass flat tempering machine, and one of the industry's largest operators bought an iLook™ quality measurement system for its production plant in Germany. Glaston launched two new products: the ProL-zone modernisation product for flat-laminated glass, and the iControl™ upgrade product for Uniglass machines.

Orders received and order book

Glaston's second-quarter order intake totalled EUR 28.6 (32.5) million. The order intake of the Machines business was EUR 17.9 (19.0) million. The largest orders were received from the USA, Germany and Australia. The order intake of the Services business was EUR 10.7 (13.5) million. In spare parts and service operations, orders were in line with expectations. The market for modernisation products remained quiet.

Glaston's January–June order intake totalled EUR 53.7 (55.0) million.

On 30 June 2016, Glaston's order book stood at EUR 40.9 (56.0) million. Of the order book, the Machines business accounted for EUR 36.4 (50.1) million and the Services business for EUR 4.5 (5.9) million.

Order book, EUR million	30.6.2016	30.6.2015	31.12.2015
Machines	36.4	50.1	34.9
Services	4.5	5.9	3.6
Total	40.9	56.0	38.5

Net sales

Glaston's net sales declined in the second quarter and were EUR 22.1 (30.1) million. The net sales of the Machines business totalled EUR 13.0 (19.4) million. The net sales of the Services business totalled EUR 9.9 (11.0) million.

January–June net sales totalled EUR 51.5 (56.5) million. The net sales of the Machines business totalled EUR 32.0 (36.1) million. The net sales of the Services business totalled EUR 20.5 (20.9) million.

Growth in the North American market continued, although more moderately. In the Americas area, net sales were at the level of the previous year: EUR 20.4 (20.7) million. The good development of net sales in the Asia area continued in the second quarter of the year, and January–June net sales rose to EUR 11.5 (7.4) million. The EMEA area market slowed, and January–June net sales were EUR 19.6 (28.4) million.

Net sales, EUR million	4–6/2016	4–6/2015	1–6/2016	1–6/2015	1–12/2015
Machines	13.0	19.4	32.0	36.1	76.4
Services	9.9	11.0	20.5	20.9	48.2
Other and internal sales	-0.8	-0.2	-1.0	-0.6	1.3
Total	22.1	30.1	51.5	56.5	123.4

Operating result and profitability

Glaston's comparable operating result for April–June was a loss of EUR 0.4 (1.7 profit) million. Restructuring items of EUR 0.2 (-0.7) million affecting comparability were recognised in the review period.

The April–June operating result was a loss of EUR 0.6 (2.5 profit) million. The result before taxes was a loss of EUR 0.7 (2.0 profit) million. The second-quarter result was a loss of EUR 0.8 (11.2 loss) million. Continuing Operations' April–June earnings per share were EUR -0.00 (0.00), while Continuing and Discontinued Operations' earnings per share totalled -0.00 (-0.06) euros.

Comparable operating result, EUR million	4–6/2016	4–6/2015	1–6/2016	1–6/2015	2015
Operating result	-0.6	2.5	0.1	4.9	6.6
Items affecting comparability	0.2	-0.7	0.2	-1.9	-0.6
Comparable operating result	-0.4	1.7	0.3	3.0	6.1

The January–June comparable operating profit was EUR 0.3 (3.0) million, i.e. 0.5 (5.3)% of net sales. Financial performance in the first half of the year was impacted by lower than expected net sales and cost overruns relating to customer projects in the first quarter.

In 2015 Glaston initiated savings measures in Asia and South America. These measures were enhanced in the second quarter of 2016. In Asia, implementation of efficiency measures was completed and in this connection services management was restructured and areas of responsibility clarified. An efficiency plan for operations in South America was outlined at the end of June. In future, the focus of South American operations will be on sales and service operations. Efficiency measures were also launched in Finland.

Glaston's January–June operating profit was EUR 0.1 (4.9) million. Financial expenses amounted to EUR -0.3 (-1.0) million. The result before taxes was a loss of EUR 0.2 (3.9 profit) million. The result for the review period was a loss of EUR 0.6 (11.1 loss) million.

Continuing Operations' January–June earnings per share were EUR -0.00 (0.01). Discontinued Operations' earnings per share in the comparison period January–June 2015 were EUR -0.07. Continuing and Discontinued Operations' earnings per share totalled EUR -0.00 (-0.06). Continuing Operations' return on capital employed (ROCE) was 0.7 (20.2)%.

Financial position, cash flow and financing

Glaston's cash flow from operating activities, before the change in working capital, was EUR 1.4 (2.7) million in January–June. The change in working capital was EUR -1.2 (-8.4) million. Cash flow from investments was EUR -2.3 (-2.7) million and cash flow from financing activities was EUR -0.4 (-3.9) million.

At the end of the reporting period, the Group's liquid funds totalled EUR 3.6 (8.9) million. Interest-bearing net debt totalled EUR 11.4 (6.1) million and net gearing was 33.3 (16.4)%.

At the end of June, the consolidated asset total was EUR 88.0 (108.6) million. The equity attributable to the owners of the parent was EUR 33.9 (37.1) million. The share issue-adjusted equity per share was EUR 0.18 (0.19). Return on equity in the reporting period was -3.2 (-50.2)%. Continuing Operations' return on capital employed was 0.7 (20.2)%.

Capital expenditure, depreciation and amortisation

The gross capital expenditure of Glaston's Continuing and Discontinued Operations totalled EUR 2.4 (2.8) million. The expenditure was mainly related to product development.

Continuing Operations' depreciation and amortisation on property, plant and equipment and on intangible assets totalled EUR 1.3 (1.7) million.

Organisation and employees

Senior Vice President, Machines Juha Liettyä was appointed Senior Vice President, Americas as of 1 July 2016, and from the same date Chief Financial Officer Sasu Koivumäki was appointed Senior Vice President, Machines. In addition, Sasu Koivumäki will continue as Deputy to the CEO.

As a result of efficiency measures, Glaston reduced its personnel in Brazil, Singapore and China. Glaston had a total of 440 (513) employees on 30 June 2016. Of the Group's employees, 38% worked in Finland and 15% elsewhere in the EMEA area, 29% in Asia and 18% in the Americas. The average number of employees was 448 (511).

Shares and share prices

Glaston Corporation's paid and registered share capital on 30 June 2016 was EUR 12.7 million and the number of issued shares totalled 193,708,336. The company has one series of share. At the end of June, 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 the first six months of the year, a total of approximately 15.0 (42.7) million of the company's shares were traded, i.e. 7.8 (22.1)% of the average number of registered shares. The lowest price paid for a share was EUR 0.33 (0.37) and the highest price EUR 0.51 (0.60). The volume-weighted average price of shares traded in January-June was EUR 0.40 (0.51). The closing price on 30 June 2016 was EUR 0.35 (0.49).

On 30 June 2016, the market value of the company's registered shares, excluding treasury shares, was EUR 67.5 (94.5) million. The share issue-adjusted equity per share attributable to the owners of the parent was EUR 0.18 (0.19).

At the end of the review period, Glaston had 5,947 registered shareholders (30 June 2016: 6,107). At the end of the review period, 0.5% of Glaston's shares were in foreign ownership.

Annual General Meeting

The Annual General Meeting of Glaston Corporation was held in Helsinki on 5 April 2016.

Financial statements

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

Return of capital

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 the return of capital was paid on 28 April 2016.

Board of Directors

The number of the Members of the Board of Directors was resolved to be seven. At the Annual General Meeting, current Members of the Board Andreas Tallberg, Teuvo Salminen, Claus von Bonsdorff, Anu Hämäläinen, Kalle Reponen and Pekka Vauramo were re-elected 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.

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 will be paid EUR 40,000, the Deputy Chairman EUR 30,000 and the other Members of the Board EUR 20,000.

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.

Auditor

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

Board authorisations

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. The Board of Directors had not exercised its authorisation up to 30 June 2016.

Charter of the Nomination Board

In accordance with the proposal of the Board of Directors, the Annual 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.

Events after the review period

On 19 July, Glaston announced the appointment of Päivi Lindqvist M.Sc.(Econ) as the company's Chief Financial Officer and a member of the Executive Management Group.

On 4 August, Glaston published a revised outlook. The company expects 2016 net sales to be approximately EUR 105 – 110 million and the comparable operating profit to be approximately EUR 2 – 4 million. (In 2015 net sales were EUR 123.4 million and comparable operating profit was EUR 6.1 million).

Risks and uncertainties in the near future

Glaston operates in a global market. The company's uncertainties and risks in the near future are to a large extent linked to the development of the global economy or the geopolitically changed situation.

A down-turn in the global economy or an increase in political tensions might lead to a deterioration in the market environment. A weak outlook for the market may reduce customers' willingness to invest. A possible slow-down in the construction market in Glaston's main markets in North America and in Europe as well as increasing geopolitical tensions in Europe may affect the company's order intake. A deterioration of the market situation in China may lead to increased price competition.

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

In the second half of the year, the glass processing market is expected to remain challenging as economic uncertainty continues.

In Europe, a deterioration of the economic outlook and increased instability in the operating environment will be reflected in customers' investment decisions. Despite this, Central and Eastern Europe offer growth opportunities. We expect stable development in the North American market. In South America, the market will remain quiet, particularly in Brazil. In the Asian market, we expect cautious growth.

Glaston expects 2016 net sales to be approximately EUR 105 – 110 million and the comparable operating profit to be approximately EUR 2 – 4 million. (In 2015 net sales were EUR 123.4 million and comparable operating profit was EUR 6.1 million).

Helsinki, 9 August 2016
Glaston Corporation
Board of Directors

For further information, please contact:
President & CEO Arto Metsänen, tel. +358 10 500 6100
Chief Financial Officer Sasu Koivumäki, tel. +358 10 500 500

Sender:
Agneta Selroos
Communications Director
Glaston Corporation
Tel. 010 500 6105

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

Distribution: NASDAQ Helsinki Ltd, key media, www.glaston.net

GLASTON CORPORATION

CONDENSED FINANCIAL STATEMENTS AND NOTES 1 JANUARY – 30 JUNE 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	<u>30.6.2016</u>	<u>30.6.2015</u>	<u>31.12.2015</u>
Assets			
Non-current assets			
Goodwill	30.6	30.6	30.6
Other intangible assets	6.6	6.5	6.3
Property, plant and equipment	9.4	9.0	8.8
Available-for-sale assets	3.2	0.4	3.2
Loan receivables	1.1	2.3	1.4
Deferred tax assets	2.3	1.9	2.4
Total non-current assets	53.2	50.7	52.7
Current assets			
Inventories	14.6	21.2	17.3
Receivables			
Trade and other receivables	16.6	27.7	23.9
Assets for current tax	0.0	0.2	0.4
Total receivables	16.6	27.9	24.3
Cash equivalents	3.6	8.9	6.1
Total current assets	34.8	57.9	47.6
Total assets	88.0	108.6	100.3

	<u>30.6.2016</u>	<u>30.6.2015</u>	<u>31.12.2015</u>
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	41.6	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	-42.0	-30.2	-28.1
Net result attributable to owners of the parent	-0.6	-11.1	-13.8
Equity attributable to owners of the parent	33.9	37.1	36.5
Non-controlling interest	0.3	0.3	0.3
Total equity	34.1	37.5	36.8
Non-current liabilities			
Non-current interest-bearing liabilities	6.6	7.5	6.0
Non-current interest-free liabilities and provisions	1.3	1.8	1.6
Deferred tax liabilities	0.4	0.9	0.4

Total non-current liabilities	8.4	10.1	8.0
Current liabilities			
Current interest-bearing liabilities	8.3	7.5	7.5
Current provisions	2.5	3.0	2.5
Trade and other payables	34.6	49.9	44.4
Liabilities for current tax	0.0	0.7	1.1
Total current liabilities	45.5	61.0	55.4
Total liabilities	53.8	71.2	63.5
Total equity and liabilities	88.0	108.6	100.3

CONDENSED STATEMENT OF PROFIT OR LOSS

EUR million	<u>4-6/2016</u>	<u>4-6/2015</u>	<u>1-6/2016</u>	<u>1-6/2015</u>	<u>1-12/2015</u>
Net sales	22.1	30.1	51.5	56.5	123.4
Other operating income	0.2	0.2	0.5	0.4	0.9
Expenses	-22.3	-27.0	-50.6	-50.2	-114.3
Depreciation, amortization and impairment	-0.7	-0.9	-1.3	-1.7	-3.4
Operating result	-0.6	2.5	0.1	4.9	6.6
Financial items, net	-0.1	-0.4	-0.3	-1.0	-5.8
Result before income taxes	-0.7	2.0	-0.2	3.9	0.9
Income taxes	-0.1	-1.2	-0.3	-1.3	-0.7
Profit / loss for the period from continuing operations	-0.8	0.8	-0.6	2.6	0.2
Profit / loss after tax for the period from discontinued operations	-	-12.0	-	-13.7	-14.0
Profit / loss for the period	-0.8	-11.2	-0.6	-11.1	-13.8
Attributable to:					
Owners of the parent	-0.8	-11.2	-0.6	-11.1	-13.8
Non-controlling interest	-0.0	-0.0	-0.0	-0.0	-0.0
Total	-0.8	-11.2	-0.6	-11.1	-13.8
Earnings per share, EUR, continuing operations	-0.00	0.00	-0.00	0.01	0.00
Earnings per share, EUR, discontinued operations	-	-0.06	-	-0.07	-0.07
Earnings per share, EUR, basic and diluted	-0.00	-0.06	-0.00	-0.06	-0.07
Operating result, continuing operations , as % of net sales	-2.7	8.2	0.2	8.7	5.4
Profit / loss for the period, continuing operations , as % of net sales	-3.6	2.7	-1.1	4.7	0.1
Profit / loss for the period, as % of net sales	-3.6	-37.1	-1.1	-19.6	-11.2
Comparable items in operating result, continuing operations	-0.4	1.7	0.3	3.0	6.1
Comparable items in operating result, continuing operations, as % of net sales	-1.9	5.8	0.5	5.3	4.9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	<u>4-6/2016</u>	<u>4-6/2015</u>	<u>1-6/2016</u>	<u>1-6/2015</u>	<u>1-12/2015</u>
Profit / loss for the period	-0.8	-11.2	-0.6	-11.1	-13.8
Other comprehensive income that will be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	0.5	-0.6	0.2	1.6	3.6
Fair value changes of available-for-sale assets	0.0	0.0	0.0	0.0	0.1
Income tax on other comprehensive income	-0.0	-0.0	-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	-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	0.5	-0.6	0.2	-1.6	-3.6
Total comprehensive income for the reporting period	-0.3	-11.7	-0.4	-9.5	-10.2
Attributable to:					
Owners of the parent	-0.6	-11.7	-0.7	-9.5	-10.2
Non-controlling interest	-0.0	-0.0	-0.0	0.0	-0.0
Total comprehensive income for the reporting period	-0.6	-11.7	-0.7	-9.5	-10.2

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	<u>1-6/2016</u>	<u>1-6/2015</u>	<u>1-12/2015</u>
Cash flows from operating activities			
Cash flow before change in net working capital	1.4	2.7	6.5
Change in net working capital	-1.2	-8.4	-9.5
Net cash flow from operating activities	0.2	-5.6	-3.0
Cash flow from investing activities			
Other purchases of non-current assets	-2.3	-2.8	-7.1
Proceeds from sale of business	-	0.2	0.2
Net cash flow from investing activities	-2.3	-2.7	-6.9
Cash flow before financing	-2.2	-8.3	-9.8
Cash flow from financing activities			
Increase in non-current liabilities	0.7	7.5	7.5
Decrease in non-current liabilities	-0.0	-10.1	-10.1
Changes in loan receivables (increase - / decrease +)	0.1	0.0	0.1
Increase in short-term liabilities	2.0	17.5	22.5
Decrease in short-term liabilities	-1.3	-15.0	-21.3
Return of capital	-1.9	-3.9	-3.9
Net cash flow from financing activities	-0.4	-3.9	-5.1
Effect of exchange rate changes	0.1	1.0	1.0

Net change in cash and cash equivalents	-2.5	-11.2	-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	3.6	8.9	6.1
Net change in cash and cash equivalents	-2.5	-11.2	-14.0

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

Proceeds from divestment of businesses:

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. earnings	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	-	-	-	-	0.0	-11.1	1.5	-9.5	0.0	-9.5
Return of equity	-	-	-3.9	-	-	-	-	-3.9	-	-3.9
Equity at 30 June, 2015	12.7	25.3	43.5	-3.3	0.2	-44.4	3.1	37.1	0.3	37.5

UR million	Share capital	Share premium account	Reserve for inv. unrestr. equity	Treasury shares	Fair value and other reserves	Ret. earnings	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	-0.6	0.1	-0.7	0.0	-0.7
Return of equity	-	-	-1.9	-	-	-	-	-1.9	-	-1.9
Equity at 30 June, 2016	12.7	25.3	41.6	-3.3	0.2	-47.6	5.0	33.9	0.3	34.1

KEY RATIOS

	<u>30.6.2016</u>	<u>30.6.2015</u>	<u>31.12.2015</u>
EBITDA, as % of net sales ⁽¹⁾	2.8	11.8	8.1
Operating result (EBIT), as % of net sales	0.2	8.7	5.4
Profit / loss for the period, as % of net sales	-1.1	-19.6	-11.2
Gross capital expenditure, continuing and discontinued operations, EUR million	2.4	2.8	7.2
Gross capital expenditure, as % of net sales of continuing and discontinued operations	4.7	4.5	5.6
Equity ratio, %	45.8	43.7	43.9
Gearing, %	43.8	40.0	36.7
Net gearing, %	33.3	16.4	20.2
Net interest-bearing debt, EUR million	11.4	6.1	7.4
Capital employed, end of period, EUR million	49.1	52.5	50.3
Return on equity, %, annualized	-3.2	-50.2	-31.5
Return on capital employed, %, annualized	0.7	-26.2	-13.8
Return on capital employed, continuing operations, %, annualized	0.7	20.2	10.0
Number of personnel, average	448	511	494
Number of personnel, end of period	440	513	450

PER SHARE DATA

	<u>30.6.2016</u>	<u>30.6.2015</u>	<u>31.12.2015</u>
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	-	-0.07	-0.07
EPS, total, basic and diluted, adjusted with share issue, EUR	-0.00	-0.06	-0.07
Adjusted equity attributable to owners of the parent per share, EUR	0.18	0.19	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	-122.4	-8.5	-7.0
Price per adjusted equity attributable to owners of the parent per share	1.99	2.60	2.64
Market capitalization of registered shares, EUR million	67.5	94.5	96.5
Share turnover, % (number of shares traded, % of the average registered number of shares)	7.8	22.1	32.7
Number of shares traded, (1,000)	14 992	42 720	63 067
Closing price of the share, EUR	0.35	0.49	0.50
Highest quoted price, EUR	0.51	0.60	0.60
Lowest quoted price, EUR	0.33	0.37	0.37
Volume-weighted average quoted price, EUR	0.40	0.51	0.50

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

NET SALES

EUR million	4-6/2016	4-6/2015	1-6/2016	1-6/2015	1-12/2015
Machines	13.0	19.4	32.0	36.1	76.4
Services	9.9	11.0	20.5	20.9	48.2
Other and intersegment sales	-0.8	-0.2	-1.0	-0.6	-1.3
Net sales Glaston Group total	22.1	30.1	51.5	56.5	123.4
Comparable EBIT	-0.4	1.7	0.3	3.0	6.1
Comparable EBIT-%	-1.9	5.8	0.5	5.3	4.9
Items affecting comparability	-0.2	0.7	-0.2	1.9	0.6
EBIT	-0.6	2.5	0.1	4.9	6.6
EBIT-%	-2.7	8.2	0.2	8.7	5.4

Order intake

EUR million	1-6/2016	1-6/2015	1-12/2015
Machines	33.3	31.5	59.9
Services	20.4	23.5	47.5
Total Glaston Group	53.7	55.0	107.4

Net sales by geographical areas (continuing operations)

EUR million	1-6/2016	1-6/2015	1-12/2015
EMEA	19.6	28.4	48.0
Asia	11.5	7.4	18.2
America	20.4	20.7	57.2
Total	51.5	56.5	123.4

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

Net sales

EUR million	4-6/2016	1-3/2016	10-12/2015	7-9/2015	4-6/2015	1-3/2015
Machines	13.0	19.0	19.4	21.0	19.4	16.7
Services	9.9	10.6	13.4	13.9	11.0	9.9
Other and intersegment sales	-0.8	-0.2	-0.2	-0.5	-0.2	-0.4
Net sales Glaston Group total	22.1	29.4	32.6	34.3	30.1	26.3
Comparable EBIT	-0.4	0.7	0.6	2.5	1.7	1.2
Comparable EBIT-%	-1.9	2.4	1.7	7.4	5.8	4.7
Items affecting comparability	-0.2	-	-1.3	-0.1	0.7	1.2
EBIT	-0.6	0.7	-0.7	2.4	2.5	2.5

EBIT-%	-2.7	2.4	-2.2	7.0	8.2	9.3
--------	------	-----	------	-----	-----	-----

Order book

	30.6.2016	31.3.2016	31.12.2015	30.9.2015	30.6.2015	31.3.2015
Machines	36.4	31.5	34.9	42.0	50.1	48.7
Services	4.5	3.0	3.6	5.8	5.9	4.1
Total Glaston Group	40.9	34.5	38.5	47.8	56.0	52.8

Order intake

EUR million	4-6/2016	1-3/2016	10-12/2015	7-9/2015	4-6/2015	1-3/2015
Machines	17.9	15.3	13.3	15.1	19.0	12.5
Services	10.7	9.7	10.9	13.1	13.5	10.0
Total Glaston Group	28.6	25.0	24.2	28.2	32.5	22.5

CONTINUING OPERATIONS, COMPARABLE OPERATING RESULT

Items affecting comparability

EUR million	4-6/2016	4-6/2015	1-6/2016	1-6/2015	1-12/2015
Re-structurings (*)	-0.2	0.7	-0.2	1.9	0.6
Items affecting comparability	-0.2	0.7	-0.2	1.9	0.6

(* Including the group internal purchases that have been eliminated in group figures until 30.6.2015, which are reported as external purchases starting 1.7.2015 (due to sale of preprocessing machine business).

Comparable EBITDA	4-6/2016	4-6/2015	1-6/2016	1-6/2015	1-12/2015
Operating result	-0.6	2.5	0.1	4.9	6.6
Depreciation and amortization	0.7	0.9	1.3	1.7	3.4
Adjustment: Items affecting comparability	0.2	-0.7	0.2	-1.9	-0.6
Comparable EBITDA	0.2	2.6	1.6	4.7	9.5
% of net sales	1.1	8.7	3.1	8.3	7.7

Comparable EBIT	4-6/2016	4-6/2015	1-6/2016	1-6/2015	1-12/2015
Operating result	-0.6	2.5	0.1	4.9	6.6
Adjustment: Items affecting comparability	0.2	-0.7	0.2	-1.9	-0.6
Comparable EBIT	-0.4	1.7	0.3	3.0	6.1
% of net sales	-1.9	5.8	0.5	5.3	4.9

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

EUR million

	1-6/2016	1-6/2015	1-12/2015
Revenue	-	6.5	6.5
Expenses	-	-10.4	-10.4
Gross profit	-	-3.9	-3.9
Finance costs. net	-	-0.0	-0.0
Profit / loss before tax from discontinued operations	-	-3.9	-3.9
Current income tax	-	-0.2	-0.2
Profit / loss after tax from discontinued operations	-	-4.1	-4.1
Loss from disposal of discontinued operations	-	-9.7	-9.9

Profit / loss from discontinued operations	-	-13.7	-14.0
---	---	-------	-------

Net cash flows of discontinued operations	1-6/2016	1-6/2015	1-12/2015
Operating	-	-4.6	-4.6
Investing	-	-0.5	-0.5
Financing	-	-	-
Net cash flow	-	-5.1	-5.1

PROPERTY, PLANT AND EQUIPMENT

EUR million			
Changes in property, plant and equipment	1-6/2016	1-6/2015	1-12/2015
Carrying amount at beginning of the period	8.8	7.5	7.5
Additions	1.3	1.9	2.4
Disposals	-0.0	-0.1	-0.2
Depreciation and amortization	-0.6	-0.6	-1.2
Reclassification and other changes	-0.0	0.1	0.1
Exchange differences	-0.2	0.3	0.2
Carrying amount at end of the period	9.4	9.0	8.8

At the end of June 2016 Glaston has EUR 0.1 million contractual commitments for the acquisition of property, plant and equipment (30.6.2015 0.9; 31.12.2015 0.8).

INTANGIBLE ASSETS

EUR million			
Changes in property, plant and equipment	1-6/2016	1-6/2015	1-12/2015
Carrying amount at beginning of the period	36.9	44.6	44.6
Additions	1.1	1.0	2.0
Disposals	-	-7.1	-7.1
Depreciation and amortization	-0.8	-1.4	-2.5
Impairment losses and reversals of impairment losses	-	-0.0	-0.0
Reclassification and other changes	-0.0	-0.0	-0.0
Transfer to / from assets held for sale	-	-	-
Exchange differences	-0.0	-0.1	-0.1
Carrying amount at end of the period	37.2	37.1	36.9

CONTINGENT LIABILITIES

EUR million			
	<u>30.6.2016</u>	<u>30.6.2015</u>	<u>31.12.2015</u>
Mortgages and pledges			
On own behalf	166.9	166.9	166.9
Guarantees			
On own behalf	1.1	4.8	4.4
On behalf of others	0.2	1.3	0.1
Lease obligations	15.3	17.6	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	<u>30.6.2016</u>		<u>30.6.2015</u>		<u>31.12.2015</u>	
	<u>Nominal value</u>	<u>Fair value</u>	<u>Nominal value</u>	<u>Fair value</u>	<u>Nominal value</u>	<u>Fair value</u>
Commodity derivatives						
Electricity forwards	0.3	-0.1	0.5	-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
Additions	-	-
Impairment losses	-	-
Reclassification	-	-
30 June	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	30.6.2016	30.6.2015	31.12.2015
Available-for-sale shares			
Level 1	0.2	0.1	0.2
Level 3	0.2	0.2	0.2
	<hr/>	<hr/>	<hr/>
	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 30 June, 2016

	Shareholder	Number of shares	% of shares and votes
1	Oy G.W.Sohlberg Ab	33 253 679	17.17
2	Hymy Lahtinen Oy	23 342 365	12.05
3	Etera Mutual Pension Insurance Company	22 593 878	11.66
4	Varma Mutual Pension Insurance Company	12 786 643	6.60
5	Evli Finnish Small Cap Fund	9 589 209	4.95
6	Nordea Pro Finland Fund	5 493 234	2.84
7	Päivikki and Sakari Sohlberg Foundation	3 965 600	2.05
8	Oy Investsum Ab	3 438 000	1.77
9	Danske Invest Finnish Small Cap Fund	3 395 896	1.75
10	Kirkon Eläkerahasto	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	Metsänen Arto Juhani	1 500 000	0.77
17	Oy Nissala Ab	1 500 000	0.77
18	Hulkko Juha Olavi	1 400 000	0.72
19	Sumelius Christer	1 398 533	0.72
20	Sumelius-Koljonen Barbro	1 235 988	0.64
	20 largest shareholders total	137 957 123	71.22 %
	Nominee registered shareholders	1 555 123	0.80 %
	Other shares	54 196 090	27.98 %
	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*:
 $(\text{Dividend per share} \times 100) / \text{Share price at end of the period}$

Equity attributable to owners of the parent per share:
 $\text{Equity attributable to owners of the parent at end of the period} / \text{Adjusted number of shares at end of the period}$

Average trading price:
 $\text{Shares traded (EUR)} / \text{Shares traded (volume)}$

Price per earnings per share (P/E):
 $\text{Share price at end of the period} / \text{Earnings per share (EPS)}$

Price per equity attributable to owners of the parent per share:
 $\text{Share price at end of the period} / \text{Equity attributable to owners of the parent per share}$

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

Market capitalization:
 $\text{Number of shares at end of the period} \times \text{share price at end of the period}$

Number of shares at period end:
 $\text{Number of issued shares} - \text{treasury shares}$

*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

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, %:
 $\text{Equity (Equity attributable to owners of the parent} + \text{non-controlling interest)} \times 100 / \text{Total assets} - \text{advance payments received}$

Gearing, %:
 $\text{Interest-bearing liabilities} \times 100 / \text{Equity (Equity attributable to owners of the parent} + \text{non-controlling interest)}$

Net gearing, %:
 $\text{Net interest-bearing debt} \times 100 / \text{Equity (Equity attributable to owners of the parent} + \text{non-controlling interest)}$

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

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

Alternative performance measures

Comparable EBIT:

Profit / loss of continuing operations after depreciation, amortization and impairment, share of associates' results included – items affecting comparability

Comparable EBITDA:

Profit / loss of continuing operations before depreciation, amortization and impairment, share of associates' results included – items affecting comparability

Items affecting comparability:

Items affecting comparability are related to restructuring and for events or activities, which are not part of the normal business operations. They can include expenses arising from personnel reduction, product portfolio rationalization, changes in production structure and from reduction of offices. Impairment loss of goodwill, exceptionally large gains or losses from disposals of property, plant and equipment and intangible assets as well as capital gains or losses arising from group restructuring.