Glaston's Financial Statement Bulletin 1 January – 31 December 2016: Year 2016 ended strongly

Comparison year figures refer to Continuing Operations.

October–December 2016

- Orders received totalled EUR 33.6 (24.2) million.
- Net sales grew 8% to EUR 35.1 (32.6) million.
- Comparable EBITDA was EUR 3.4 (1.4) million.
- The operating result was EUR 2.4 (0.7 loss) million, i.e. 6.8 (-2.2)% of net sales.
- The comparable operating result was EUR 2.7 (0.6) million, representing 7.8% (1.7) of net sales.
- Cash flow from business operations was strong at EUR 8.9 (0.7) million.

January–December 2016

- Orders received totalled EUR 112.9 (107.4) million.
- The order book on 31 December 2016 was EUR 45.6 (38.5) million
- Net sales fell 13% to EUR 107.1 (123.4) million.
- Comparable EBITDA was EUR 5.4 (9.5) million, i.e. 5.1 (7.7)% of net sales.
- The operating result was EUR 2.3 (6.6) million, i.e. 2.1 (5.4)% of net sales.
- The comparable operating result fell to EUR 2.8 (6.1) million, i.e. 2.6 (4.9)% of net sales.
- Continuing Operations' return on capital employed (ROCE) was 4.6 (10.0)%.
- Continuing Operations' earnings per share were EUR 0.01 (0.00).
- Net Interest-bearing debt amounted to EUR -0.6 (7.4) million.
- The Board of Directors proposes that no dividend or return of capital shall be distributed for year 2016.

Glaston's outlook for 2017

A higher order book than the previous year, positive market development and the cost-saving measures undertaken create good conditions for the development of operations in 2017. For the first quarter, a relatively small number of deliveries are scheduled, as a result of which the comparable operating result for the period is expected to be lower than the corresponding period a year earlier.

Glaston expects the full-year comparable operating result to improve from 2016. (In 2016 the comparable operating result was EUR 2.8 million.)

President & CEO Arto Metsänen:

"In the fourth quarter, the glass processing machine market picked up and, advancing cautiously, the year ended strongly. The best development was seen in the EMEA region, where new machine orders grew by 53% compared with the previous quarter.

Due to a large number of machine deliveries, October–December net sales grew by 8% from the previous year and totalled EUR 35.1 million. The comparable operating profit improved to EUR 2.7 (0.6) million, i.e. 7.8% of net sales. Earnings development was particularly influenced by increased net sales and cost-saving measures.

Full-year net sales totalled EUR 107.1 million and the comparable operating result was EUR 2.8 (6.1) million. Lower net sales than the previous year and cost overruns associated with customer projects reduced earnings. Cost-saving measures implemented during the year had a positive effect on earnings.

In spring we renewed our strategy. Our core expertise is flat tempering technology. In addition to our core business, we also see growth in other safety glass categories, such as bending, tempering-bending and laminating.

We are also actively seeking new business opportunities in emerging glass technologies. In January 2017, we established the Glaston Emerging Technologies unit, which offers consulting and planning services for smart glass and energy glass windows production as well as solar energy applications. The intention is also for the unit to act as a supplier of the said production lines in future. The nanotechnology project in which we have been participating since late 2015 is proceeding on schedule. Progress of the project as planned would bring to Glaston equipment orders in the next few years.

We start 2017 on a better footing than a year ago. A stronger order backlog, positive market development and the savings measures undertaken create a good foundation for profitable growth."

Operating environment

As we entered 2016, broad uncertainty was evident in the glass processing market. A significant change for the better was seen only in the last quarter of the year, when a pick-up was perceptible, particularly in the EMEA area. In the North American market, customers' decision-making slowed in the latter part of the year in both the USA and Mexico. The market situation remained reasonably good, however. In South America, the market continued to be quiet. In the Asian market area, development varied from country to country. The market in China is still on a downward trend, but in many other countries development has been positive.

Machines

October–December

In the final quarter of the year, a clear pick-up took place in the Machines business market environment. The most positive development was in the EMEA area, where the number of new orders grew by 53% compared with the previous quarter. In North America, demand for customers' products is good, but customers' decision-making remains slow. In South America, the Brazilian market continued to be quiet, while in Chile, Peru and Colombia, the first signs of positive development were perceptible. In Asia, the market environment varied significantly from area to area. In Australia and New Zealand, good development continued. The Chinese market remained challenging, but emerging demand for more technologically advanced machines is evident.

In the final quarter of the year, Glaston strengthened its market position due to its new FC™ and RC™ flat tempering lines. The FC™ product series, launched at the Glasstec Fair in September, quickly achieved a solid market position. In the latter part of the year, the first deals for the new products were sealed.

January–December

North America and the EMEA area remained the largest markets for Glaston's Machines business. A change took place in the North American market in the second half, when customers' decision-making times lengthened. Competition intensified as Chinese operators strengthened their presence in the market. The South American market continued to be quiet, but outside Brazil a slight pick-up was seen towards the end of the year. In the EMEA area, particularly in Eastern Europe and in Italy, the market developed positively. In some countries, customers' investments were boosted by tax breaks on investments.

In the Asian market, Glaston's success varied from area to area. Due to its competitive product offering and increased presence, Glaston achieved a leading position in the Australian and New

Zealand tempering machine markets following a number of quieter years. Overall, the Southeast Asia machine market was quiet, with the exception of Vietnam. In China, customers' activity increased in the second part of the year.

The Machines business' most significant product group was flat tempering machines. Significant updates were made to the FC™ and RC™ main product series. The main focus of the updates was on raising the degree of automation as well as further improving the optical quality of glass. The new product series were well received in the market, and Glaston further strengthened its position as the technology leader in heat treatment machines.

In accordance with its strategy, Glaston invested in lamination technology and launched the Glaston ProL™ lamination line. The product has attracted much interest, and the first deals for the ProL™ line were concluded in Germany and USA. The continuously operating CHF™ flat tempering lines have also met with success. The automotive glass business organisation was strengthened.

The nanotechnology project, initiated in 2015, progressed according to plan. The assembly of a prototype line began in the autumn and it was tested in the latter part of the year. The line started production in January 2017. In 2016 Glaston participated in the project with the labour input of around five people. In addition to the nanotechnology project, Glaston is engaged in discussions with several potential partners on the development of new glass technologies. Glaston's role in possible new projects may, for example, be connected with the development and assembly of production lines for solar energy applications related to advanced glass coatings or glass. Investments in new technology had an estimated cost impact of EUR 0.5 million in 2016.

In order to support Glaston's strategic growth target, the Machines business renewed its organisation. Operations were divided into two business units: flat tempering, and bending and laminating.

Services

<u>October–December</u>

After a subdued start to the year, the Services business market picked up in the final quarter. After a weak third quarter, the EMEA area returned to a satisfactory level. In Asia and South America, customers' activity increased towards the end of the year. The North American market remained challenging.

Right at the end of the year, a substantial improvement took place in the market for modernisation products, and of the whole year's upgrade and modernisation orders, some 35% were received during the final quarter. Glaston agreed, among others, significant lamination machine modernisation deals for Malaysia, Norway and the United Kingdom as well as flat tempering line upgrades for the United Arab Emirates, Sweden and the USA. In automotive products, deals were closed for Turkey and Poland. In the final quarter, two significant spare parts agreements were also signed for Europe. In these, Glaston will act as the sole spare parts supplier for the customer's heat treatment machines. Sales of heat treatment machine spare parts remained at a high level, particularly in North America. Sales of tools turned to growth.

In the final quarter, Glaston opened the customer-specific Parts Arena online spare parts service. In addition, the iControL control system upgrade was expanded to also cover the flat tempering machine models manufactured in North and South America.

<u>January–December</u>

In 2016 broad uncertainty was evident in the Services business market, with demand remaining subdued with the exception of the final quarter. The strongest areas for business continued to be North America and the EMEA area. The South American market remained quiet, although indications of a recovery were perceptible in automotive business. In the Asia market area, there was positive development in Australia, New Zealand and Southeast Asia. The service market in China remained quiet.

There were fewer large modernisation and upgrade projects than the previous year. In Australia and

New Zealand, active new machine business slowed sales of upgrade products. Excluding the final quarter, demand for modernisation products remained subdued in the EMEA area. In North America, the machine investments of earlier years impacted sales of upgrade products, and modernisation of the machine stock will become due only after a few years.

Service and spare parts sales for heat treatment machines remained at a high level. In terms of numbers, there were more deals than the previous year, but the average size of single orders fell slightly. The strongest sales areas continued to be North America and the EMEA area.

In the tools product group, competition remained aggressive. Despite the difficult market situation, sales of tools began to grow tentatively towards the end of the year. New types of tools were introduced into the product group during the year and the distribution network was expanded.

The further development of the customer experience as well as improving the efficiency of own operations were the business development priorities. The strategy published in March was introduced at all levels of the organisation.

Orders received and order book

After a quiet start of the fourth quarter a lot of orders were received especially at the very end of the year. Glaston's October–December order intake totalled EUR 33.6 (24.2) million, 39% higher than the corresponding period the previous year. The order intake of the Machines business in October–December was EUR 22.4 (13.3) million. The largest orders were received from Chile, Austria, Hungary and Portugal. The order intake of the Services business was EUR 11.2 (10.9) million. In modernisation products, orders were received for flat tempering, lamination and automotive products. Modernisation orders received increased after five declining quarters.

Glaston's orders received in January–December grew by 5% and totalled EUR 112.9 (107.4) million.

At the end of the 2016, Glaston's order book was 18% higher than the previous year and stood at EUR 45.6 (38.5) million. The Machines business order book grew by 14% to EUR 39.9 (34.9) million. The Services business order book grew by 57% to EUR 5.7 (3.6) million.

Order book, EUR million	**31.12.2016**	**31.12.2015**
Machines	39.9	34.9
Services	5.7	3.6
Total	**45.6**	**38.5**

Net sales

Glaston's net sales grew in October–December by 8% compared with the corresponding period the previous year due to a large number of machine deliveries. Net sales totalled EUR 35.1 (32.6) million. Net sales of the Machines business grew by 24% to EUR 24.1 million (10–12/2015: EUR 19.4 million). Net sales of the Services business were EUR 11.6 million, which was 13% lower than the corresponding period the previous year (10–12/2015: EUR 13.4 million). Net sales of the Services business were adversely affected by low deliveries of modernisation products and pre-processing machines.

Full-year net sales fell by 13% compared with 2015 and totalled EUR 107.1 million (1–12/2015: EUR 123.4 million) The net sales of the Machines business were EUR 67.4 (76.4) million. The net sales on the Services business were EUR 41.8 (48.2) million.

Net sales in the Asian market area fell in October–December, but for the full year development was positive. Full-year net sales rose to EUR 21.0 million, an increase of 15% compared to 2015. Despite the good fourth quarter, net sales in the EMEA area fell short of the previous year and totalled EUR 42.4 million (1–12/2015: EUR 48.0 million). Net sales in the Americas area fell by 24% compared with the previous year's high level and were EUR 43.7 million (1–12/2015: EUR 57.2 million).

Net sales, EUR million	10–12/2016	10–12/2015	2016	2015
Machines	24.1	19.4	67.4	76.4
Services	11.6	13.4	41.8	48.2
Other and internal sales	-0.5	-0.2	-2.0	-1.3
Total	**35.1**	**32.6**	**107.1**	**123.4**

Operating result and profitability

Glaston's comparable operating result for October–December was a profit of EUR 2.7 (0.6) million, i.e. 7.8 (1.7)% of net sales. Increased net sales and cost-saving measures, in particular, contributed to the improvement in the operating result. In the final quarter, items affecting comparability totalling EUR -0.3 (-1.3) million were recognised, and related to the closure of production in Brazil during 2016.

The October–December operating result was a profit of EUR 2.4 (0.7 loss) million. The result before taxes was EUR 2.2 (2.4 loss) million. The profit of the period was EUR 2.1 (1.4 loss) million. Continuing Operations' October–December earnings per share were EUR 0.01 (-0.01), while Continuing and Discontinued Operations' earnings per share totalled EUR 0.01 (-0.01).

Comparable operating result, EUR million	10–12/2016	10–12/2015	2016	2015
Operating result	**2.4**	**-0.7**	**2.3**	**6.6**
Items affecting comparability	-0.3	-1.3	-0.5	0.6
Comparable operating result	**2.7**	**0.6**	**2.8**	**6.1**

The full-year comparable operating profit was EUR 2.8 (6.1) million, i.e. 2.6 (4.9)% of net sales. Lower net sales than the previous year and cost overruns associated with a few customer projects adversely affected earnings. Earnings were improved, however, by cost-saving measures undertaken during 2015 and 2016.

Glaston's January-December operating result was EUR 2.3 (6.6) million. Financial expenses amounted to EUR -0.7 (-5.8) million. The result before taxes was a profit of EUR 1.6 (0.9) million. The result for the review period was a profit of EUR 1.0 (13.8 loss) million.

Continuing Operations' full-year earnings per share were EUR 0.01 (0.00). Discontinued Operations' earnings per share in 2015 were EUR -0.07. Continuing and Discontinued Operations' earnings per share totalled EUR 0.01 (-0.07).

Financial position, cash flow and financing

Due to the good result and a reduction in working capital, cash flow from operating activities was strong, at EUR 8.9 (0.7) million. Working capital decreased by EUR 4.6 (-0.1) million. Deliveries scheduled for the end of the year reduced the level of inventories, while purchase invoices related to them did not fall due for payment until this year. Moreover, a high level of advance payments related to new orders were also received at the end of the year.

Glaston's cash flow from operating activities, before the change in working capital, was EUR 5.3 (6.5) million in January–December. The change in working capital was EUR 8.2 (-9.5) million. Cash flow from investments was EUR -3.8 (-6.9) million and cash flow from financing activities was EUR 1.4 (-5.1) million.

Due to the strong cash flow, Glaston's cash and cash equivalents grew to EUR 17.4 (6.1) million. Interest-bearing net debt turned negative to EUR -0.6 (7.4) million and net gearing was -1.7 (20.2)%.

At the end of the review period, the consolidated asset total was EUR 101.1 (100.3) million. The equity attributable to the owners of the parent was EUR 35.6 (36.5) million. Equity per share was EUR 0.18 (0.19). Return on equity in the reporting period was 2.8 (-31.5)%. Continuing Operations' return on capital employed (ROCE) was 4.6 (10.0)%.

Strategy 2016–2018

In March, Glaston's Board of Directors adopted updated 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 maintain its position as the 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 offer Glaston significant new business opportunities.

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 annual growth of net sales (CAGR) exceeding market growth, comparable operating profit margin (EBIT) over 8%, at the end of the period, and return on capital employed (ROCE) over 20% at the end of the period.

Research and product development

In 2016, Glaston's research and product development expenditure totalled EUR 1.7 (3.6) million, i.e. 1.6 (3.0)% of net sales.

Glaston's most significant product development investment related to the California-based nanotechnology company, which is developing new glass technology solutions. During the year, a project team of around five people from Finland participated in the project. The nanotechnology project proceeded according to plan during the year: the assembly of a prototype line began in the autumn and it was tested in the latter part of the year. Testing activities also took place in Finland.

Projects related to digitalisation and the industrial internet moved forward. The Glaston Insight service, which enables remote real-time monitoring of production, was launched in the autumn. The service provides information on, among other things, energy consumption, utilisation rate, quality, and maintenance needs. The service works with both a mobile device and an online connection, and it is available for machines that have an iControL system. For this reason, on the automation side, there was also a focus on developing and updating a standard control system for older models of machine for the iControL system.

The further development of GlastonAir continued and new patents were granted for the product. The first machine was installed and taken into use at the customer's premises in Colombia.

Updated FC and RC series flat tempering lines were launched in the autumn. The main focus of the updates was on raising the degree of automation as well as further improving the optical quality of glass.

Glaston responded to growing demand for highly demanding jumbo-size glazing solutions by customising the ProL flat laminating line to jumbo size and by undertaking the pre-development of tempering-bending machines all the way to jumbo size.

Environment
As the technology leader in its industry, Glaston strives to promote sustainable development both in terms of the products and services it offers to its customers and in its own operations. The environmental impact of Glaston's own production operations is very limited. The most significant environmental impacts arise from the life-cycle energy consumption of the machines manufactured by the company. Energy efficiency and its improvement have a key role in product development, in terms of both glass processing machines and end products.

The life cycle of Glaston's glass processing machines may even be decades. Glass processing machines are designed and built to withstand constant use at high production capacities. Regular maintenance extends the machines' useful life as well as product safety. The modernisation of machines with new technical features extends the life of machines and reduces energy consumption in glass processing. Glaston pays special attention to the recyclability of machine materials, particularly with respect to components susceptible to wear and thus often replaced.

Energy is the largest cost item during the economic life of buildings. More energy-efficient and environmentally aware solutions are being driven by new energy standards and stricter legislation as well as the strongly developing smart glass market. Glaston works actively to promote opportunities to use glass in energy-efficient construction and in utilisation of solar energy. Glaston's Emerging Technologies unit offers consulting and planning services for smart glass and energy glass window production as well as solar energy applications. Glaston is also the organiser of the industry's largest expert conference, the Glass Processing Days event, which is held every other year.

Capital expenditure, depreciation and amortisation
Glaston's gross capital expenditure totalled EUR 3.9 (7.2) million. The most significant investments in 2016 related to product development and information systems.

In 2016, depreciation and amortisation of Continuing Operations on property, plant and equipment and on intangible assets totalled EUR 2.7 (3.4) million.

Efficiency programmes
In 2015, Glaston initiated cost-saving measures in South America and Asia. These measures were enhanced and expanded in 2016.

In Asia, the efficiency measures were completed during the first half of the year: the number of employees was reduced, services management was restructured, and areas of responsibility clarified. In July, an extension to the factory located in Tianjin, China was leased to a third party on a 10-year agreement.

The efficiency plan for South American operations, presented at the end of June, was completed in the latter part of the year. Machine manufacturing in Sao Paolo ended in October. In future, the focus of South American operations will be on sales and service operations. Efficiency measures were also carried out in Finland, where employer-employee consultations on possible lay-offs and redundancies were held in August–September. As a result of the consultations, operations in Finland were reorganised. In the autumn, personnel lay-offs were initiated at the tool factory in Italy.

The cost-saving measures undertaken in 2016 are expected to have a total impact of more than EUR 1.5 million on the 2017 result.

Changes in the company's management
Artturi Mäki was appointed Senior Vice President of Glaston's Services business area and member of the Executive Management Group as of 8 February 2016. Senior Advisor Pekka Huuhka's service in Glaston ended on 1 May 2016.

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.

Päivi Lindqvist was appointed Glaston’s Chief Financial Officer and member of the Executive Management Group on 19 September 2016.

Organisation and employees

In Glaston, the skills level of employees was developed mainly through internal training, cooperation and sharing of expertise. Regular internal training events were held, particularly for service and installation monitoring personnel. During the year, a number of Genuine Care Days were arranged for service personnel, the themes of which included process skills as well as topics related to the servicing of machines delivered by Glaston.

To safeguard Glaston's future skills needs, career and succession plans for key positions are updated annually, and development measures agreed. In connection with this process, a multi-disciplinary team, whose development is a particular area of focus, is selected annually. The team is assigned development projects related to strategy, and thereby develops its expertise.

Personnel additions were made during the year mainly in planning and in North American field service – a total of around 10 people. The number of employees was reduced due to efficiency measures in China and Brazil – a total around 50 people.

Glaston’s Continuing Operations had a total of 415 (450) employees on 31 December 2016. Of the Group’s employees, 39% worked in Finland and 15% elsewhere in the EMEA area, 30% in Asia and 16% in the Americas. The average number of employees was 437 (494).

Share-based incentive schemes

On 19 January 2016, Glaston’s Board of Directors decided on a new period in the share-based incentive scheme for the Group’s key personnel that began in 2014. The incentive scheme is part of the long-term incentive and commitment scheme for the senior management of the Group and its subsidiaries, and it is linked to the development of Glaston’s share price.

The new period covers 2016–2018, and any rewards from the scheme will be paid in spring 2019. The incentive scheme launched in 2016 covers 18 key Glaston personnel.

In January 2015, Glaston’s Board of Directors decided on a period for the same scheme covering 2015–2017. The scheme covers 31 key personnel, and any rewards from the scheme will be paid in spring 2018.

The first period of the incentive scheme covered 2014–2016. No rewards have been paid from the scheme. The incentive scheme covered 30 key Glaston personnel.

Decisions of the Annual General Meeting

Glaston's Annual General Meeting, held on 5 April 2016, adopted the financial statements and discharged the President & CEO and the Members of the Board of Directors from liability for the financial year 2015. The Annual General Meeting resolved, in accordance with a proposal of the Board of Directors, that a return of capital of EUR 0.01 per share be paid. The return of capital was paid on 28 April 2016.

The Annual General Meeting resolved that there be seven Members of the Board of Directors. Claus von Bonsdorff, Anu Hämäläinen, Sarlotta Narjus, Kalle Reponen, Teuvo Salminen, Andreas Tallberg and Pekka Vauramo were elected to the Board of Directors. 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 will 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 as the company's auditor Authorised Public Accountants Ernst & Young Oy, which nominated 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. The Board of Directors did not exercise its authorisation up to 31 December 2016.

Nomination Board

Glaston Corporation's Nomination Board consists of the representatives of the four largest shareholders entered in the company's register on the first day of September. In addition, the Chairman of the Glaston Corporation's Board of Directors serves as an advisory member of the Nomination Board.

In accordance with the ownership situation on 1 September 2016, the following were elected to the Nomination Board of Glaston Corporation: Ari Saarenmaa (Oy G.W.Sohlberg Ab), Stefan Björkman (Etera Mutual Pension Insurance Company), Markku Seppälä (Hymy Lahtinen Oy) and Mikko Koivusalo (Varma Mutual Pension Insurance Company). Andreas Tallberg, Chairman of Glaston's Board of Directors, served as an advisory member of the Nomination Committee. In its organising meeting on 2 November 2016, the Nomination Board elected Ari Saarenmaa from among its members to be Chairman.

Shares and share prices

Glaston Corporation's share capital on 31 December 2016 was EUR 12.7 million and the number of issued and shares totalled 193,708,336. The company has one series of share. At the end of the year, 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 2016, approximately 31.9 (63.1) million of Glaston's shares were traded on NASDAQ Helsinki Ltd, i.e. 17 (33)% of the average number of registered shares. In the review period, 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–December was EUR 0.38 (0.50). The closing price on 31 December 2016 was EUR 0.40 (0.50).

On 31 December 2016, Glaston's market value, excluding treasury shares, was EUR 77.2 (96.5) million. The share issue-adjusted equity per share attributable to the owners of the parent was EUR 2.17 (2.64).

Shareholders

At the end of the financial year, Glaston had 5,748 shareholders (31.12.2015: 5,963). Glaston Corporation's largest shareholders on 31 December 2016, the distribution of share ownership by number of shares, and the distribution of ownership by shareholder group are presented in Note 4 of the consolidated financial statements.

Glaston Corporation is unaware of any shareholder agreements or arrangements relating to share ownership or the exercise of votes.

Dividend policy

In March, Glaston's Board of Directors adopted an updated 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 comparable earnings per share.

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.

Flagging notifications

In 2016 Glaston did not receive any notifications, pursuant of Chapter 9 Section 5 of the Finnish Securities Market Act, on changes of share ownership.

Events after the closing date

Juha Liettyä, Senior Vice President, Americas and member of the Executive Management Group, was appointed Senior Vice President, Glaston Emerging Technologies as of 2 January 2017. Liettyä will continue to be a member of the Executive Management Group, reporting to President & CEO Arto Metsänen. Juha Liettyä is stationed in Florida, USA.

The Emerging Technologies unit offers consulting and planning services for smart glass and energy glass window production as well as solar energy applications. The unit also sells, supplies and services the machines and equipment required for production. Glaston's investment in a Californian nanotechnology company is part of the Emerging Technologies unit's activities.

Risks and risk management

Glaston operates globally, and changes in the development of the world economy directly affect the Group's operations and risks. Glaston's order intake is highly dependent on global investment demand, which is affected by the growth outlook for the global economy and geopolitical developments. The general increase in uncertainty may reduce willingness to invest and thereby negatively impact Glaston's order intake, net sales and earnings.

One of Glaston's most significant strategic risks is technology risk, namely the entry into the market of a competing machine and glass processing technology, which would result in a reduction of Glaston's currently high market shares and require Glaston to make considerable product development investments. There is also a technology risk associated with the entry into the market of competing technologies in the projects of Glaston Emerging Technologies unit, which focuses on new technologies. The unit will invest in new early stage technologies whose effectiveness on a commercial scale is uncertain.

Competitive positions may also be changed by expansion into new areas by machine manufacturers of a lower segment in terms of price and technology. This risk is greatest in the price-conscious Asian and South American markets. A long-term strengthening of the euro against other key currencies, particularly the US dollar, may weaken Glaston's position relative to competitors outside the euro area. Intensified competition may lead to a deterioration of order intake, project-specific margins or terms of payment, and thus affect the Group's earnings and cash flow.

Glaston's most significant operational risks include management and possible quality problems related to large customer projects, availability of components, management of the contractual partner and subcontractor network, product development, succeeding in the protection and efficient production of intellectual property rights as well as the availability and permanence of expert personnel. Following a number of efficiency programmes, the Group's resources are in full use, and the successful growth of operations requires successful management and controlled growth of these resources.

The Glaston Group includes a number of units whose financial development has been unsatisfactory in recent years. Failure or delay in turning around these units may have a negative impact on the Group's earnings.

Glaston's balance sheet contains a substantial amount of goodwill. A prolonged period of low demand may lead to a situation in which Glaston's recoverable amounts are insufficient to cover the carrying amounts of asset items, particularly goodwill. If this happens, it will be necessary to recognise an impairment loss, which, when implemented, will weaken the result and equity.

Glaston continually develops its information systems and, despite careful planning, temporary disruptions to operations might be associated with the introduction stages. Due to the industrial internet, the significance of information security risks has increased, and the management of such risks is a subject of particular attention.

The Group's most significant liquidity risks are foreign exchange, credit and refinancing risks.

Uncertainties and risks in the near future

Glaston operates in a global market in which both political and economic instability arise. The company's uncertainties and risks in the near future are to a large extent linked to the development of global investment demand and, in some geographical areas, to customers' access to financing. The timing of investment decisions is also affected by geopolitical uncertainty, which has increased compared to previous years.

Glaston has taken into account in its forecasts for the near future the uncertain development outlook for the global economy and its impact on the development of the sector. If the demand situation of the sector deteriorates substantially, this will affect Glaston's net sales and earnings with a 3–6 month delay.

The Group's net sales are affected most by the level and timing of order intake as well as the geographical and product mix of orders. In terms of earnings, there is also uncertainty in meeting the planned delivery times and costs of customer projects.

Outlook

The development of the glass processing market was positive at the end of 2016. There are currently no signs of a weakening of the market, and positive development is expected to continue. Despite good demand, customers are often taking longer to make their investment decisions due to the uncertain global economy and political developments.

A higher order book than the previous year, positive market development and the cost-saving measures undertaken create good conditions for the development of operations in 2017. For the first quarter, a relatively small number of deliveries are scheduled, as a result of which the comparable operating result for the period is expected to be lower than the corresponding period a year earlier.

Glaston expects the full-year comparable operating result to improve from 2016. (In 2016 the comparable operating result was EUR 2.8 million.)

Board of Directors' proposal on the distribution of profits

The distributable funds of Glaston Corporation are EUR 16,241,163, of which EUR -5,664,105 represents the net loss for the financial year.

The comparable earnings per share for 2016 were EUR 0.01. According to the dividend policy, the objective is to distribute annually a dividend or return of capital amounting to 30–50% of the company's comparable earnings per share. As the company is investing strongly in the development of new technology and as comparable earnings per share are only EUR 0.01, the Board of Directors proposes that no dividend or return of capital be distributed for 2016.

Helsinki, 10 February 2017
Glaston Corporation
Board of directors

For further information, please contact:
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Chief Financial Officer Päivi Lindqvist, tel. +358 10 500 500

GLASTON CORPORATION
Agneta Selroos
Communications Director

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 – 31 DECEMBER 2016

The consolidated interim financial statements of Glaston Group are prepared in accordance with International Financial Reporting Standards IFRS including International Accounting Standards (IAS) and Interpretations issued by the International Financial Reporting Interpretations Committee (SIC and IFRIC). The Notes to the Financial Statements are also in accordance with the Finnish Accounting Act and Ordinance and the Finnish Companies' Act.

These condensed financial statements are audited. Auditor's report has been given on 10 February, 2017. Quarterly information and interim reports 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	31.12.2016	31.12.2015
Assets		
Non-current assets		
Goodwill	30.6	30.6
Other intangible assets	6.9	6.3
Property, plant and equipment	9.2	8.8
Available-for-sale assets	3.2	3.2
Loan receivables	0.9	1.4
Deferred tax assets	2.2	2.4
Total non-current assets	**52.9**	**52.7**
Current assets		
Inventories	11.9	17.3
Receivables		
Trade and other receivables	18.7	23.9
Assets for current tax	0.2	0.4
Total receivables	18.9	24.3
Cash equivalents	17.4	6.1
Total current assets	**48.1**	**47.6**
Total assets	**101.1**	**100.3**

	31.12.2016	31.12.2015
Equity and liabilities		
Equity		
Share capital	12.7	12.7
Share premium account	25.3	25.3
Other restricted equity reserves	0.1	0.1
Reserve for invested unrestricted equity	41.6	43.5
Treasury shares	-3.3	-3.3
Fair value reserve	0.1	0.1
Other unrestricted equity reserves	0.1	0.1
Retained earnings and exchange differences	-41.9	-28.1
Net result attributable to owners of the parent	1.0	-13.8
Equity attributable to owners of the parent	**35.6**	**36.5**
Non-controlling interest	**0.3**	**0.3**
Total equity	**35.9**	**36.8**

Non-current liabilities		
Non-current interest-bearing liabilities	6.9	6.0
Non-current interest-free liabilities and provisions	1.9	1.6
Deferred tax liabilities	0.4	0.4
Total non-current liabilities	**9.1**	**8.0**
Current liabilities		
Current interest-bearing liabilities	9.9	7.5
Current provisions	2.7	2.5
Trade and other payables	43.5	44.4
Liabilities for current tax	0.1	1.1
Total current liabilities	**56.1**	**55.4**
Total liabilities	**65.2**	**63.5**
Total equity and liabilities	**101.1**	**100.3**

CONDENSED STATEMENT OF PROFIT OR LOSS

EUR million	10-12/2016	10-12/2015	1-12/2016	1-12/2015
Net sales	**35.1**	**32.6**	**107.1**	**123.4**
Other operating income	0.4	0.3	1.1	0.9
Expenses	-32.4	-32.8	-103.3	-114.3
Depreciation, amortization and impairment	-0.7	-0.8	-2.7	-3.4
Operating result	**2.4**	**-0.7**	**2.3**	**6.6**
Financial items, net	-0.2	-1.6	-0.7	-5.8
Result before income taxes	**2.2**	**-2.4**	**1.6**	**0.9**
Income taxes	-0.1	-1.1	-0.6	-0.7
Profit / loss for the period from continuing operations	**2.1**	**-1.3**	**1.0**	**0.2**
Profit / loss after tax for the period from discontinued operations	**-**	**-0.1**	**-**	**-14.0**
Profit / loss for the period	**2.1**	**-1.4**	**1.0**	**-13.8**
Attributable to:				
Owners of the parent	2.1	-1.4	1.0	-13.8
Non-controlling interest	-0.0	-0.0	-0.0	-0.0
Total	**2.1**	**-1.4**	**1.0**	**-13.8**
Earnings per share, EUR, continuing operations	0.01	-0.01	0.01	0.00
Earnings per share, EUR, discontinued operations	-	0.00	-	-0.07
Earnings per share, EUR, basic and diluted	**0.01**	**-0.01**	**0.01**	**-0.07**
Operating result, continuing operations , as % of net sales	6.8	-2.2	2.1	5.4
Profit / loss for the period, continuing operations , as % of net sales	6.0	-4.0	0.9	0.1
Profit / loss for the period, as % of net sales	6.0	-4.3	0.9	-11.2
Comparable items in operating result, continuing operations	-0.3	-1.3	-0.5	0,6

Comparable items in operating result, continuing operations	2.7	0.6	2.8	6,1
Comparable items in operating result, continuing operations, as % of net sales	7.8	1.7	2.6	4,9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	10-12/2016	10-12/2015	1-12/2016	1-12/2015
Profit / loss for the period	**2.1**	**-1.4**	**1.0**	**-13.8**
Other comprehensive income that will be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	0.3	-0.3	0.0	3.6
Fair value changes of available-for-sale assets	-0.0	0.0	-0.0	0.1
Income tax on other comprehensive income	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
Actuarial gains and losses arising from defined benefit plans	-0.0	-0.0	-0.0	-0.0
Other comprehensive income for the reporting period, net of tax	**0.3**	**-0.3**	**0.0**	**3.6**
Total comprehensive income for the reporting period	**2.4**	**-1.7**	**1.0**	**-10.2**
Attributable to:				
Owners of the parent	2.4	-1.7	1.0	-10.2
Non-controlling interest	0.0	-0.0	-0.0	-0.0
Total comprehensive income for the reporting period	**2.4**	**-1.7**	**1.0**	**-10.2**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	1-12/2016	1-12/2015
Cash flows from operating activities		
Cash flow before change in net working capital	5.3	6.5
Change in net working capital	8.2	-9.5
Net cash flow from operating activities	**13.4**	**-3.0**
Cash flow from investing activities		
Other purchases of non-current assets	-3.9	-7.1
Proceeds from sale of business	-	0.2
Proceeds from sale of other non-current assets	0.1	0.1
Net cash flow from investing activities	**-3.8**	**-6.9**
Cash flow before financing	**9.6**	**-9.8**
Cash flow from financing activities		
Increase in non-current liabilities	3.2	7.5

Decrease in non-current liabilities	-0.0	-10.1
Changes in loan receivables (increase - / decrease +)	0.3	0.1
Increase in short-term liabilities	2.3	22.5
Decrease in short-term liabilities	-2.5	-21.3
Return of capital	-1.9	-3.9
Net cash flow from financing activities	**1.4**	**-5.1**
Effect of exchange rate changes	**0.3**	**1.0**
Net change in cash and cash equivalents	**11.3**	**-14.0**
Cash and cash equivalents at the beginning of period	6.1	20.0
Cash and cash equivalents at the end of period	17.4	6.1
Net change in cash and cash equivalents	**11.3**	**-14.0**

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. 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	-13.8	3.6	**-10.2**	-0.0	**-10.2**
Return of equity	-	-	-3.9	-	-	-	-	**-3.9**	-	**-3.9**
Equity at 1 December, 2015	**12.7**	**25.3**	**43.5**	**-3.3**	**0.2**	**-47.1**	**5.2**	**36.5**	**0.3**	**36.8**

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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	1.0	0.1	**1.0**	0.0	**1.0**
Return of equity	-	-	-1.9	-	-	-	-	**-1.9**	-	**-1.9**
Equity at 30 September, 2016	**12.7**	**25.3**	**41.6**	**-3.3**	**0.2**	**-46.1**	**5.2**	**35.6**	**0.3**	**35.9**

KEY RATIOS

	31.12.2016	31.12.2015
EBITDA, as % of net sales (1	4.6	8.1
Operating result (EBIT), as % of net sales	2.1	5.4
Profit / loss for the period, as % of net sales	0.9	-11.2
Gross capital expenditure, continuing and discontinued operations, EUR million	3.9	7.2
Gross capital expenditure, as % of net sales of continuing and discontinued operations	3.6	5.6
Equity ratio, %	43.2	43.9
Gearing, %	46.7	36.7
Net gearing, %	-1.7	20.2
Net interest-bearing debt, EUR million	-0.6	7.4
Capital employed, end of period, EUR million	52.6	50.3
Return on equity, %, annualized	2.8	-31.5
Return on capital employed, %, annualized	4.6	-13.8
Return on capital employed, continuing operations, %, annualized	4.6	10.0
Number of personnel, average	437	494
Number of personnel, end of period	415	450

PER SHARE DATA

	31.12.2016	31.12.2015
Number of shares, treasury shares excluded (1,000)	192 920	192 920
EPS, continuing operations, basic and diluted, adjusted with share issue, EUR	0.01	0.00
EPS, Discontinued Operations, basic and diluted, adjusted with share issue, EUR	-	-0.07
EPS, total, basic and diluted, adjusted with share issue, EUR	0.01	-0.07
Adjusted equity attributable to owners of the parent per share, EUR	0.18	0.19
Capital repayment per share, EUR	-	0.01
Capital repayment yield	-	2.0
Price per adjusted earnings per share (P/E) ratio	75.3	-7.0

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Price per adjusted equity attributable to owners of the parent per share	2.17	2.64
Market capitalization of registered shares, EUR million	77.2	96.5
Share turnover, % (number of shares traded, % of the average registered number of shares)	16.5	32.7
Number of shares traded, (1,000)	31 898	63 067
Closing price of the share, EUR	0.40	0.50
Highest quoted price, EUR	0.51	0.60
Lowest quoted price, EUR	0.33	0.37
Volume-weighted average quoted price, EUR	0.38	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	10-12/2016	10-12/2015	1-12/2016	1-12/2015
Machines	24.1	19.4	67.4	76.4
Services	11.6	13.4	41.8	48.2
Other and intersegment sales	-0.5	-0.2	-2.0	-1.3
Net sales Glaston Group total	**35.1**	**32.6**	**107.1**	**123.4**
Comparable EBIT	**2.7**	**0.6**	**2.8**	**6.1**
Comparable EBIT-%	7.8	1.7	2.6	4.9
Items affecting comparability	-0.3	-1.3	-0.5	0.6
EBIT	2.4	-0.7	2.3	6.6
EBIT-%	6.8	-2.2	2.1	5.4

Order intake

EUR million	1-12/2016	1-12/2015
Machines	72.3	59.9
Services	40.6	47.5
Total Glaston Group	**112.9**	**107.4**

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Net sales by geographical areas (continuing operations)		
EUR million	1-12/2016	1-12/2015
EMEA	42.4	48.0
Asia	21.0	18.2
America	43.7	57.2
Total	**107.1**	**123.4**

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

Net sales

EUR million	10-12/2016	7-9/2016	4-6/2016	1-3/2016	10-12/2015	7-9/2015	4-6/2015	1-3/2015
Machines	24.1	11.3	13.0	19.0	19.4	21.0	19.4	16.7
Services	11.6	9.6	9.9	10.6	13.4	13.9	11.0	9.9
Other and intersegment sales	-0.5	-0.5	-0.8	-0.2	-0.2	-0.5	-0.2	-0.4
Net sales Glaston Group total	**35.1**	**20.5**	**22.1**	**29.4**	**32.6**	**34.3**	**30.1**	**26.3**
EBIT excluding non-recurring items	**2.7**	**-0.3**	**-0.4**	**0.7**	**0.6**	**2.5**	**1.7**	**1.2**
EBIT-%, excl. non-recurring items	7.8	-1.3	-1.9	2.4	1.7	7.4	5.8	4.7
Non-recurring items	-0.3	0.0	-0.2	-	-1.3	-0.1	0.7	1.2
EBIT	**2.4**	**-0.3**	**-0.6**	**0.7**	**-0.7**	**2.4**	**2.5**	**2.5**
EBIT-%	6.8	-1.3	-2.7	2.4	-2.2	7.0	8.2	9.3

Order book

	31.12.2016	30.9.2016	30.6.2016	31.3.2016	31.12.2015	30.9.2015	30.6.2015	31.3.2015
Machines	39.9	41.4	36.4	31.5	34.9	42.0	50.1	48.7
Services	5.7	4.6	4.5	3.0	3.6	5.8	5.9	4.1
Total Glaston Group	**45.6**	**46.0**	**40.9**	**34.5**	**38.5**	**47.8**	**56.0**	**52.8**

Order intake

EUR million	10-12/2016	7-9/2016	4-6/2016	1-3/2016	10-12/2015	7-9/2015	4-6/2015	1-3/2015
Machines	22.4	16.6	17.9	15.3	13.3	15.1	19.0	12.5
Services	11.2	9.0	10.7	9.7	10.9	13.1	13.5	10.0
Total Glaston Group	**33.6**	**25.6**	**28.6**	**25.0**	**24.2**	**28.2**	**32.5**	**22.5**

CONTINUING OPERATIONS, COMPARABLE OPERATING RESULT

Items affecting comparability

EUR million	10-12/2016	10-12/2015	1-12/2016	1-12/2015
Re-stucturings (*	-0.3	-1.3	-0.5	0.6
Items affecting comparability	**-0.3**	**-1.3**	**-0.5**	**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	10-12/2016	10-12/2015	1-12/2016	1-12/2015
Operating result	2.4	-0.7	2.3	6.6
Depreciation and amortization	0.7	0.8	2.7	3.4
Adjustment: Items affecting comparability	0.3	1.3	0.5	-0.6
Comparable EBITDA	**3.4**	**1.4**	**5.4**	**9.5**
% of net sales	9.7	4.3	5.1	7.7

Comparable EBIT	10-12/2016	10-12/2015	1-12/2016	1-12/2015
Operating result	2.4	-0.7	2.3	6.6
Adjustment: Items affecting comparability	0.3	1.3	0.5	-0.6
Comparable EBIT	**2.7**	**0.6**	**2.8**	**6.1**
% of net sales	7.8	1.7	2.6	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	1-12/2016	1-12/2015
EUR million		
Revenue	-	6.5
Expenses	-	-10.4
Gross profit	**-**	**-3.9**
Finance costs. net	-	-0.0
Profit / loss before tax from discontinued operations	**-**	**-3.9**
Current income tax	-	-0.2
Profit / loss after tax from discontinued operations	**-**	**-4.1**
Loss from disposal of discontinued operations	-	-9.9
Profit / loss from discontinued operations	**-**	**-14.0**

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

PROPERTY, PLANT AND EQUIPMENT

EUR million

Changes in property, plant and equipment	1-12/2016	1-12/2015
Carrying amount at beginning of the period	8.8	7.5
Additions	1.7	2.4
Disposals	-0.0	-0.2
Depreciation and amortization	-1.1	-1.2
Reclassification and other changes	-0.0	0.1
Exchange differences	-0.1	0.2
Carrying amount at end of the period	9.2	8.8

At the end of December 2016 Glaston had not contractual commitments for the acquisition of property, plant and equipment (31.12.2015 0,8)

INTANGIBLE ASSETS

EUR million

Changes in property, plant and equipment	1-12/2016	1-12/2015
Carrying amount at beginning of the period	36.9	44.6
Additions	2.2	2.0
Disposals	-0.0	-7.1
Depreciation and amortization	-1.5	-2.5
Impairment losses and reversals of impairment losses	-	-0.0
Reclassification and other changes	-0.0	-0.0
Exchange differences	-0.0	-0.1
Carrying amount at end of the period	37.4	36.9

CONTINGENT LIABILITIES

EUR million	31.12.2016	31.12.2015
Mortgages and pledges		
On own behalf	166.9	166.9
Guarantees		
On own behalf	11.2	4.4
On behalf of others	0.3	0.1
Lease obligations	14.7	15.6
Repurchase obligations	0.3	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.

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DERIVATIVE INSTRUMENTS

EUR million	31.12.2016		31.12.2015	
	Nominal value	Fair value	Nominal value	Fair value
Commodity derivatives				
Electricity forwards	0.4	-0.0	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	-	2.8
31 December	3.1	3.1

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	31.12.2016	31.12.2015
Available-for-sale shares		
Level 1	0.2	0.2
Level 3	0.2	0.2
	0.4	0.4
Other long term investments		
Level 3	2.8	2.8
Derivatives		
Level 2	-0.0	-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.

Management remuneration (accrual based)

Remuneration of the Board of Directors, accrual based

EUR	2016 annual fee	meeting fee	2015 annual fee	meeting fee
Andreas Tallberg, Chairman of the Board of Directors	40.000	7.300	40.000	6.700
Teuvo Salminen, Deputy Chairman of the Board of Directors	30.000	4.600	30.000	4.300
Claus von Bonsdorff	20.000	4.600	20.000	4.300
Pekka Vauramo	20.000	3.600	20.000	4.300
Anu Hämäläinen	20.000	4.600	20.000	4.300
Kalle Reponen	20.000	4.600	20.000	4.300
Sarlotta Narjus (*	15.000	3.100	-	-
Total	**165.000**	**32.400**	**150.000**	**28.200**

(* Member of the Board of Directors from 5 April, 2016

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CEO Arto Metsänen	2016	2015
Salaries	328.607	519.924
Bonuses	-5.000	40.000
Share based benefit	-41.000	41.000
Total	282.607	600.924
Fringe benefits	1.252	-
Total	**283.859**	**600.924**
Statutory pension payments (Finnish TyEL or similar plan)	71.634	30.122
Voluntary pension payments	54.475	63.671

Remuneration of the Executive Management Group, accrual based		
Salaries	1.088.080	1.179.963
Compensations for termination of employment	-	-
Bonuses (*	30.059	104.000
Share based benefit (*	-95.000	95.000
Total	1.023.139	1.378.963
Fringe benefits	30.969	78.348
Total	**1.054.107**	**1.457.311**

***** Negative amount is due to the bonus and the share based incentive plan allowances estimated too high in the previous year.

Statutory pension payments (Finnish TyEL or similar plan)	173.053	154.040
Voluntary pension payments	20.160	46.097

The remuneration includes salaries only for the period they have been members of the Executive Management Group.

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 was based on the development of Glaston’s share price. The plan covered the years 2014–2016 and ended 31 December 2016. 30 key persons of Glaston were part of the incentive plan. No rewards were paid under the plan during its period of validity.

SHAREHOLDER INFORMATION

20 largerst shareholders 31 December, 2016

	Shareholder	Number of shares	% of shares and votes
1	Oy G.W.Sohlberg Ab	33 928 353	17.52
2	Hymy Lahtinen Oy	23 400 000	12.08
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	9 589 091	4.95
6	OP-Finland Small Firms Fund	5 168 323	2.67
7	Päivikki and Sakari Sohlberg Foundation	3 965 600	2.05
8	Oy Investsum Ab	3 408 000	1.76
9	Hulkko Juha Olavi	3 100 000	1.60
10	Danske Invest Finnish Small Cap Fund	2 895 896	1.49
11	Kirkon Eläkerahasto	2 730 000	1.41
12	Sijoitusrahasto Taaleritehdas Mikro Markka	2 375 600	1.23
13	Säästöpankki Pienyhtiöt	2 307 860	1.19
14	Sumelius-Fogelholm Birgitta	1 994 734	1.03
15	Sumelius Bjarne Henning	1 841 504	0.95
16	Metsänen Arto Juhani	1 750 000	0.90
17	Von Christierson Charlie	1 600 000	0.83
18	Oy Nissala Ab	1 500 000	0.77
19	Sumelius Christer	1 398 533	0.72
20	Sumelius-Koljonen Barbro	1 235 988	0.64
	20 largest shareholders total	139 570 003	72.05
	Nominee registered shareholders	1 644 476	0.85
	Other shares	52 493 857	27.10
	Total	193 708 336	100.00

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

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

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.

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