# glaston

Annual Review 2015

# Content

# Glaston
# A clear pioneer in glass processing technology

Glaston Corporation is an international pioneer in glass processing technology and a leading supplier of lifecycle solutions in glass processing machines. We offer our customers the industry's widest and most advanced range of glass processing heat treatment machines, maintenance and upgrade services, tools and expert services.

Glaston's operations are divided into the Machines and Services business areas. Our products and services are mainly oriented towards the construction, appliance, automotive and solar industries. Our operations are based on the high quality, energy efficiency and reliability of our glass processing machines, continuous product development and providing the market's best customer experience.

Glaston's most important competitive advantage is our leading technological expertise – it is the reason why our glass processing machines deliver exceptionally high glass quality. Our technology leadership means that we focus on customer-oriented product development and on operational development in all market conditions. This creates a foundation for future growth and improved profitability.

The industry's most extensive customer service network allows us to respond to customers' local and global needs. We serve our customers worldwide at more than 20 service and sales locations. Glaston has production in four countries, on three continents. Glaston's head office is located in Helsinki, Finland. Glaston's share (GLA1V) is listed on the NASDAQ Helsinki Small Cap List.

# Glaston focused on profitable growth

For Glaston, 2015 was a year of growth and long-term strategy development. The year began well, boosted by a high order book. In the latter part of the year, however, signs of slowing were perceptible in the market. During the year, Glaston divested its pre-processing machine operations and the company will now focus on high technology heat treatment and services. Glaston's market position is strong, and this was further strengthened by the machines delivered and deals closed during the year.

**The divestment of pre-processing machine operations** in the middle of the year was the defining event of Glaston's entire year. Focusing on heat treatment technology and service business streamlined the company and will also support positive development of profitability in the future.

**Improving growth and profitability** remained Glaston's key objectives for 2015. Net sales in 2015 totalled EUR 123.4 (109.7) million, representing growth of 12% compared with the previous year. Net sales growth was boosted particularly by good sales in North America.

The FC product series was overall the most important product group, and the FC500™ tempering machine in particular strengthened its position. Significant orders were also received for RC350™ and CCS1000™ machines. The fact that sales consisted mainly of new products reflected the development of the market. The first customer deliveries were made of the FC1000™ and GlastonAir™ tempering machines, which were launched the previous year.

The long-term life cycle concept gained a new foothold among customers and Glaston Care service agreements sold well.

Glaston's operating profit again developed favourably: comparable operating profit, excluding non-recurring items, was EUR 6.1 (5.5) million. Profitability was improved not only by net sales growth but also by the divestment of pre-processing machine operations and optimisation of processes.

A new long-term financing agreement, concluded in the summer, secured the company's financing for the next three years. The agreement also reduces Glaston's financing and administration costs. The new agreement removes restrictions on the company' distribution of funds.

During the review period, steps were taken towards the creation of a new strategy.

**The order book** was at a record high as the year began. Due to market instability and customers' increased caution, the order book declined and it stood at EUR 38.5 million at the end of the year.

**Product development expenditure** remained at the previous year's level and totalled EUR 3.6 million.

**The number of employees** fell compared with the previous year. The biggest impact of adjustment measures was in China and Brazil, where the workforce was reduced by 50 employees. In contrast, employee numbers increased in the EMEA area. At the end of the year, Glaston had 450 employees.

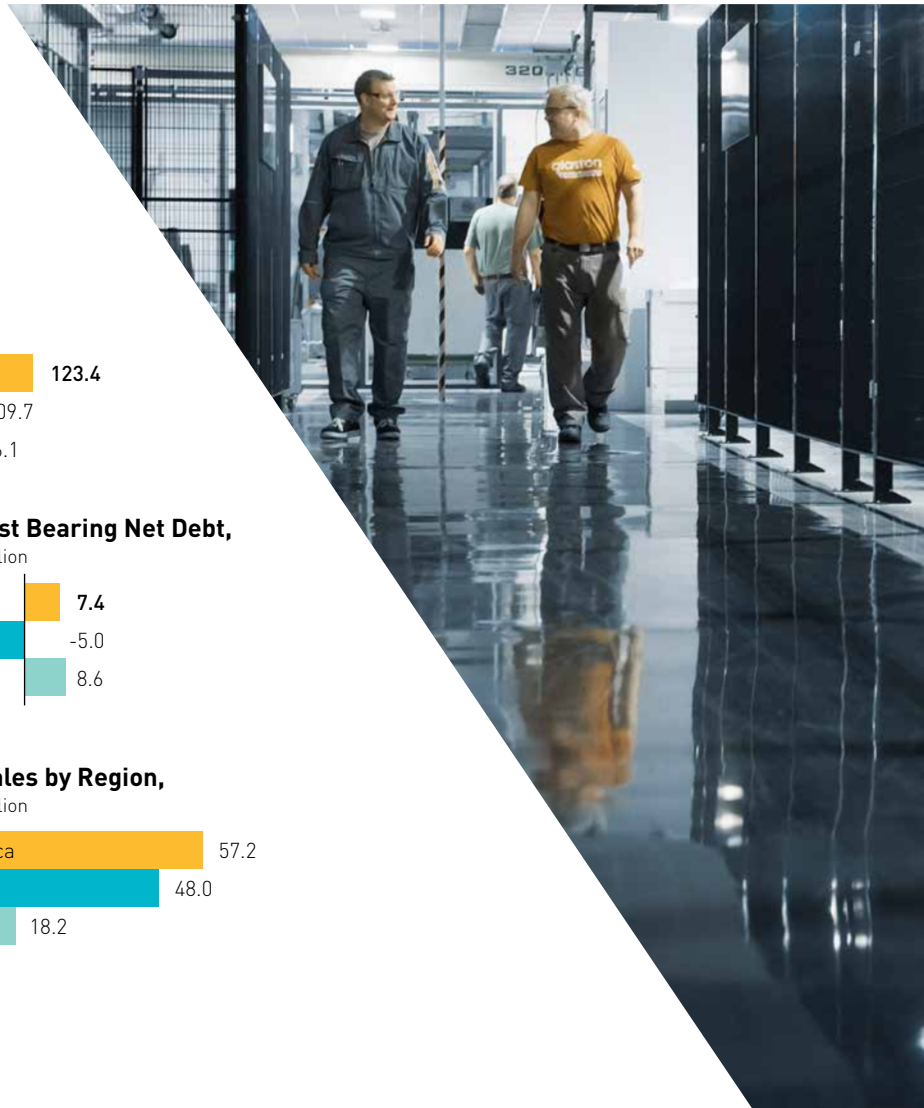
**Market capitalisation** at the end of 2015 was EUR 96.5 million.

**The EMEA** area has traditionally been a strong market area for Glaston. Of the EMEA countries, the Spanish and Polish markets in particular were buoyant. Expectations for the Middle East also began to be realised. A reflection of this, for example, is a EUR 2.6 million tempering machine deal for Kuwait. Economic instability and political tensions in the EMEA area did not support trade in capital goods, so market uncertainty increased towards the end of the year.

**Asian** markets were quiet and their development did not take the desired course. In China, the market developed more weakly than expected. In Australia and New Zealand the mood was positive.

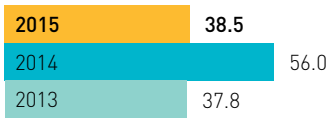
**In North America,** demand grew rapidly. In addition to a recovery in the operating environment, the economy and construction, a product and service offering suitable for customers' needs and investments in Glaston's service network delivered the desired results.


**The South American** market presented a challenge to Glaston. The Brazilian economy was at a standstill due to a currency crisis, and demand was low as a result. Elsewhere in South America, results were relatively good and the level of previous years was maintained.

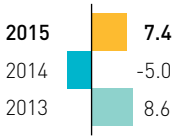


**Net Sales,** EUR million

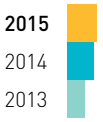

**Order Book,** EUR million



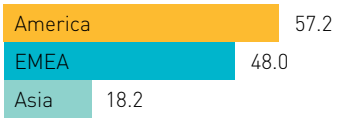

**Interest Bearing Net Debt,** EUR million




**Comparable Operating Profit before Non-recurring Items,** EUR million




**Net Sales by Region,** EUR million




# Highlights 2015

## March

Glaston closes **FC500/RC350™** machine deal for the USA.

Glaston **launches Glastory,** a unique and innovative online community focusing on glass processing.

## May

Glaston continues to present new technology in the Asian market at the **China Glass** exhibition in Beijing, China.

## June

Glaston Corporation finalised the sale of Glaston Italy S.p.A. to the local management of Glaston Italy S.p.A. Glaston will now **focus on high technology heat treatment and services.**

Glaston closes a deal exceeding EUR 4 million for heat treatment and pre-processing machine lines with the **Spanish company Tvitec** – Técnicas de Vidro Transformado S.L.

At the Tampere factory, Glaston opens an **innovative showroom,** where Glaston presents the industry's latest technology.

The industry's largest international conference, **Glass Processing Days,** brings together glass industry experts and decision-makers in Tampere, Finland.

Glaston closes a EUR 2.6 million machine deal with **Kuwait company Amjad Scientific.** The deal consists of a FC500™ tempering machine and a ProL™ laminating line as well as pre-processing machines.

The first major **modernisation deal for Glassrobots** equipment is closed with the US company Trulite Glass and Aluminium Solutions.

Glaston closes a EUR 2.4 million deal with Europe's leading glass processor, the **Polish company Press Glass.**

## September

A substantial machine deal is closed with **Yunnan Diankai Energy Saving Science & Technology Co. Ltd** for two Glaston CCS1000™ glass tempering machines with a double-chamber solution.

Glaston participates in the **Glass Build America** trade show in Atlanta, USA. The event is well attended and customers show keen interest in Glaston products, particularly the FC1000™ tempering line and lamination.

## October

Glaston **streamlines its operations** in Asia and South America to adjust capacity in line with the new corporate structure and the prevailing market situation.

To deliver the best customer experience, Glaston establishes a **sales and service office in Sydney, Australia.** The operating area covers Australia, New Zealand and Japan.

**The first FC1000™ flat tempering line** is delivered to the customer.

Glaston participates in the **Vitrum Fair** in Milan, Italy.

## November

A major glass processing machine deal is closed with the **US company Trulite Glass & Aluminium Solutions** for three FC500™ heat treatment machines. The deal also includes an iControL™ Quantum reporting system and a Glaston Care™ service agreement.

Glaston invests in a Californian **nanotechnology company,** which develops new glass technology. Glaston purchases 12% of the company's shares and serves as its primary equipment supplier.

## December

The Tampere assembly plant had **all of Glaston's products models** simultaneously in a customer delivery: RC- and FC-series flat tempering machines, Probend™ and HTBS™ flat tempering machines, a Matrix™ windscreen bending line, a ProL™ flat lamination line, an iLooK™ quality measurement system and the **first GlastonAir™ tempering machine, which utilises modern air floatation technology.**

President & CEO's review

# Glaston even more clearly the industry leader

A good order book at the end of year 2014 gave Glaston a good start to 2015. During the year, our focus on core business streamlined operations and opened up new prospects. Deliveries of new equipment as well as our active development work reinforced our leadership in technology and our provision of the industry's best customer experience. In the latter part of the year, market uncertainty once again increased.

Glaston started 2015 from a good level. The strong order book at the end of 2014 gave us a excellent base to begin to implement profitable growth in line with our strategy. The company's comparable net sales grew by 12% compared to the previous year. The comparable operating profit, excluding non-recurring items, improved to EUR 6.1 million. Investment in the construction of new machines, however, put a slight brake on earnings growth.

Our strategic priorities have been optimising our own processes, increasing technological strength and enhancing customer focus and orientation. In all of these we have made progress, but there is still work to be done.

During the year, we made a strategically important decision to focus on heat treatment and bending technology. The decision led in the middle of the year to a deal in which we sold our pre-processing business operations to the local management of Glaston Italy S.p.A. We can therefore continue to invest our resources in heat treatment technology where we are already strong. It is in the heat treatment business where we are best able to produce added value for the customer and undertake measures to achieve profitable growth. Through the change, we also made organisational and structural changes, which streamlined our operations.

## Own actions will overcome a difficult market situation

In the globally uncertain economic situation, the market will simply not give us the impetus to grow our business. We must secure growth through our own actions and by focusing on issues in line with our strategy.

We can be satisfied with the development of the North American market. High demand and a willingness to invest in new production lines, as well as a good situation for customers and use of glass, provided a good starting point. We have invested further in North America by strengthening our service network.

In Europe, the situation was more challenging than the previous year: uncertainty prevailed in the area and investments were delayed. Russian trade was still subdued and the anticipated pick-up in the Middle East did not materialise, among other things due to the price of oil. In the final quarter of the year, the market slowed significantly in the EMEA area.

The Asian market, which has long been one of our focus areas, continued to present challenges. Last year, which I spent in Asia, gave me an opportunity to focus on developing our local operations and helped me understand the needs of the area in a completely new way. When entering 2016 it is now a good time to move back to Europe to lead our operations and the implementation of our strategy.

## Good customer experience exceeds expectations

Our still relatively small size with respect to global operations presents Glaston with a challenge. A prerequisite for our success is that we operate effectively, extending equal care and attention to every customer. We need to be able to provide to all customers in all of our market areas equally good technology, service and support. Our strong service network and motivated personnel are a key factor in this. We need to continue to develop our processes and services, for example in service operations. We always want to serve a little better than the customer expected.

We help to deliver the industry's best customer experience by being proactive. As a company, we always think of what's best for the customer, we make development proposals and we are active partners, we produce for our customers added value that is not obtainable elsewhere. As a result of this, we are a successful pathfinder that also produces added value for its shareholders.

During the year, we brought several new products to the market. The first advanced-technology GlastonAir™ tempering line as well as new bending tempering products were installed at customers' premises this year. The new products always include special measures: more presence, active maintenance measures and fast responses. Our expertise evolved in connection with every delivery. Our technology leadership and providing the best customer experience go hand in hand.

## Actively working for technology leadership

Intelligence will be increased in Glaston machines, and our services will be developed in a direction in which we are able to offer customers more knowledge to support their processes. This, in turn, will increase our competitiveness and our competitive advantage. To move the industry forward, we have established in our product development a special department focused on automation and digitalisation. Our experts will apply digitalisation with an open mind


and integrate it into Glaston's core business.

The Glaston Showroom technology centre, which we founded in Tampere in 2015, takes our technology leadership a step forward and boosts our vitality. With the assistance of two nearly full-scale heat treatment machine lines, we will develop our expertise and give customers the opportunity to witness the latest glass technology in action. As a well as being a display case for our product development, this unique centre is also part of our commitment to customer-orientation. Decision-making in major projects becomes easier when customers can see machines operating at first hand.

In September, we announced our investment in an American nanotechnology company. Our close cooperation with them and other leading pioneers in the industry will drive us to learn and develop new aspects of coating and glass processing. In the future, completely new business dimensions may unfold for Glaston as a result of this.

## Courage and expertise for the demands of the future

Nanotechnology and intelligent glass are also intrinsically related to cleantech and energy saving, which offer Glaston development opportunities. We have the products and expertise in demanding glass coatings that will be needed in these solutions of future.

It has always been important for us to develop high-quality and advanced glass processing machines, which have achieved the status of standards in many countries. The FC product series and the smaller RC series have led the way to the GlastonAir™ tempering machine. This is an indication of the kind of courage and pathfinding approach that we apply in product development.

## Strong approach brings added value to shareholders and customers

This past year, we have systematically focused on essential matters amid market challenges. We have also been working to renew our long-term corporate strategy. This is summed up in three words: growth, experience and technology. They give clear direction to Glaston. We seek profitable growth, we focus on providing the best customer experience, and we do not settle for anything other than the role of technology pioneer. Courage and humility to become even better will make us a company that will generate more added value for customers and shareholders in the future.

I sincerely thank our shareholders for their faith in the work we do and in a bright future. I thank our customers and partners for the mutual trust and inspiring spirit in which we cooperate. Glaston's committed and competent personnel are our strongest resource, and also deserve a big thank-you for their work contribution.

Glass is a stunningly beautiful and versatile material in which an unbelievable amount of intelligence and features can be embedded. We do not even know the limits to what we can achieve with glass. We in Glaston are on the right track to find out. Quality glass is increasingly in demand. On this basis, Glaston is in a good place to continue its clear journey.

Arto Metsänen
President & CEO

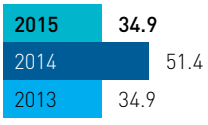
Machines

# Strengthened technology leadership took the machines business forward

Glaston's Machines business' product portfolio covers a wide and technologically advanced range of glass processing machines for the flat tempering, bending, bending-tempering and laminating of glass.

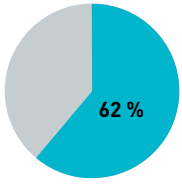
**Machines Net Sales,** EUR million


**Order Book** 31.12.2015, EUR million




**Machines' Share of Total Net Sales**

(Eliminations and adjustments in group -1%)




The Machines business started 2015 with a record order book. During the early part of the year, market activity levelled off. The order book at year end stood at EUR 34.9 (51.4) million. The Machines business increased its net sales by 10% to EUR 76.4 (69.6) million. The sale of the pre-processing business completed in the middle of the year and the consequent focus on high technology heat treatment had a positive impact on the business. The heat treatment machine business strengthened its market position.

## North American recovery strengthened, Asia remained uncertain

The North American market showed strong momentum. Favourable development in the construction industry and the number of building permits as well as increasing use of glass in construction took Glaston dynamically forward and generated sales.

In the EMEA area, the year was one of steady growth. Within the area, however, there were large variations between countries: In Russia, decision-making and the market remained subdued, whereas in Poland, the UK and Germany, for example, business was good.

Glaston's machines business encountered challenges in Asia, where volumes remained low and instability in the markets, particularly China, continued. Small signs of recovery were perceptible, for example a significant CCS1000™ tempering machine deal for China and the positive development of the Pacific area.

The South American market remained quiet throughout the year. Particularly in Brazil, an unstable economic situation slowed decision-making and overshadowed the market.

## Net Sales grew

The Machines business was able to increase its net sales, despite the divestment of the pre-processing machine business. Business variability between different areas presented challenges, though strong areas such as North America offset well the subdued South American and Chinese markets.

Operations were adjusted in China and

Brazil to correspond with the new market situation and corporate structure. The adjustment measures had most impact at the Tianjin factory in China, where the workforce was reduced by 35 employees. All of the restructuring and adjustment measures connected with the sale of the pre-processing machine business were completed during the year.

## Active product development

The Machines business' product development was active, even though the year did not feature any new product launches. FC1000™ flat tempering lines, launched during 2014, and the first GlastonAir™ tempering machine, utilising air flotation technology, were delivered to customers.

Glaston's technology leadership was taken forward by innovating: during the year, several patent applications were submitted. Product development focused particularly on development projects relating to digitalisation, nanotechnology and improving the production process, and these will continue. Mass customisation and improving customer benefit were the focus of product portfolio development.

During the year, additional resources were allocated to planning and technological expertise. The development of employee skills was supported with the aid of electronic tools and a mentoring programme, for example.

## Customers found new products

During the year, Glaston's tempering machines further strengthened their position in the market. Flat tempering machines continued to be the most significant product group. The FC500™ tempering line was the leading product in terms of sales, and its share of total sales grew further. Deals for FC500™ machines were closed for the USA, Kuwait and Poland, among other places.

Other major deals were a CCS1000™ tempering machine sale to China, an extension agreement signed in Spain for heat treatment and pre-processing machine lines, and a nanotechnology investment in the USA, which also included a machine deal. The relative share of bending-tempering rose.

In June, Glaston's Glass Processing Days event attracted industry decision-makers, experts and customers to Finland.

In addition to the deals closed at the event, the FC1000™ flat tempering line attracted customers' attention. In October, Glaston participated in the industry's main European event, the Vitrum Fair, in Italy.

## Operations guided by strong strategy

Improving the supply chain and customer experience were the development themes of 2015, and good progress was made with them. Production planning succeeded well in maintaining market-defined volume and reaction speed. The Machines business' organisation and expertise provided excellent support to the strategy, which focuses on heat treatment technology.

As we enter year 2016, the Machines business' market situation is reasonably good. A strong market position, broad product portfolio, strong customer relations and diverse development work will take the Machines business forward in the direction shown by the strategy.

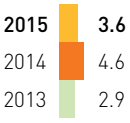
Services

# Services business on growth and development track

Glaston's Services business provides glass processing machine maintenance services, machine upgrades and modernisations, spare parts, and the tools required in glass working. The Services business' remote monitoring and diagnostics services as well as training and consulting help customers improve the efficiency of their processes.

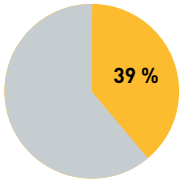
**Services Net Sales,** EUR million


**Order Book** 31.12.2015, EUR million




**Services' Share of Total Net Sales**

(Eliminations and adjustments in group -1%)




The Services business' net sales in 2015 totalled EUR 48.2 million. The growth rate was a strong, in line with strategy and targets. In accordance with the growth target set, Service increased its net sales by 15%.

Despite the sale of the pre-processing machine business, the Services business continued to sell and manufacture glass pre-processing tools and to service pre-processing machines in agreed market areas.

## North America's momentum strengthened, challenges in South America and Asia

The Services business' strongest market areas were North America and, just behind it, the EMEA area. In North America, a number of significant modernisation and heating chamber replacement deals were closed during the year. In the EMEA area, the Spanish, German and Middle Eastern markets, among others, did well. Field service grew globally.

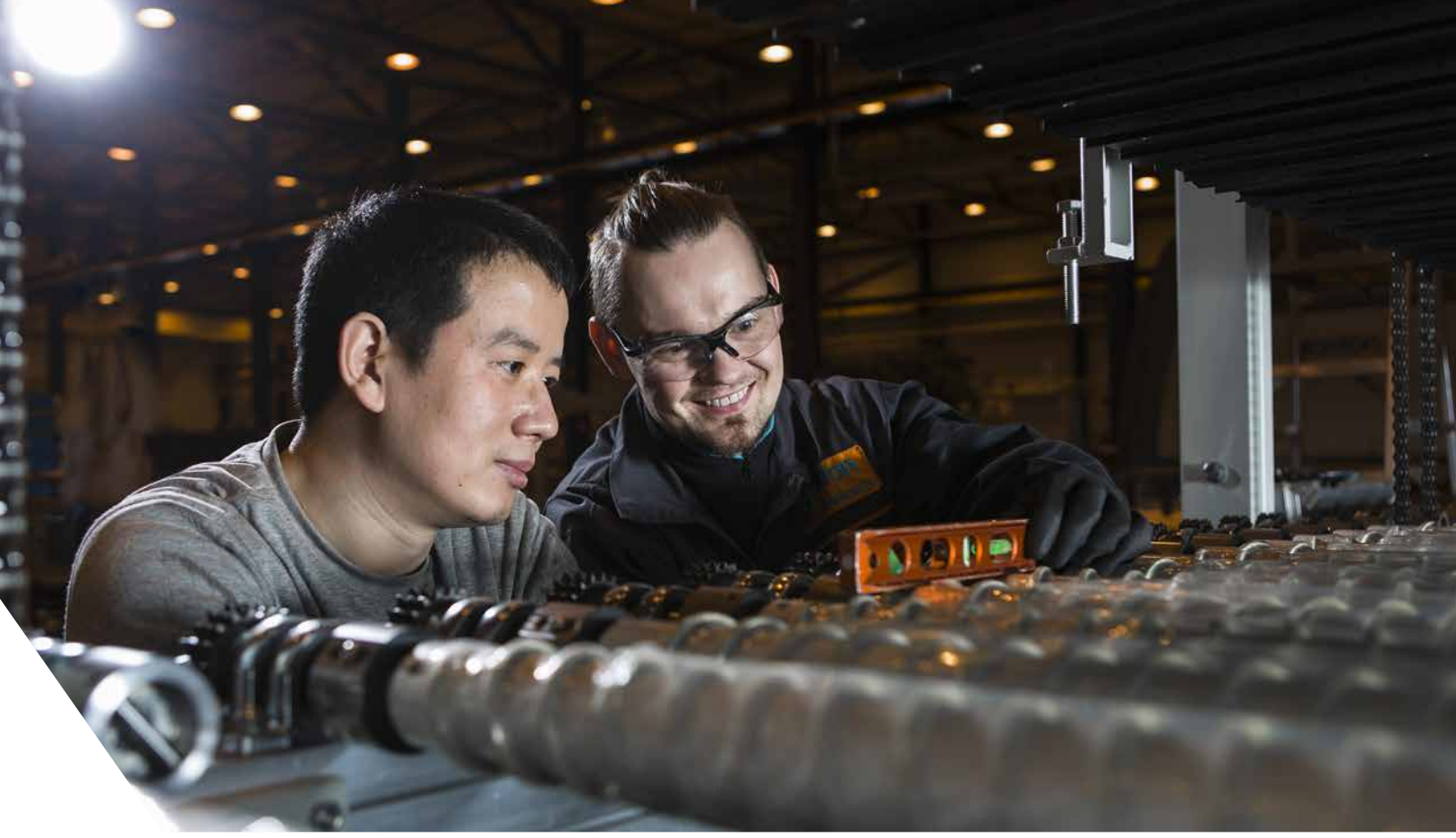
The Services business encountered challenges in the subdued South American markets, particularly in Brazil, where demand for services remained weak. A slight improvement was seen in mainland China's situation in the latter part of the year, but the year as a whole was defined by reduced demand in Asia. The continued unstable market situation in Russia slowed investment.

Adjustments in South America and in Asia were completed according to plan. The potential presented by the areas' rather out-dated machine stock remained unrealised.

## Growth highest in upgrade products and field service

The Services business' product groups, excluding tools, grew strongly. Major deals were closed, particularly in modernisation and refurbishment products. During the review period, the first large modernisation deal for Glassrobots equipment was closed for the USA. This was a significant opening, with great potential.

During the year, increasingly challenging upgrade projects were implemented. The successes and the skills development achieved in these projects boosted Glaston's technology leadership substantially. Services closed one of the biggest upgrade product deals in its history for



Spain. The deal was one of several bending machine modification projects.

Services achieved its target in line with strategy in respect of new long-term Glaston Care™ service agreements. New Glaston Care™ service agreements were signed, for example during the Vitrum Fair in Italy.

The commercial focus of the spare parts product group was on spare parts for heat treatment machines. Sales of these were good: particularly in North America and the EMEA area, growth was substantial.

The tools product group market was challenging and competition aggressive. Despite the difficult market situation, Glaston managed to increase its market share in certain areas.

## Product portfolio expanded, investments in productisation

The good level of business also facilitated investments in the development of products and organisation during the year. The Service business' product portfolio was expanded. In modernisations, the portfolio was expanded to cover the machine models of all process areas: more than 100 productised modernisation services. The Glaston Insight™ control system was developed further.

Services business was developed with respect to a field service electronic control system and electronic spare parts manuals. Business moved forward through productisation of services, achieving a good basic level for further development. Good progress was made, for example, in standardising iControL™ upgrade services.

Product development focused particularly on quality assurance and process optimisation projects, such as measuring iridescence and developing process sensors. Services business development was directed by digitalisation and deeper development of services demanding technological expertise.

## Active development and training

Efforts were devoted to ensuring the market's best customer experience by increasing field service personnel and enhancing service offices in areas where customers uses a lot of services. During 2015, the operations of an important market area, North America, were strengthened.

The skills of Services' personnel were extended through systematic training throughout the year. The training concepts Glaston Care Days and Customer Communication Training promoted technology leadership and the delivery of the best customer experience. During 2015, in addition to a new electronic learning environment, a mentor model was utilised and its results attracted praise from customers.

## Strong base and market position

The financial targets for 2015 were high. Essential to their realisation was a good utilisation rate, a comprehensive service network and portfolio, as well as the expertise of highly motivated personnel.

The Services business enters 2016 in good shape. Overall, the outlook for the service market and services business is excellent. Glaston's installed machine base offers significant growth potential, and machines are being maintained better throughout their entire life cycle.

# Governance

## Corporate Governance Statement 2015

Glaston Corporation's administration and management are based on the Company's Articles of Association, the Finnish Companies Act and Securities Markets Act, and the rules of NASDAQ Helsinki Stock Exchange. In addition, Glaston complies with the Finnish Corporate Governance Code 2015, which is publicly available at the address www.cgfinland.fi.

The report has been approved by the Company's Board of Directors and audited by the Auditor. The Corporate Governance Statement is issued as a separate report and is published together with the financial statements, the Report of the Board of Directors and a salaries and remuneration statement on the Company's website at the address http://www.glaston.net/en/Glaston-for-investors/Corporate-Governance. The information is also included in the Annual Review 2015.

### Duties and Responsibilities of Governing Bodies

The General Meeting of Shareholders, the Board of Directors and the President & CEO, whose duties are determined mainly in accordance with the Finnish Companies Act, are responsible for the management of Glaston Group. The General Meeting of Shareholders elects the Board of Directors and the Auditors. The Board of Directors appoints the President & CEO, who is responsible for Company's daily operational management. The President & CEO is supported by the Executive Management Group.

### General Meeting of Shareholders

The General Meeting of Shareholders is the Company's ultimate decision-making body. It decides on the duties for which it is responsible in accordance with the Finnish Companies Act and the Articles of Association, which include the adoption of the financial statements and the consolidated financial statements contained therein, the distribution of profits, and the discharge of the Members of the Board of Directors and the President & CEO from liability. In addition, the General Meeting of Shareholders elects the Board of Directors and the Auditors. The Annual General Meeting decides on the remuneration paid to Members of the Board and the Auditors. The Annual General Meeting, furthermore, may decide on, for example, amendments to the Articles of Association, issuances of shares, and the acquisition of the Company's own shares.

Glaston Corporation's General Meeting of Shareholders meets at least once per year. The Annual General Meeting must be held at the latest by the end of May. In accordance with the Articles of Association, the notice to attend a General Meeting of Shareholders must be published on the Company's website no earlier than two months before the last day of registration and no later than three weeks before the General Meeting, but at least nine days before the record date of the General Meeting. The Board of Directors may also decide to publish the notice of the General Meeting in one or more Finnish or Swedish-language national newspapers. In addition, Glaston publishes the notice to the General Meeting of Shareholders as a stock exchange release.

The minutes of the General Meeting, including the voting results and the appendices of the minutes that are part of the resolutions made by the meeting, are posted on the Company's website within two weeks of the meeting.

The President & CEO, the Chairman of the Board and the Members of the Board of Directors shall attend the General Meeting of Shareholders. In addition, the Auditor shall be present at the Annual General Meeting.

### Extraordinary General Meeting

An Extraordinary General Meeting of Shareholders is convened when the Board of Directors considers there is good cause to do so, or if the Auditor or shareholders who control one tenth of all the shares so demand in writing for the consideration of a certain issue.

### Shareholders' Rights

In accordance with the Finnish Companies Act, a shareholder shall have the right to have a matter falling within the competence of the General Meeting dealt with by the General Meeting, if the shareholder so requests in writing from the Board of Directors well in advance of the meeting, so that the matter can be mentioned in the notice to attend. Glaston shall publish on its website in good time the date by which a shareholder must notify the Board of Directors of his/her request. At a General Meeting, shareholders shall have the right

to make proposals and ask questions on the matters on the agenda of the meeting.

A shareholder shall have the right to participate in a General Meeting if the shareholder is registered in the Company's register of shareholders eight (8) days before a General Meeting. Owners of nominee-registered shares may be temporarily registered in the Company's list of shareholders for participation in a General Meeting. A shareholder may attend a General Meeting personally or through an authorised representative. A shareholder may also have an assistant at a General Meeting.

## Annual General Meeting 2015

Glaston Corporation's Annual General Meeting was held in Helsinki on 26 March 2015. The meeting was attended by 89 shareholders, representing a total of 59% of the Company's voting rights. The Annual General Meeting adopted the financial statements and discharged the President & CEO and the Members of the Board of Directors from liability for financial year 2014. In accordance with the proposal of the Board of Directors, the Annual General Meeting resolved that a return of capital of EUR 0.02 per share be paid. The return of capital was paid on 28 April 2015. 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 is valid until 30 June 2016. All documents relating to the Annual General Meeting are available on the Company's website at the address www.glaston.net.

## Board of Directors

The Board of Directors is responsible for the appropriate arrangement of the Company's administration and operations. The Board of Directors consists of minimum of five (5) and a maximum of nine (9) members elected by a General Meeting of Shareholders. The term of office of Members of the Board of Directors expires at the end of the next Annual General Meeting that follows their election. According to the Articles of Association, a person who has reached 67 years of age cannot be elected a Member of the Board of Directors.

Under Recommendation 10 of the Finnish Corporate Governance Code, a majority of Members of the Board shall be independent of the Company, and at least two (2) members who are independent of the Company shall also be independent of the Company's significant shareholders. In the selection of members, attention shall be paid to the fact that the Members' experience and competence in the Company's field of business and development stage are mutually complementary.

The notice to attend an Annual General Meeting shall include a proposal on the composition of the Board of Directors. The personal information of the candidates shall be published on Glaston's website in connection with the notice to attend an Annual General Meeting.

The Board of Directors shall elect from among its members a Chairman and a Deputy Chairman to serve for one year at a time. The Board of Directors has a quorum if more than half of its members are present at the meeting.

The Board of Directors' tasks and responsibilities are determined primarily by the Company's Articles of Association, the Finnish Companies Act and other legislation and regulations. It is the responsibility of the Board of Directors to further the interests of the Company and all of its shareholders.

The main duties and operating principles of the Board of Directors are defined in the board charter approved by the Board. It is the Board's duty to prepare the matters to be dealt with by a General Meeting and to ensure that the decisions made by a General Meeting are appropriately implemented. It is also the Board's task to ensure the appropriate arrangement of the control of the Company's accounts and finances. In addition, the Board directs and supervises the Company's executive management, appoints and dismisses the President & CEO and decides on the President & CEO's employment and other benefits. In addition, the Chairman of the Board approves the salary and other benefits of the Executive Management Group. The Board approves the Executive Management Group's charter.

The Board of Directors also decides on far-reaching and fundamentally important issues affecting the Group. Such issues are the Group's strategy, approving the Group's budget and action plans and monitoring their implementation, acquisitions and the Group's operating structure, significant capital expenditures, internal control systems and risk management, key organisational issues and incentive schemes.

The Board of Directors is also responsible for monitoring the reporting process of the financial statements, the financial reporting process and the efficiency of the Company's internal control, internal auditing, if applicable, and risk management systems pertaining to the financial reporting process, monitoring the statutory audit of the financial statements and consolidated financial statements, evaluating the independence of the statutory auditor or audit firm, particularly with respect to the provision services unrelated to the audit, and preparing a proposal for resolution on the election of the auditor.

The Board of Directors also regularly evaluates its own actions and working practices. This evaluation may be performed by the Board itself or by an external evaluator.

Meetings of the Board of Directors are held as a rule in the Company's head office in Helsinki. The Board of Directors also visits each year the Group's other operating locations and holds meetings there. The Board of Directors may also, if necessary, hold telephone conferences. The Board of Directors meets according to a timetable agreed in advance, generally 7-10 times per year and additionally, if necessary. The Company's President & CEO and Chief Financial Officer generally attend the meetings of the Board. The Company's General Counsel acts as Secretary to the Board. If necessary, such as in connection with the handling of strategy or the annual plan, other Members of the Executive Management Group may also attend meetings of the Board. The Auditor attends at least two meetings per year.

## Board of Directors in 2015

The Annual General Meeting, held on 26 March 2015, decided to re-elect all current Members of the Board of Directors, Andreas Tallberg, Teuvo Salminen, Claus von Bonsdorff, Kalle Reponen, Pekka Vauramo and Anu Hämäläinen as Members


The Board of Directors from left to right are: Anu Hämäläinen, Teuvo Salminen, Andreas Tallberg, Claus von Bonsdorff, Pekka Vauramo and Kalle Reponen

of the Board of Directors for the following term ending at the closing of the next Annual General Meeting.

Andreas Tallberg has served as Chairman of the Board, and Teuvo Salminen as Deputy Chairman.

The Board of Directors focused particularly on business development and profitability improvement and also monitored the implementation of the Company's strategic objectives.

## Independence of Members of the Board

According to an independence assessment performed by the Company's Board of Directors, all of the Board's six members are, in principle, independent of the Company. Excluding Andreas Tallberg, the Members of the Board are independent of the Company's significant shareholders. Andreas Tallberg is Managing Director of Oy G.W. Sohlberg Ab (Oy G.W. Sohlberg Ab's ownership was 17.17% on 31 December 2015). The Members of the Board have no conflicts of interest between the duties they have in the Company and their private interests.

## Information on Members of the Board of Directors

The shareholdings of Members of the Board of Directors also include shares of Glaston Corporation owned by companies controlled by the person in question.

**Andreas Tallberg,** b. 1963, M.Sc.(Econ.) Chairman of the Board, since 2007. Independent of the Company. CEO of Oy G.W. Sohlberg Ab, a significant shareholder
**Share ownership on 31.12.2015:**
1,500,000 shares.
**Main occupation:**
Oy G.W. Sohlberg Ab, CEO
**Primary work experience:**
EQT, Senior Partner, 1997–2006; MacAndrews & Forbes International, President, 1992–1995; Amer Group, Director, Business Development, 1987–1991
**Key positions of trust:**
Detection Technology Oy, Chairman of the Board, since 2007; Svenska Handelsbanken AB (publ), Finnish branch, Member of the Board, 2008–2015; StaffPoint Holding Oy, Member of the Board, 2013, Chairman, since 2015; Wulff Group Plc, Chairman of the Board, since 2012; Nissala Oy, Chairman of the Board, since 1999; Toolmakers Oy, Chairman of the Board, since 2011; TG Granit Oy, Chairman of the Board, since 2013

**Claus von Bonsdorff,** b. 1967, M.Sc.(Eng.), M.Sc.(Econ.), Member of the Board, since 2006. Independent of the Company and of significant shareholders.
**Share ownership on 31.12.2015:**
172,600 shares
**Main occupation:** Nokia Siemens Networks, Head of Customer Operations, Strategy, Business Development and Marketing, since 2007
**Primary work experience:**
Nokia Plc, Expert and management positions, 1994–2007
**Key positions of trust:** –

**Anu Hämäläinen,** b. 1965, M.Sc.(Econ.) Member of the Board, since 2012. Independent of the Company and of significant shareholders
**Share ownership on 31.12.2015:**
150,000 shares

**Main occupation:** Wärtsilä Corporation, Vice President, Group Control
**Primary work experience:**
Wärtsilä Corporation, Director, Financial Accounting, 2008–2010; SRV Group, Senior Vice President, Financial Administration, IFRS & IPO Project Manager, 2006–2008; Quorum Group, Administration Director and Senior Partner, 2005–2006; Pohjola Group, 2001–2005: Conventum Securities Ltd., Managing Director, 2004–2005 Conventum Ltd., Administration Director and Senior Partner, 2001–2004
**Key positions of trust:** –

**Kalle Reponen,** b. 1965, M.Sc.(Econ.)
Member of the Board, since 2014. Independent of the Company and of significant shareholders.
**Share ownership on 31.12.2015:**
10,000 shares
**Main occupation:** Independent Consultant, Professional Board Member
**Primary work experience:**
Metso Corporation, Senior Vice President, Strategy and M&A, Member of Executive Team, 2006–2013; MCF Corporate Finance GmbH, Partner, 2003–2006; Nordea Corporate Finance, Director, 2000–2003; Metra Corporation, Business Development Director, 1999–2000; Wärtsilä, various managerial positions, 1995–2000: Business Area Controller, Power Plants, Wärtsilä New Sulzer Diesel, 1997–1999, Business Development and Finance Manager, Wärtsilä Diesel, 1995–1997; Metra Corporation, Finance Manager, 1991–1995; Lohja Corporation, Finance Manager, 1988–1991
**Key positions of trust:**
Robit Plc, Member of the Board since 2013; Swot Consulting Oy, Advisory Board, Member of the board since 2009; Marketing Clinic Oy, Member of the Board since 2014; Koskitukki Oy, Member of the Board since 2014; Premix Oy, Member of the Board since 2014; Montisera Oy, Member of the Board since 2014; Centenary Foundation of the Finnish Society of Crafts and Design, Member of the Board since 2014

**Teuvo Salminen,** b. 1954, M.Sc.(Econ.), APA
Member of the Board, since 2010, Deputy Chairman of the Board, since 2014. Independent of the Company and of significant shareholders.
**Share ownership on 31.12.2015:**
400,000 shares
**Main occupation:** Professional Board Member
**Primary work experience:**
Pöyry Plc, 1985–2010: Senior Advisor 2010, Group Executive Vice President, Deputy to the CEO, 1999–2009, Head of Infrastructure & Environment Business Group, 1998–2000, Head of Construction Services Business Group, 1997–1998, Chief Financial Officer, 1988–1999
**Key positions of trust:**
Havator Oy, Chairman of the Board, since 2010; Cargotec Plc, Member of the Board, since 2010; Evli Bank Plc, Member of the Board, since 2010; Tieto Corporation, Member of the Board, since 2010; YIT Oy, Member of the Board, since 2014; Pöyry Plc, Member of the Board, since 2015; Holiday Club Resorts Oy, Chairman of the Board, 2008–2015, Member of the Board since 10.9.2015

**Pekka Vauramo,** b. 1957, M.Sc.(Mining)
Member of the Board since 2011. Independent of the Company and of significant shareholders.
**Share ownership on 31.12.2015:**
250,000 shares
**Main occupation:** Finnair Plc, President & CEO
**Primary work experience:**
Cargotec Corporation, 2007–2013: MacGregor, Chief Operating Officer, 2012–2013; Cargotec Corporation, Chief Operating Officer, Deputy to CEO, 2007–2012; Employed by Sandvik, 1985–2007: President of the Underground Hard Rock Mining Division of Sandvik Mining and Construction (SMC) and Member of the SMC Management Team Sandvik Country Manager in Finland 2005–2007, President of TORO Loaders Division of SMC, 2003–2005, President of Drills Division of SMC, 2001–2003
**Key positions of trust:**
Normet Group Oy, Member of the Board, since 2008; Finnish Fair Corporation, Member of the Board, since 2015

## Attendance at meetings of the Board

In 2015 Glaston's Board of Directors held 11 meetings, of which 2 were via a telephone conference. The attendance of Members of the Board at the meetings was 100%.

## Committees of the Board of Directors

The Company has no Audit Committee established by the Board of Directors and therefore the Board of Directors is responsible for the duties of the Audit Committee in accordance with the Finnish Corporate Governance Code. The Company's Board of Directors has considered that it wishes to participate as a whole in the preparation of issues specified for the Board and that the effectiveness of the Company's Corporate Governance does not currently require the establishment of a separate committee.

## Nomination Board

The Nomination Board's task is to prepare and present annually for the Annual General Meeting and, if necessary, for an Extraordinary General Meeting, a proposal concerning the number of Members of the Board of Directors, a proposal on the identities of the Members of the Board, and a proposal on the remuneration of the Members of the Board. In addition, the task of the Nomination Board is to seek candidates as potential board members.

The Nomination Board consists of four members, all of which are appointed by the Company's four largest shareholders, who shall appoint one member each. The Chairman of the Company's Board of Directors shall serve as an advisory member of the Nomination Board.

The Company's largest shareholders entitled to appoint members to the Nomination Board shall be determined on the basis of the registered holdings in the company's shareholder register held by Euroclear Finland Ltd as of the first working day in September in the year concerned. The Nomination Board shall elect a Chairman from among its members. The Chairman of the Board of Directors shall convene the first meeting of the Nomination Board and the Nomination Board's Chairman shall be responsible for convening subsequent meetings.

A Nomination Board shall be established to serve until a General Meeting decides otherwise. The members of the

Nomination Board shall be appointed annually and the term of office of the members shall expire when new members are appointed to the committee.

The members of the Nomination Board shall be independent of the company, and no person belonging to the Company's executive management shall be a member of the committee.

The members of the Nomination Board shall not be entitled to receive a fee for membership of the committee. The travel expenses of members of the Nomination Board shall be reimbursed in accordance with the Company's travel rules. The Nomination Board may within the scope of its duties use external experts, at the Company's approved expense, to identify and assess candidates as potential members of the Board of Directors.

The Nomination Board shall submit its proposals to the Company's Board of Directors annually by the end of the January preceding the Annual General Meeting. Proposals for an Extraordinary General Meeting shall be submitted to the Company's Board of Directors so that they can be included in the notice to attend the meeting.

Individuals proposed as members of the Board of Directors shall possess the competence required of the position and the opportunity to spend an adequate amount of time in handling the duties required of the position.

The Nomination Board shall submit its proposals to a General Meeting unanimously. If unanimity cannot be reached, the Nomination Board shall notify the Company's Board of Directors that it will not make a proposal to the General Meeting.

A report on the activities of the Nomination Board shall be presented at the Annual General Meeting and published on the Company's website.

## Nomination Board 2015

In accordance with the ownership situation on 1 September 2015, 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), Jeppe Lahtinen (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 Board.

In its organising meeting held on 19 October 2015, the Nomination Board elected Ari Saarenmaa from among its members to be Chairman. The committee met three (3) times during 2015 and the average attendance of members was 100%. No fees were paid to the members of the Nomination Board. In accordance with its charter, the Nomination Board focused in its activities on preparing a proposal on the composition of Board of Directors, on the identification of candidates as potential members, and on remuneration issues pertaining to the Members of the Board of Directors. In its assessment of Members of the Board of Directors, the Nomination Board has taken into account the competence, experience and diversity of views of the Members of the Board.

## President & CEO

The President & CEO handles the operational management of the Company in accordance with instructions issued by the Board of Directors. He is responsible to the Board of Directors for fulfilling the targets, plans and goals that the Board sets. The President & CEO is responsible for ensuring that the Company's accounting is in compliance with the law and that financial management has been arranged in a reliable manner. The President & CEO is supported by the Executive Management Group.

Arto Metsänen has served as President & CEO since 1 September 2009. Chief Financial Officer Sasu Koivumäki serves as Deputy to the President & CEO.

## Executive Management Group

The Executive Management Group consists of the President & CEO, the Chief Financial Officer, the Senior Vice Presidents of the business areas, the Senior Vice Presidents of the Asia and EMEA market areas, and the General Counsel and Senior Vice President, Human Resources. The Members of the Executive Management Group report to the President & CEO and assist him in implementing the Company's strategy, operational planning and management, and in reporting the development of business operations. The Executive Management Group meets under the direction of the President & CEO.

The Chairman of the Company's Board of Directors appoints, on the proposal of the President & CEO, the Members of the Executive Management Group and confirms their remuneration and other contractual terms. The Company's President & CEO acts as the Chairman of the Executive Management Group. The Executive Management Group handles the Group's and business areas' strategy issues, capital expenditure, financial development, product policy, Group structure and control systems, and supervises the Company's operations.

## Executive Management Group in 2015

Pekka Hytti, Senior Vice President, EMEA was appointed as Member of the Executive Management Group as of 2 March 2015. The Executive Management Group convened six (6) times in 2015.

## Information on the Members of the Executive Management Group

The shareholdings of Members of the Executive Management Group also include shares of Glaston Corporation owned by companies controlled by the person in question.

**Arto Metsänen,** b. 1956, M.Sc.(Eng.)
President & CEO. Employed by the company and Chairman of the Executive Management Group, since 2009.
**Share ownership on 31.12.2015:**
1,500,000 shares
**Primary work experience:**
CPS Colour Group Oy, President & CEO, 2005–2009; Consolis Oy, President & CEO, 2005; Sandvik Tamrock Oy, President, 2003–2005; Sandvik Tamrock, SVP USA and Mexico, 2002–2003; Sandvik Tamrock Oy, SVP South Europe and Middle East, 1998–2002

**Pekka Huuhka,** b. 1956, M.Sc.(Eng.)
Senior Vice President, Services. Employed by the company and Member of the Executive Management Group since 2010 .
**Share ownership on 31.12.2015:**
150,000 shares
**Primary work experience:**
Glaston Finland Oy, Senior Vice President,

Supply Chain, 2010–2012; Swot Consulting Finland Oy, Managing Partner, 1998–2010; Tamrock Region Europe, Area Sales Director, Germany, 1993–1998; Tamrock Oy, Product Management, 1991–1993; Tamrock Oy, Production Management positions, 1982–1991

**Sasu Koivumäki,** b. 1974, M.Sc.(Econ.) Chief Financial Officer and Deputy CEO. Employed by the company since 2002, Member of the Executive Management Group since 2010.
**Share ownership on 31.12.2015:**
300,000 shares
**Primary work experience:**
Glaston America Inc., Sales Director, 2010–9/2012; Glaston Corporation, Finance Manager, 2007–2010; Tamglass Finton Oy, Managing Director, 2005–2007; Tamglass Glass Processing Ltd, Business Controller, 2002–2005; Finnforest Oyj, Several financial management positions, 1998–2002

**Taina Tirkkonen,** b. 1975, LL.M., M.Sc. (Admin.). General Counsel and Senior Vice President, Human Resources. Employed by the Company since 2011, Member of the Executive Management Group since 2013.
**Share ownership on 31.12.2015:**
75,000 shares
**Primary work experience:**
Metso Minerals Oy, Legal Counsel, 2008–2011; Cargotec Corporation, Legal Counsel, 2006–2008

**Juha Liettyä,** b. 1958, B.Sc.(Eng.) Senior Vice President, Machines, since 2014. Employed by the company since 1986, Member of the Executive Management Group since 2007.
**Share ownership on 31.12.2015:**
250,000 shares
**Primary work experience:**
Glaston Finland Oy, SVP, Heat Treatment Product Line, 2012–2013; Glaston Finland Oy, SVP, Services Segment, 2009–2012; Glaston Corporation, SVP, Quality and Business Development, 2007–2009; Kyro Corporation, SVP, Technology, 2003–2007; Tamglass Engineering Ltd. Oy, Managing Director, 1999–2003; Tamglass Ltd. Oy, Several management positions, 1991–2003; Tamglass Engineering Ltd. Oy, Maintenance Manager, 1989–1991; Tamglass Engineering Ltd. Oy, Project Engineer, 1986–1989

**Frank Chengdong Zhang,** b. 1968, e-MBA B.Sc. (Power Machinery Engineering). Senior Vice President, Asia. Employed by the company since 2008, Member of the Executive Management Group since 2007.
**Share ownership on 31.12.2015:** no shares
**Primary work experience:**
GE 2005–2008: GE Motors & Controls, General Manager, Asia, 2005–2008, GE Lighting Systems, Product Line Director, 2005–2008

**Pekka Hytti,** b. 1955, M.Sc.(Eng.) Senior Vice President, EMEA. Employed by the company since 2010, Member of the Executive Management Group since 2015.
**Share ownership on 31.12.2015:**
100,000 shares
**Primary work experience:**
Sandvik Mining and Construction, Subregion Med, General Manager, Sandvik Italy S.p.A., 2004-2009; Sandvik Tamrock, Business Line Manager, Tools, Sandvik Espanola SA, 2000-2004; Drilltech Mission LLC, USA, Sales and Marketing Manager,

Tthe Members of the Executive Management Group from left to right are: Frank Chengdong Zhang, Juha Liettyä, Pekka Huuhka, Sasu Koivumäki, Arto Metsänen, Taina Tirkkonen and Pekka Hytti

1999; Tamrock Oy 1992–1998: Surface Division, Sales and Marketing Manager, 1992–1995, Product Companies, Vice President, Product Support, 1995–1998, Product Companies, General and Plant Manager, Tampere, 1998; Oy Tampella Ab, Tamrock, 1982–1992: Tamrock Japan, Area and Sales Management, 1987–1992

The Extended Management Group included, in addition to members of the Executive Management Group mentioned above, Moreno Magon, Vice President Sales & Services, South America; Scott Steffy, Vice President Sales & Services, North America; Marko Pantti, Finance Director, Machines; and Heikki Halonen, Finance Director, Asia. The Extended Management Group met three times during the year.

## Main Features of the Internal Control and Risk Management Pertaining to the Financial Reporting Process

Internal control is an essential part of the Company's administration and management. Its aim is to ensure that the Group's operations are efficient, productive and reliable and that legislation and other regulations are complied with. The Group has specified for the main areas of its operations Group-wide principles that form the basis for internal control.

The Group's internal control systems serve to provide reasonable assurance that the financial reports published by the Group give reasonably correct information about the Group's financial position. The Board of Directors and the President & CEO are responsible for arranging internal control. A report covering the Group's financial situation is supplied monthly to each Member of the Board of Directors. The Group's internal control is decentralised to different Group functions, which supervise within their areas of responsibility compliance with the policies approved by the Board of Directors. The Group's financial management and operational control are supported and coordinated by the Group's financial management and controller network.

The Group's financial reporting process complies with the Group's operating guidelines and standards relating to financial reporting. The interpretation and application of financial reporting standards has been concentrated in the Group's Financial Management organisation, which maintains operating guidelines and standards relating to financial reporting and is responsible for internal communication relating to them. The Group's Financial Management organisation also supervises compliance with these guidelines and standards. The Company has no separate internal auditing organisation. The Group's Financial Management organisation regularly monitors the reporting of businesses and addresses deviations perceived in reporting and, if necessary, performs either its own separate internal auditing or commissions the internal auditing from external experts. Control of reporting and budgeting processes is based on the Group's reporting principles, which are determined and centrally administered by the Group's Financial Management organisation. The principles are applied consistently throughout the Group and a consistent Group reporting system is in place.

## Risk Management

Risk management is an essential part of Glaston's management and control system. The purpose of risk management is to ensure the identification, management and monitoring of risks relating to business targets and operations. Risk management principles have been specified in a risk management policy approved by the Company's Board of Directors, and operating practices in a risk management process description and in risk management guidelines.

The principle guiding Glaston's risk management is the continuous, systematic and appropriate development and implementation of the risk management process, with the objective being the comprehensive recognition and appropriate management of risks. Glaston's risk management focuses on the management of risks relating to business opportunities and of risks that threaten the achievement of Group objectives in a changing operating environment. From the perspective of risk management, the Company has divided risks into four different groups: strategic risks, operational risks, financial risks and hazard risks. Risks relating to property, business interruption as well as liability arising from the Group's operations have been covered by appropriate insurances. Management of financial risks is the responsibility of the Group Treasury in the Group's parent company.

Glaston's risk management policy includes guidelines relating to the Group's risk management. Risk management policy also specifies the risk management processes and responsibilities. Glaston's risk management consists of the following stages: risk recognition, risk assessment, risk treatment, risk reporting and communication, control of risk management activities and processes, business continuity planning and crisis management. As part of the risk management process, the most significant risks and their possible impacts are reported to company management and the Board of Directors regularly, based on which management and the Board can make decisions on the level of risk that the Company's business areas are possibly ready to accept in each situation or at a certain time.

It is the duty of Glaston's Board of Directors to supervise the implementation of risk management and to assess the adequacy and appropriateness of the risk management process and of risk management activities. In practice, risk management consists of appropriately specified tasks, operating practices and tools, which have been adapted to Glaston's group-level management systems. Risk management is the responsibility of the senior manager of each business area and group-level function. Risk recognition is in practice the responsibility of every Glaston employee.

The Group Legal function is responsible for guidelines, support, control and monitoring of risk management measures. In addition, the function consolidates group-level risks. The Group Legal function reports on risk management issues to the President & CEO and the Executive Management Group and assesses in collaboration with them any changes in the probabilities of the impacts of identified risks and in the level of their management. The Group Legal function also reports the results of risk management processes to the Board of Directors.

Group-level risk management is included in the regularly repeated group-wide risk management process. The process can also always be initiated when required if substantial strategic changes requiring the initiation of the risk management process take place in a certain area of operations.

The management group identifies and assesses risks and specifies risk management measures by which an acceptable level of risk can be achieved.

With the aid of the risk management process, risks are systematically identified and assessed in each business area and at Group level. In addition, at each level measures are specified which, when implemented, will achieve an acceptable level of risk. Risks are consolidated to Group level. Action plans are prepared at each level of operations to ensure risks remain at an acceptable level.

The Group's risks are covered in more detail in the Report of the Board of Directors on page 26. The management and organisation of the Group's financial risks are presented in more detail in Note 3 of the consolidated financial statements on page 54.

## Insider administration

In addition to statutory insider regulations, Glaston complies with the insider guidelines for listed companies approved by NASDAQ Helsinki Ltd. as well as the regulations and guidelines of the Finnish Financial Supervisory Authority (FIN-FSA).

Glaston's permanent insiders include the statutory insiders, namely the Board of Directors, the President & CEO and the main responsible auditor. In addition to these, Members of the Executive Management Group are also permanent insiders with a duty to disclose their ownership in Glaston.

Glaston's company-specific non-public insider register also includes some other management personnel and white-collar employees according to their job descriptions. At the preparation stage of significant projects, the company also keeps a project-specific insider register. Insiders are given a written statement of their inclusion in an insider register as well as guidelines on insider obligations.

Permanent insiders must not trade in Glaston securities during the 21-day period preceding the publication of interim reports and financial statement releases. With respect to project-specific insiders, trading in the Company's securities is prohibited until the cancellation or publication of the project.

The company's insider registers are maintained by Corporate Communications, which is responsible for updating the information. Shareholding information on the company's permanent insiders with a duty to disclose as well as their related parties' shareholdings are available on Glaston's website. Glaston maintains its insider registers in the SIRE system of Euroclear Finland Ltd.

## Auditing

The Company has one Auditor, which must be an auditing firm authorised by the Finnish Central Chamber of Commerce. The Annual General Meeting elects the Auditor to audit the accounts for the financial year, and the Auditor's duties cease at the close of the subsequent Annual General Meeting. The Auditor's duty is to audit the consolidated and parent company financial statements and accounting as well as the parent company's governance, and to give reasonable assurance that the financial statements and the Report of the Board of Directors give a true and fair view of the Group's operations and result as well as its financial position. The Company's Auditor presents the audit report required by law to the Company's shareholders in connection with the annual financial statements and reports regularly to the Board of Directors. The Auditor, in addition to fulfilling general competency requirements, must also comply with certain legal independence requirements guaranteeing the execution of an independent and reliable audit.

## Audit 2015

At the 2015 Annual General Meeting, the accounting firm Ernst & Young Oy was elected as the Company's Auditor.

The responsible auditor was Harri Pärssinen APA. Auditing units representing Ernst & Young have mainly served as the auditors of the Company's subsidiaries in each country. In 2015 the Group's auditing costs totalled approximately EUR 322,000, of which Ernst & Young received approximately EUR 296,000. Ernst & Young Oy's auditing expenses for the audit for financial year 2015 totalled approximately EUR 239,000. In addition, auditing units belonging to Ernst & Young have provided other advice to Group companies to a value of approximately EUR 71,000.

## Related-party transactions

Glaston Group's related parties include the parent of the Group (Glaston Corporation), its subsidiaries and associated companies. Shareholders that have significant influence in Glaston through their shareholding are also considered to related parties, as are the companies controlled by these shareholders. Parties are considered to be related to each other if one party is able to exercise control or significant influence over the other party's financial and operating decision-making.

Members of the Board of Directors and the Group's Executive Management Group, the President & CEO and their family members are also considered to be related parties.

There is no special decision-making procedure with respect to related party transactions. In its transactions with associated companies and other related parties, Glaston adheres to the same commercial terms and conditions as in its transactions with external parties.

# Information for Shareholders

## Annual General Meeting

The Annual General Meeting of Glaston Corporation will be held on Tuesday 5 April 2016 at 3p.m. in Kansallissali, Aleksanterinkatu 44, Helsinki, Finland. The reception of persons registered for the meeting will commence at 2 p.m.

The Annual General Meeting may be attended by shareholders who, on the record date of the AGM, 22 March 2016, are registered in the shareholders' register held by Euroclear Finland.

A shareholder whose shares are entered into his/her personal Finnish book-entry account is registered in the company's register of shareholders.

**Shareholders who wish to attend the AGM should register with the company by 10 a.m. on 31 March 2016 via one of the following options:**

- On the Glaston Corporation website at www.glaston.net;
- By e-mail to agneta.selroos@glaston.net;
- By telephone on +358 (0)10 500 6105;
- In writing to the following address: Glaston Corporation, Yliopistonkatu 7, FI-00100 Helsinki, Finland.

Registrations must be made before the end of the registration period. A proxy entitling the authorised person to exercise the shareholder's voting rights at the meeting should be submitted to the company within the registration period.

## Proposal on the distribution of profits

The Board of Directors proposes to the Annual General Meeting that, based on the balance sheet to be adopted for 2015, a return of capital of EUR 0.01 per share be paid. The capital is repaid to a shareholder who is registered in the Company's shareholders' register maintained by Euroclear Finland Ltd on the record date for payment, 7 April 2016. The Board of Directors proposes to the Annual General Meeting that the return of capital be paid on 28 April 2016.

## Glaston Corporation's financial reporting in 2016

- Financial Statements for January 1-December 31, 2015 on Thursday, February 11, 2016
- Interim Report for January 1-March 31, 2016 on Thursday, April 28, 2016
- Interim Report for January 1-June 30, 2016 on Tuesday, August 9, 2016
- Interim Report January 1-September 30, 2016 on Monday, October 31, 2016

Glaston publishes its financial reports and stock exchange releases in Finnish and English, and they are also available on the company's website at www.glaston.net.

A press conference for analysts and media will be held on the date of publication of each interim report, at a time to be announced later.

Glaston observes a silent period of three weeks prior to the announcements of financial results. During this time, the company's representatives do not meet investors or analysts or provide comments on the company's financial position.

## Ordering reports and stock exchange releases

To order Glaston's annual reports and interim reports, call +358 (0)10 500 500 or go to the company's website at www.glaston.net > Media > Publications > Order Publications.

Glaston Corporation's stock exchange releases can be subscribed to via e-mail. When releases are published, they are automatically sent by e-mail to those who have registered with the service on the company's website at www.glaston.net > Media > Stock Exchange Releases > Order Releases.

## Changes of address

In the event of a change of address, Glaston's shareholders are asked to notify the bank at which they have a book-entry account. Shareholders registered with Euroclear Finland are asked to send a written notice of a change of address to the following address:

Euroclear Finland Oy
P.O. Box 1110
FI-00101 Helsinki, Finland

The notice of change must include the shareholder's name, number of book-entry account or date of birth, as well as the old and new address. A change of address can also be made by filling in a Finnish-language electronic form at www.euroclear.fi > Osoitteenmuutos.

## Further information on Glaston

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# Glaston Corporation's Board of Directors' Review and Financial Statements \ 2015

## Contents

# Board of Directors' Review

## 2015

## Operating environment

Glaston started 2015 with exceptionally good order book. From the early part of the year, market activity levelled off. As the year progressed, significant geographical differences were evident in the development of Glaston's markets. In North America, the market grew significantly, driven by a recovery in construction. In the EMEA area, market development was stable, but demand weakened towards the end of the year. In Asia, the markets of the Pacific area developed positively. In China, the market developed more slowly than expected. During the year, the South American market was subdued and, particularly in Brazil, demand continued to be weak.

### Machines

In 2015 Machines business markets mainly developed positively. In North America, the market situation continued to be good and glass processors invested in new machine lines in expectation of increased construction activity. In the EMEA area, demand growth levelled off in the final quarter. Customers' willingness to invest was slowed by increased economic instability as well as political tensions. In South America, particularly in Brazil, markets were subdued throughout the year. In Asia, the positive development of markets in the Pacific area continued.

The business area's most significant product group was flat tempering machines. The FC500™ flat tempering line further strengthened its position in the market and rose to become Glaston's most popular product. Significant deals were closed for the USA, Poland and Kuwait as well as China, where a customer ordered two CCS1000™ glass tempering furnaces. The first GlastonAir™ tempering line was delivered to Colombia at the end of the year. In addition, the first FC1000™ flat tempering line was delivered to the USA.

During the year, the Machines business strengthened its product offering in automotive products and brought to the market the Ecomax Matrix™, a new-generation windscreen bending machine, which combines the best features from both Glaston's and Glassrobots' earlier products.

Through years of goal-oriented development, the company has achieved a leading position in the heat treatment machines business. The GlastonAir™ and Glaston FC1000™ tempering lines, representing the latest technology, were presented to customers in June in connection with the Glass Performance Days conference in Tampere, and in the autumn at the industry's main European event, the Vitrum Fair in Italy.

### Services

In 2015 the services market developed positively. All product groups, except for tools, increased their sales. Glaston's market position continued to be strong. The Services business' strongest market areas were North America and the EMEA area. The market slowdown in Asia and South America was reflected in the demand for maintenance services.

In upgrade products, 2015 was very good. Invoicing for modernisation and renovation products grew by 25% compared with the corresponding period the previous year. During the year, large upgrade deals were closed for Spain, the USA, Colombia, the Arab Emirates, Australia and Chile.

Spare parts sales grew by over 10% from the previous year and good results were achieved, particularly in North America and in the EMEA area. In Russia, China and Southeast Asia, target growth did not materialise.

In the tools product group, competition continued to be aggressive throughout the year and the market situation was challenging. It was possible, however, to improve factory reliability of delivery, and to shorten delivery times. With these measures, we will ensure our future competitiveness. Investments in a new production control system and in new key personnel will also improve our cost efficiency and enable profitable growth of the tools product group. The growth targets set for the maintenance work product group were achieved.

To ensure the best customer experience, the number of field service personnel was increased and operations were strengthened in those service units in whose operating area many machines have been installed. In addition, the product offering was expanded and the range of

upgrade products developed further to cover all the machine process areas.

## Sale of pre-processing machine business and change in reporting

In the second quarter, Glaston closed the sale of 100% of the shares of Glaston Italy S.p.A. Pre-processing included the manufacturing and servicing of glass pre-processing machines. As a result, Glaston reassessed its reporting segments and, as of 1 July 2015, combined the operating segments into a single reporting segment. Sales and manufacturing of tools relating to pre-processing remained in Glaston. As of the second quarter of 2015, pre-processing machines business has been classified in Discontinued Operations. Comments in the text refer only to continuing operations. Comparable figures in the income statement have been restated.

Glaston Group subsidiaries will continue distribution and servicing of pre-processing machines in areas agreed with the buyer. In future, subsidiaries will buy machines from Bavelloni S.p.A. (formerly Glaston Italy S.p.A.). The Group has internal transactions between Continuing and Discontinued Operations up to 30 June 2015, which will continue as external transactions following the sale of the pre-processing machines business. Due to the sale of Glaston Italy S.p.A., internal purchases eliminated in the comparison figures up to 30 June 2015 changed from 1 July 2015 to external purchases, This impacts the comparability of Continuing Operations' operating profit. In Continuing Operations' comparable operating profit, those internal items that in future will be external items have been restated.

## Orders received and order book

Glaston's orders intake during the financial year 2015 totalled EUR 107.4 (133.6) million.

Glaston's order book on 31 December 2015 was EUR 38.5 (56.0) million. The order book of the comparison year was a record high. Of the order book, the Machines business accounted for EUR 34.9 (51.4) million and the Services business for EUR 3.6 (4.6) million.

## Net sales

Glaston's net sales in January-December totalled EUR 123.4 million, representing growth of 12% compared with the previous year (1–12/2014: EUR 109.7 million). The net sales of the Machines business grew by 10% and were EUR 76.4 (69.6) million. The net sales of the Services business grew by 15% to EUR 48.2 (41.9) million.

The net sales of the Americas area grew by 42% compared with the previous year and were EUR 57.2 million (1–12/2014: EUR 40.4 million). Growth was mainly in North America, where demand was boosted by a recovery in construction. In the EMEA area, net sales were roughly at the previous year's level and were EUR 48.0 million (1–12/2014: EUR 47.4 million). Significant deals were closed, particularly for Spain, Poland and Kuwait. In the Asia area, net sales declined by 17% and were EUR 18.2 million (1–12/2014: EUR 22.0 million).

## Operating result and profitability

In January-December, the comparable operating profit, excluding non-recurring items, was EUR 6.1 (5.5) million, i.e. 4.9 (5.0)% of net sales. Glaston recognised a EUR -1.6 million restructuring cost provision as a non-recurring item. In the second quarter of 2014, an adjustment of EUR -0.6 million to the final selling price in the sale of Software Solutions was recognised.

The operating profit in January-December was EUR 6.6 (10.8) million. Financial expenses amounted to EUR -5.8 million.

An impairment loss of EUR -2.3 million on a long-term loan receivable was recognised in connection with Glaston's restructuring. Financial expenses also included an unrealised foreign exchange rate loss of EUR -3.0 million related to an internal loan caused by the sharp weakening of

| Order book, EUR million | 31.12.2015 | 31.12.2014 Restated | 31.12.2013 Restated |
|---|---|---|---|
| Machines | **34.9** | 51.4 | 34.9 |
| Services | **3.6** | 4.6 | 2.9 |
| **Total** | **38.5** | **56.0** | **37.8** |

| Net sales, EUR million | 2015 | 2014 Restated | 2013 Restated |
|---|---|---|---|
| Machines | **76.4** | 69.6 | 66.1 |
| Services | **48.2** | 41.9 | 40.7 |
| Other and internal sales | **-1.3** | -1.8 | -0.6 |
| **Total** | **123.4** | **109.7** | **106.1** |

| Comparable EBIT, EUR million | 2015 | 2014 | 2013 |
|---|---|---|---|
| **EBIT, excluding non-recurring items** | **6.1** | **5.5** | **3.7** |
| Non-recurring items | **-1.6** | -0.6 | 3.8 |
| **EBIT, Continuing Operations** | **4.5** | **4.9** | **7.4** |

| EBIT, EUR million | 2015 | 2014 Restated | 2013 Restated |
|---|---|---|---|
| **EBIT, excluding non-recurring items** | **8.2** | **11.4** | **8.0** |
| Non-recurring items | **-1.6** | -0.6 | 3.7 |
| **EBIT** | **6.6** | **10.8** | **11.7** |

| | 2015 | 2014 Restated | 2013 Restated |
|---|---|---|---|
| EBIT, EUR million | **6.6** | 10.8 | 11.7 |
| EBIT, % of net sales | **5.4%** | 9.8% | 11.1% |
| Profit/loss for the year attributable to owners of the parent, EUR million | **-13.8** | 1.2 | 1.3 |
| Profit/loss for the year attributable to owners of the parent, % of net sales | **-11.2%** | 1.0% | 1.2% |

the Brazilian real during the third quarter. The Brazilian internal loan agreement has been renewed and from the beginning of 2016 unrealised exchange rate differences are recognised in other comprehensive income in accordance with IAS 21.

The result before taxes was EUR 0.9 (10.2) million. The result for the review period, after the result of Discontinued Operations, was a loss of EUR 13.8 (1.1 profit) million.

Continuing Operations' earnings per share in January-December were EUR 0.00 (0.04) and Discontinued Operations' earnings per share were EUR -0.07 (-0.03). Continuing and Discontinued Operations' earnings per share totalled EUR -0.07 (0.01). Continuing Operations' return on capital employed (ROCE) in January-December was 10.0 (17.2)%. Continuing and Discontinued Operations' return on capital employed (ROCE) was -13.8 (7.9)%.

## Discontinued Operations

The sale of Glaston Italy S.p.A. was concluded as the second quarter ended.

The result of Glaston's Discontinued Operations for January-December includes the result of the pre-processing machines business for the period 1 January–31 December 2015 as well as the sales loss of EUR -9.9 million on the disposal of the business area.

Discontinued Operations include non-recurring items totalling EUR -0.5 million.

## Financial position, cash flow and financing

Glaston's cash flow from operating activities, before the change in working capital, was EUR 6.5 (9.2) million in January-December. The change in working capital was EUR -9.5 (7.4) million, of which the change in inventories was EUR -5.3 (-2.8), the change in short-term receivables EUR 0.5 (-1.6) and the change in short-term interest-bearing liabilities EUR -4.7 (11.8) million. Cash flow from investments was EUR -6.9 (-2.0) million and cash flow from financing activities was EUR -5.1 (-11.8) million.

Glaston's liquid funds on 31 December 2015 totalled EUR 6.1 (20.0) million. Interest-bearing net debt totalled EUR 7.4 (-5.0) million and net gearing was 20.2 (-9.8)%.

At the end of December, the consolidated total assets was EUR 100.3 (128.7) million. The equity attributable to the owners of the parent was EUR 36.5 (50.5) million. The share issue-adjusted equity per share was EUR 0.19 (0.26). Return on equity in January-December was -31.5 (2.2)%.

In June, Glaston concluded a new long-term financing agreement, which secures the company's financing for the next three years. The new financing agreement consists of a EUR 10.0 million long-term loan as well as a EUR 22.0 million revolving credit facility, which can be used for short-term financing and guarantees. The financial covenants used in the financing agreement are gearing (net debt/equity) and leverage (net debt/EBITDA). The covenants will be monitored quarterly.

## Research and product development

In 2015 the research and product development expenditure of Glaston's Continuing Operations totalled EUR 3.6 (3.5) million, i.e. 3.0 (3.2)% of Continuing Operations' net sales.

The company's product development was guided by the development of

| | 2015 | 2014 Restated | 2013 Restated |
|---|---|---|---|
| Earnings per share, Continuing Operations, EUR | **0.00** | 0.04 | 0.05 |
| Earnings per share, Discontinued Operations, EUR | **-0.07** | -0.03 | -0.04 |
| **Earnings per share, basic and diluted, EUR** | **-0.07** | **0.01** | **0.01** |

| | 2015 | 2014 Restated | 2013 Restated |
|---|---|---|---|
| Return on capital employed (ROCE), % | **-13.8** | 7.9 | 9.8 |
| Return on equity, % | **-31.5** | 2.2 | 3.2 |

| EUR million | 1–12/2015 | 1–12/2014 |
|---|---|---|
| Discontinued Operations' result before taxes | **-3.9** | -6.6 |
| Current taxes on income | **-0.2** | -0.0 |
| Sales loss on the disposal of Discontinued Operations | **-9.9** | - |
| **Discontinued Operations' profit / loss** | **-14.0** | **-6.6** |

| | 2015 | 2014 Restated | 2013 Restated |
|---|---|---|---|
| Equity ratio, % | **43.9** | 47.7 | 45.4 |
| Gearing, % | **36.7** | 29.6 | 49.3 |
| Net gearing, % | **20.2** | -9.8 | 16.9 |
| Interest-bearing net debt, EUR million | **7.4** | -5.0 | 8.6 |

| EUR million | 2015 | 2014 | 2013 |
|---|---|---|---|
| Research and development expenditure, Continuing Operations | **3.6** | 3.5 | 4.1 |
| Research and development expenditure, Discontinued Operations | **0.2** | 0.4 | 0.7 |
| Research and product development expenditure, total | **3.9** | 3.9 | 4.8 |
| Capitalised development expenditure in the financial year, Continuing and Discontinued Operations | **1.3** | 1.2 | 1.2 |
| Research and development expenditure, Continuing Operations, % of Continuing Operations' net sales | **3.0** | 3.2 | 3.9 |

solutions requiring deeper technological expertise and by new business opportunities presented by digitalisation. In its product development, Glaston took a new step by investing in a Californian nanotechnology company that develops new glass technology solutions.

In product development, a significant milestone was reached: development of the FC1000™ flat tempering line advanced to the prototype stage, and the first lines were delivered to customers in the latter part of the year. Another priority was the further development of GlastonAir™, where the focus was on tempering larger sizes of 2 mm glass and developing optics and energy-efficiency. On the automation side, development was directed at the GlastonInsight™ optimisation system and on customisations.

In the Services business, product development focused particularly on quality assurance and process optimisation projects, such as measuring iridescence and developing process sensors.

## Environment

For Glaston, environmental responsibility means offering energy-efficient solutions for its customers and minimising the adverse environmental impacts of its own activities. Glaston works actively to promote opportunities to use glass in energy-efficient construction and in utilisation of solar energy.

Glaston's most significant environmental impacts arise from the life-cycle energy consumption of the machines manufactured by the company. Energy efficiency and its development have a key role in product development, in terms of both glass processing machines and end products.

A machine's entire life cycle, which may be many decades, is taken into account in its design. Glaston's glass processing machines are designed and built to withstand constant use at high production capacities. Special attention is paid to the recyclability of materials, particularly with respect to components that are susceptible to wear and often changed. With preventive and regular maintenance, the service lives of machines can be extended. In addition, the upgrade products offered by the company increase the service lives of machines and enhance use of energy in glass processing.

Glaston's operations may give rise to minor environmental effects, such as noise. The company's operations do not give rise to air pollution nor emissions to land areas and waterways.

## Capital expenditure, depreciation and amortisation

The gross capital expenditure of Glaston's Continuing and Discontinued Operations totalled EUR 7.2 (3.6) million. The most significant investments in 2015 related to the California-based nanotechnology company, to expansion of production in China and to product development.

In 2015, depreciation and amortisation of Continuing Operations on property, plant and equipment and on intangible assets totalled EUR 3,4 (3,7) million.

## Efficiency programmes

In June 2015, Glaston completed the sale of its pre-processing machine business. In the third quarter, measures were launched in South America and in Asia to adjust operations to the company's new structure and the prevailing market situation. Operations were reorganised, particularly in those units which had operations that focused on pre-processing.

The restructurings had most impact at the Tianjin factory in China, where the workforce was reduced by 35 employees. In Brazil, operations were adjusted to correspond with the market situation. The arrangements were completed by the end of 2015, and the savings impact, approximately EUR 1.3 million, will be evident from the beginning of 2016.

## Changes in the company's management

Chief Financial Officer Sasu Koivumäki was appointed as Glaston Corporation's Deputy CEO as of 1 January 2015. Pekka Hytti, Senior Vice President, EMEA area, was appointed to the Executive Management Group as of 2 March 2015.

## Employees

The skills development of our employees continued, mainly through internal training and sharing of expertise. During the year, internal training courses were arranged as well as training in the form of Genuine Care Days for service personnel. In addition to technical training, the theme was improving customer communication. To secure Glaston's future skills needs, a key positions career and successor plan

| EUR million | 2015 | 2014 | 2013 |
|---|---|---|---|
| Gross capital expenditure, Continuing Operations | **7.0** | 3.4 | 2.2 |
| Gross capital expenditure, Discontinued Operations | **0.3** | 0.2 | 0.6 |
| Gross capital expenditure, total | **7.2** | 3.6 | 2.8 |
| Gross capital expenditure, Continuing Operations, % Continuing Operations' net sales | **5.7** | 3.1 | 2.1 |
| Depreciation and amortisation, Continuing Operations | **3.4** | 3.7 | 3.8 |

| EUR million | 2015 | 2014 | 2013 |
|---|---|---|---|
| Salaries and bonuses, Continuing Operations | **28.5** | 23.0 | 24.8 |
| Employees at end of year, Continuing Operations | **450** | 495 | 581 |
| Employees at end of year, total | **450** | 495 | 581 |
| Average number of employees | **494** | 494 | 590 |

is updated annually, and we agree development measures. The implementation of a Working Excellence development programme was started by launching a pilot project in Finland. In line with our strategy, its objective is to promote the agility and flexibility of our working methods and to enhance cooperation. In addition, a new online learning environment was introduced. Content production and training related to this will begin in the current year.

Personnel additions were made during the year in Finland and in the EMEA area, mainly in field service, production and planning – a total of around 20 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 450 (495) employees on 31 December 2015. Of the Group's employees, 36% worked in Finland and 14% elsewhere in the EMEA area, 31% in Asia and 18% in the Americas. The average number of employees was 494 (494).

## Share-based incentive plans

In January 2014, Glaston Corporation's Board of Directors decided on a new incentive plan for the Group's key personnel as part of a long-term incentive and commitment scheme for the senior management of the Group and its subsidiaries. The incentive plan is tied to the development of Glaston's share price. The plan launched in 2014 covers the period 2014–2016. Any rewards from the plan will be paid in spring 2017. The incentive plan launched in 2014 covers 30 key Glaston personnel.

On 27 January 2015, Glaston's Board of Directors decided on a new period for the same plan. The new period covers 2015–2017 and possible rewards from the scheme will be paid in spring 2018. The incentive plan launched in 2015 covers 31 key Glaston personnel.

## Group structural changes in 2015

All of the shares of Glaston Italy S.p.A. were sold in the second quarter. Pre-processing included the manufacturing and servicing of glass pre-processing machines. An Italian subsidiary, Glaston Tools s.r.l., was founded on 10 June 2015. The tools business which remained with Glaston Group in connection with the sale of the pre-processing operations was sold to Glaston Tools s.r.l. by Glaston Italy S.p.A. on 25 June 2015.

## Decisions of the Annual General Meeting

The Annual General Meeting of Glaston Corporation was held in Helsinki on 26 March 2015.

### Financial statements

The Annual General Meeting adopted the financial statements and consolidated financial statements for the financial year 1 January – 31 December 2014 and discharged the Members of the Board of Directors and the President & CEO from liability for the financial year 1 January – 31 December 2014.

### 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 0.02 per share be paid. The record date of the payment was 30 March 2015 and the return of capital was paid on 28 April 2015.

### Board of Directors

The number of the Members of the Board of Directors was resolved to be six. The Annual General Meeting decided to re-elect the current Members of the Board of Directors, Andreas Tallberg, Teuvo Salminen, Claus von Bonsdorff, Anu Hämäläinen, Kalle Reponen and Pekka Vauramo for the following term ending at the closing of the next Annual General Meeting.

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

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 as the company's auditor Authorised Public Accountants Ernst & Young Oy, which nominated Authorised Public Accountant Harri Pärssinen 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 2016 and it invalidates earlier authorisations. The Board of Directors did not exercise its authorisation up to 31 December 2015.

## 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 2015, 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), Jeppe Lahtinen (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 Board. In its organising meeting on 19 October 2015, 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 2015 was EUR 12.7 million and the number of issued and registered shares totalled 193,708,336. The company has one series of shares. 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 2015, approximately 63.1 (46.1) million of Glaston's shares were traded on NASDAQ Helsinki, i.e. around 33 (24)% of the average number of registered shares. In the review period, the lowest price paid for a share was EUR 0.37 (0.32) and the highest price EUR 0.60 (0.45). The volume-weighted average price of shares traded in January-December was EUR 0.50 (0.38). The closing price on 31 December 2015 was EUR 0.50 (0.38).

Glaston's market value on 31 December 2015 was EUR 96.5 (73.3) million, excluding treasury shares. The share issue-adjusted equity per share attributable to the owners of the parent was EUR 0.19 (0.26).

At the end of the review period, Glaston had 5,963 registered shareholders (31 December 2014: 5,818). At the end of the review period, 0.5% of Glaston's shares were in foreign ownership.

## Flagging notifications

During the review period January-December 2015, Glaston was informed of the following changes in ownership:

27 January 2015: Finnish Industry Investment Ltd's holding of Glaston Corporation's total number of shares and votes has fallen below 5%.

10 March 2015: Hymy Lahtinen Oy's holding of Glaston Corporation's total number of shares and voting rights has risen above 10%.

31 March 2015: The holding of Jeppe Lahtinen and Hymy Lahtinen Oy, which is controlled by Jeppe Lahtinen, of Glaston Corporation's total number of shares and voting rights has risen above 10%.

16 October 2015: The holding of Evli Pankki Oyj and its subsidiaries and companies it controls of Glaston Corporation's total number of shares and voting rights has risen above 5%. Of the number of shares, Evli Pankki Oyj owns 365,000 shares, i.e. 0.19%, and companies it controls own 9,586,960 shares, i.e. 4.95% (Evli Alexander Management Oy 788,582 shares, i.e. 0.41%, and Mutual Fund Evli Finnish Small Cap 8,798,378, i.e. 4.54%).

26 October 2015: Oy G.W.Sohlberg Ab's holding of Glaston Corporation's total number of shares and voting rights has risen above 15%.

## Shareholders

Glaston Corporation's largest shareholders on 31 December 2015, 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. Information on the Glaston Corporation shares owned by Members of the Board of Directors and the President & CEO is presented in Note 30 of the consolidated financial statements.

| **Share-issue adjusted per share data** | **2015** | **2014** Restated | **2013** Restated |
|---|---|---|---|
| Equity per share attributable to owners of the parent, EUR | **0.19** | 0.26 | 0.26 |
| Dividend per share, EUR | **-** | - | 0.01 |
| Return of capital/share, EUR | **0.01 *** | 0.02 | - |
| Price / earnings (P/E) ratio | **-7.0** | 63.7 | 53.8 |
| Price / equity attributable to owners of the parent per share | **2.64** | 1.45 | 1.53 |
| Share price at end of year, EUR | **0.50** | 0.38 | 0.40 |
| Market capitalisation, end of year, EUR million | **96.5** | 73.3 | 77.2 |
| Share turnover (1,000 shares) | **63,607** | 46,061 | 35,594 |
| Share turnover, % of average number of shares | **32.7** | 23.9 | 20.7 |
| Number of shares at end of the year | **193,708,336** | 193,708,336 | 193,708,336 |
| Average number of shares, excluding treasury shares | **192,919,754** | 192,919,754 | 174,146,044 |
| Average number of shares, including dilution effect of convertible bond and excluding treasury shares | **192,919,754** | 192,919,754 | 175,859,686 |

* The Board of Directors' proposal

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

## Information pursuant of Ministry of Finance Ordinance 153/2007 not presented in other sections of the financial statements

According to the Articles of Association of Glaston Corporation, a shareholder whose proportion of all the company's shares or votes conferred by the shares – either alone or together with other shareholders as defined hereinafter – reaches or exceeds 33 1/3% or 50%, is obligated on the demand of the other shareholders to redeem their shares. This redemption obligation does not affect a shareholder who can show that the shareholding or voting rights limit entailing the redemption obligation was reached or exceeded before the relevant provision of the Articles of Association was entered in the Trade Register.

Glaston Corporation is not a party to arrangements by which financial rights connected with shares or the management of securities are separated from each other.

According to the Articles of Association of Glaston Corporation, a General Meeting of Shareholders elects the Board of Directors. The term of office of Members of the Board of Directors expires at the end of the next Annual General Meeting that follows their election. The Board of Directors appoints and dismisses the President & CEO. The Board of Directors has no special agreements with the company relating to compensation when the Board of Directors resigns or is dismissed or its function otherwise terminates as a result of a public tender offer. The President & CEO has a special agreement relating to compensation in the event that more than 50% of the company's shares is transferred to a new owner in connection with a merger or acquisition. The terms and conditions of the President & CEO's employment contract are presented in more detail in Note 30 to the consolidated financial statements.

The Articles of Association of Glaston Corporation contain no special provisions on the amendment of the Articles of Association.

## Related party loans

At the end of the review period, Glaston had no related party loans.

## Corporate Governance Statement

Glaston's Corporate Governance Statement is issued separately in this Annual Report.

## Separate financial statements of the parent company

The separate financial statements of Glaston Corporation have been prepared according to the Finnish Accounting Act, the Accounting Ordinance and other laws and regulations relating to financial statements. The consolidated financial statements of Glaston Group have been prepared in compliance with the International Financial Reporting Standards (IFRS).

Parent company information

| EUR million | 2015 | 2014 | 2013 |
|---|---|---|---|
| Net sales | **3.3** | 3.6 | 3.3 |
| Operating result | **-6.0** | -1.6 | -0.7 |
| Result before taxes and appropriations | **-22.7** | 1.3 | 6.3 |
| Income taxes for the financial year | **0.0** | -0.7 | -2.1 |
| Result for the financial year | **-22.6** | 0.7 | 4.2 |
| | | | |
| Balance sheet total | **104.8** | 120.8 | 118.2 |
| Shareholders' equity | **61.8** | 88.3 | 89.6 |
| | | | |
| Salaries and bonuses paid | **1.7** | 1.4 | 1.7 |
| Average number of employees | **11** | 11 | 10 |

Glaston Corporation's net sales in the financial period were EUR 3,3 (3.6) million and the operating result was a loss of EUR 6.0 (1.6 loss) million. Glaston's net financial expenses were EUR -26.7 (2.9) million. The result for the financial year was a loss of EUR 22.6 (0.7 profit) million.
The parent company had an average 11 (11) employees in the financial period and 11 (11) employees at the end of the year.

The parent company has no branches. The company has not granted related party loans other than to Group undertakings.

## Events after the closing date

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

## Risks and risk management

Glaston operates globally and changes in the development of the world economy directly affect the Group's operations and risks. A strategic risk for Glaston is above all a significant loss of market shares as well as the arrival of a competing machine and glass processing technology on to the market in connection with technological development, which would require Glaston to make considerable product development investments. Changes to legislation that regulates the company are also strategic risks.

Glaston's most significant operational risks include cost development relating to operational activity, management of large customer projects, the availability of components, management of the contractual partner and subcontractor network, product development, succeeding in the effective protection of intellectual property rights and efficient production as well as the availability and permanence of expert personnel. Glaston continually develops its information systems and, despite careful planning, temporary disruptions to operations might be associated with the

introduction stages.

The Group's financial risks consist of foreign exchange, interest rate, credit loss, counterparty and liquidity risks. The nature of international business means that the Group has risks arising from fluctuations in foreign exchange rates. The effect of changes of interest rates on the Group's result represent an interest rate risk. Credit loss and counterparty risks arise mainly from risks associated with the payment period granted to customers. Liquidity risk is the risk that the Group's negotiated credit facilities are insufficient to cover the financial needs of the business or that obtaining new funding for these needs will cause a significant increase in financing costs.

General business risks and risk management are outlined in more detail in Glaston's 2015 Annual Review and on the company's website www.glaston.net.

## Uncertainties and risks in the near future

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

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

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

## Outlook

In the final quarter of 2015, signs of caution appeared in Glaston's markets. Looking at 2016, we expect the overall market to develop positively but cautiously.

We expect the North American market to continue to develop well also in 2016. We expect the EMEA area to develop positively. In Asia, we expect the Chinese market to remain stable at its current level, and we expect growth in the Pacific area.

The heat treatment machines market will continue to be reasonably subdued. We expect that demand for new heat treatment machines will be weaker than the previous year during the early part of the year. Despite a challenging market outlook, Glaston's position in the market is good. Our wide product range corresponds excellently with customers' needs. As the technology leader, we will continue our goal-oriented development work, in which digitalisation and new technologies will present new business opportunities.

The outlook for the services market is cautiously positive. Our growth objectives are supported by Glaston's strong market position, comprehensive service network and up-to-date product range.

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

## Board of Directors' proposal on the distribution of profits

The distributable funds of Glaston Corporation are EUR 23,833,715, of which EUR -22,649,728 represents the net loss for the financial year. The Board of Directors proposes to the Annual General Meeting to be held on 5 April 2016 that the loss for the financial year 2015 be placed in retained earnings and that no dividend be paid.

The Board of Directors proposes to the Annual General Meeting that, based on the balance sheet adopted for 2015, a return of capital of EUR 0.01 per share be paid. Capital will be repaid from the reserve for invested unrestricted equity. Capital will be repaid to a shareholder who is registered in the company's register of shareholders, maintained by Euroclear Finland Ltd, on the record date for payment, 7 April 2016. The Board of Directors proposes to the Annual General Meeting that the return of capital be paid on 28 April 2016.

On the day that the proposal for the distribution of assets was made, the number of shares entitling to a return of capital was 192,919,754, which means that the total amount of the return of capital would be EUR 1,929,198.

Helsinki, 11 February 2016
**Glaston Corporation**
**Board of Directors**

# Consolidated Financial Statements

\ 2015

# Consolidated Financial Statements
## Consolidated Statement of Financial Position

| EUR thousand | Note | at 31 December 2015 | 2014 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Goodwill | 12,14 | **30,551** | 36,843 |
| Intangible assets | 14 | **6,311** | 7,801 |
| Property, plant and equipment | 15 | **8,778** | 7,453 |
| Available-for-sale financial assets | 17 | **3,249** | 357 |
| Loan receivables | 19 | **1,375** | 1,765 |
| Deferred tax assets | 11 | **2,419** | 2,968 |
| **Total non-current assets** | | **52,682** | **57,187** |
| **Current assets** | | | |
| Inventories | 18 | **17,279** | 21,832 |
| Assets for current tax | 11 | **356** | 344 |
| Trade and other receivables | 19 | **23,907** | 29,258 |
| Cash and cash equivalents | | | |
| Cash | | **6,066** | 20,040 |
| **Total current assets** | | **47,608** | **71,474** |
| **Total assets** | | **100,290** | **128,662** |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | | **12,696** | 12,696 |
| Share premium account | | **25,270** | 25,270 |
| Other restricted equity reserves | | **77** | 73 |
| Reserve for invested unrestricted equity | | **43,484** | 47,341 |
| Treasury shares | 4 | **-3,308** | -3,308 |
| Fair value reserve | | **118** | 71 |
| Other unrestricted equity reserves | | **53** | 53 |
| Retained earnings and exchange differences | | **-28,104** | -32,828 |
| Net result attributable to owners of the parent | | **-13,792** | 1,150 |
| **Attributable to owners of the parent** | | **36,493** | **50,517** |
| Non-controlling interest | | **305** | 313 |
| **Total equity** | | **36,798** | **50,830** |
| **Non-current liabilities** | | | |
| Non-current interest-bearing liabilities | 22 | **5,994** | 7,462 |
| Non-current provisions | 23 | **1,167** | 1,241 |
| Deferred tax liabilities | 11 | **421** | 1,066 |
| Defined benefit pension and other defined long-term employee benefit liabilities | 21 | **462** | 1,613 |
| **Total non-current liabilities** | | **8,044** | **11,382** |
| **Current liabilities** | | | |
| Current interest-bearing liabilities | 22 | **7,501** | 7,603 |
| Current provisions | 23 | **2,514** | 3,262 |
| Trade payables and other current interest-free liabilities | 24 | **44,357** | 55,099 |
| Liabilities for current tax | 11 | **1,077** | 486 |
| **Total current liabilities** | | **55,449** | **66,450** |
| **Total liabilities** | | **63,492** | **77,832** |
| **Total equity and liabilities** | | **100,290** | **128,662** |

# Consolidated Statement of Profit or Loss

| EUR thousand | Note | 1 January - 31 December 2015 | 2014 |
|---|---|---|---|
| | | | Restated |
| **Net sales** | 5 | **123,371** | **109,746** |
| Other operating income | 7 | **943** | 879 |
| Changes in inventories of finished goods and work in process | 18 | **2,330** | 936 |
| Own work capitalized | | **236** | 84 |
| Materials | 8 | **-56,701** | -43,953 |
| Personnel expenses | 9 | **-28,459** | -22,990 |
| Other operating expenses | 8 | **-31,674** | -30,202 |
| Depreciation, amortization and impairment charges | 12 | **-3,404** | -3,701 |
| **Operating result, continuing operations** | | **6,642** | **10,798** |
| Financial income | 10 | **201** | 319 |
| Financial expenses | 10 | **-5,973** | -954 |
| Net financial expenses | | **-5,772** | -634 |
| | | | |
| **Profit / loss before income taxes, continuing operations** | | **870** | **10,164** |
| Income tax expense | 11 | **-719** | -2,424 |
| | | | |
| **Profit / loss for the year, continuing operations** | | **151** | **7,740** |
| **Profit / loss after tax for the period, discontinued operations** | 13 | **-13,973** | **-6,600** |
| **Profit / loss for the year** | | **-13,821** | **1,140** |
| | | | |
| Attributable to non-controlling interest | | **-29** | -10 |
| | | | |
| **Attributable to owners of the parent** | | **-13,792** | **1,150** |
| **Total** | | **-13,821** | **1,140** |
| | | | |
| Earnings per share, EUR, continuing operations | | **0.00** | 0.04 |
| Earnings per share, EUR, discontinued operations | | **-0.07** | -0.03 |
| **Earnings per share, EUR, basic and diluted *** | | **-0.07** | **0.01** |
| | | | |
| Net result attributable to owners of the parent, EUR thousand | | **-13,792** | 1,150 |
| Average number of shares (1,000 shares) * | | **192,920** | 192,920 |
| **Earnings per share (EPS), EUR, basic and diluted** | | **-0.07** | **0.01** |

* Share-issue adjusted

# Consolidated Statement of Comprehensive Income

| EUR thousand | 1 January - 31 December 2015 | 2014 |
|---|---|---|
| **Profit / loss for the period** | **-13,821** | **1,140** |
| **Other comprehensive income that will be reclassified subsequently to profit or loss:** | | |
| Exchange differences on translating foreign operations | **3,604** | 1,152 |
| Fair value changes of available-for-sale assets | **58** | 16 |
| Income tax on other comprehensive income | **-12** | -4 |
| **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 | **-3** | **-4** |
| Actuarial gains and losses arising from defined benefit plans | **-1** | -217 |
| **Other comprehensive income for the reporting period, net of tax** | **3,646** | 943 |
| **Total comprehensive income for the reporting period** | **-10,175** | **2,083** |
| **Attributable to:** | | |
| Owners of the parent | **-10,167** | 2,062 |
| Non-controlling interest | **-8** | 21 |
| **Total comprehensive income for the reporting period** | **-10,175** | **2,083** |

# Consolidated Statement of Changes in Equity

| EUR thousand<br>2014 | Note | Share capital | Share premium account | Reserve for invested unrestricted equity | Treasury shares | Fair value and other reserves | Retained earnings | Cumulative exchange difference | Attributable to owners of the parent | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Equity 1 January** | | **12,696** | **25,270** | **47,341** | **-3,308** | **177** | **-32,285** | **493** | **50,384** | **294** | **50,678** |
| Total comprehensive income for the year | 20 | - | - | - | - | 19 | 929 | 1,114 | 2,062 | 21 | 2,083 |
| Change in non-controlling interest | | - | - | - | - | - | - | - | - | -1 | -1 |
| Dividends paid | | - | - | - | - | - | -1,929 | - | -1,929 | - | -1,929 |
| **Equity 31 December** | | **12,696** | **25,270** | **47,341** | **-3,308** | **196** | **-33,285** | **1,608** | **50,517** | **313** | **50,830** |

| EUR thousand<br>2015 | Note | Share capital | Share premium account | Reserve for invested unrestricted equity | Treasury shares | Fair value and other reserves | Retained earnings | Cumulative exchange difference | Attributable to owners of the parent | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Equity 1 January** | | **12 696** | **25 270** | **47 341** | **-3 308** | **196** | **-33 285** | **1 608** | **50 517** | **313** | **50 830** |
| Total comprehensive income for the year | 20 | - | - | - | - | 51 | -13,797 | 3,578 | -10,167 | -8 | -10,175 |
| Change in non-controlling interest | | - | - | - | - | - | - | - | - | - | - |
| Return of capital | | - | - | -3,857 | - | - | - | - | -3,857 | - | -3,857 |
| **Equity 31 December** | | **12,696** | **25,270** | **43,484** | **-3,308** | **248** | **-47,082** | **5,186** | **36,493** | **305** | **36,798** |

## Distributable equity of the parent (FAS)

| EUR thousand | 2015 | 2014 |
|---|---|---|
| Reserve for invested unrestricted equity | **44,915** | 48,772 |
| Treasury shares | **-3,308** | -3,308 |
| Retained earnings | **4,877** | 4,195 |
| Net profit / loss for the period | **-22,650** | 682 |
| **Total** | **23,834** | **50,340** |
| | | |
| Return of capital per share EUR | **0,01** * | 0,02 |

* The Board of Directors' proposal to the Annual General Meeting.

# Consolidated Statement of Cash Flows

| EUR thousand | 1 January - 31 December 2015 | 2014 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net result attributable to owners of the parent - continued operations | **180** | 1,150 |
| Net result attributable to owners of the parent - discontinued operations | **-13,973** | - |
| Adjustments to net result attributable to owners of the parent * | **18,309** | 5,550 |
| Depreciation, amortization and impairment | **3,404** | 4,298 |
| Interest received | **173** | 300 |
| Interest paid | **-465** | -665 |
| Dividends received | **6** | 6 |
| Other financing items | **-555** | -444 |
| Income taxes paid | **-589** | -1,030 |
| **Cash flows from operating activities before change in net working capital** | **6,491** | **9,165** |
| **Change in net working capital** | | |
| Change in inventories | **-5,316** | -2,783 |
| Change in current receivables | **536** | -1,594 |
| Change in interest-free current liabilities | **-4,676** | 11,813 |
| **Change in net working capital, total** | **-9,456** | **7,436** |
| **Cash flows from operating activities** | **-2,965** | **16,601** |
| **Cash flows from investing activities** | | |
| Acquisition of other investments | **-2,834** | - |
| Capital expenditure in property, plant and equipment and intangible assets | **-4,292** | -3,623 |
| Other | **-** | -1 |
| Proceeds from sale of assets held for sale | **203** | 1,500 |
| Proceeds from sale of property, plant and equipment and intangible assets | **55** | 104 |
| **Cash flows from investing activities** | **-6,867** | **-2,021** |
| **Cash flow before financing** | **-9,832** | **14,580** |
| **Cash flows from financing activities** | | |
| Draw-down of non-current loans | **7,500** | - |
| Repayments of non-current loans | **-10,062** | -4,151 |
| Change in current loan receivables (decrease +, increase -) | **74** | 21 |
| Draw-down of current loans | **22,500** | 30,005 |
| Repayments of current loans | **-21,250** | -35,755 |
| Dividends paid | **-** | -1,929 |
| Return of capital | **-3,857** | - |
| **Cash flows from financing activities** | **-5,094** | **-11,809** |
| **Effect of exchange rate fluctuations** | **952** | **893** |
| **Net increase (- decrease) in cash and cash equivalents** | **-13,974** | **3,664** |
| Cash and cash equivalents at end of period | **6,066** | 20,040 |
| Cash and cash equivalents at beginning of period | **20,040** | 16,376 |
| **Net increase (- decrease) in cash and cash equivalents** | **-13,974** | **3,664** |

* Non-cash flow items included in net result attributable to owners of the parent (e.g. gains / losses on the sale of non-current assets).

The above figures cannot be directly derived from the statements of financial position.

# Supplemental Information for Statement of Cash Flows

| EUR thousand | 1 January - 31 December 2015 | 2014 |
|---|---|---|
| **Disposal of subsidiaries** | | |
| Purchase consideration received in cash | **750** | 1,500 |
| Expenses related to the sale, paid during the year | **-276** | - |
| Cash and cash equivalents of divested subsidiaries | **-271** | - |
| **Net cash flow** | **203** | **1,500** |

# Per Share Data

| EUR thousand | 2015 | 2014 Restated | 2013 Restated |
|---|---|---|---|
| Earnings per share, EUR, continuing operations | **0.00** | 0.04 | 0.05 |
| Earnings per share, EUR, discontinued operations | **-0.07** | -0.03 | -0.04 |
| Earnings per share, EUR, basic and diluted | **-0.07** | 0.01 | 0.01 |
| | | | |
| Dividend per share, EUR | **-** | - | 0.01 |
| Dividend payout ratio, % | **-** | - | 134.5% |
| Dividend yield | **-** | - | 2.5% |
| | | | |
| Return of capital per share, EUR | **0.01** * | 0.02 | - |
| Return of capital ratio, % | **-** | 335.4% | - |
| Return of capital yield | **2.0 %** * | 5.3% | - |
| | | | |
| Equity attributable to owners of the parent per share, EUR | **0.19** | 0.26 | 0.26 |
| | | | |
| Price per earnings per share (P/E) ratio | **-7.0** | 63.7 | 53.8 |
| Price per equity attributable to owners of the parent per share | **2.64** | 1.45 | 1.53 |
| | | | |
| Dividends paid, EUR million | **-** | - | 1.9 |
| Capital repayment, EUR million | **1.9** * | 3.9 | - |
| | | | |
| Number of shares at the end of the year | **193,708,336** | 193,708,336 | 193,708,336 |
| Number of shares at the end of the year, treasury shares excluded | **192,919,754** | 192,919,754 | 192,919,754 |
| Number of shares, average, adjusted with share issue, treasury shares excluded | **192,919,754** | 192,919,754 | 174,146,044 |
| Number of shares, dilution effect of the convertible bond taken into account, average, adjusted with share issue, treasury shares excluded | **192,919,754** | 192,919,754 | 175,859,686 |

* The Board of Directors' proposal to the Annual General Meeting.

| **Share price and turnover** | | | |
|---|---|---|---|
| Share price, year high, EUR | **0.60** | 0.45 | 0.44 |
| Share price, year low, EUR | **0.37** | 0.32 | 0.22 |
| Share price, volume-weighted year average, EUR | **0.50** | 0.38 | 0.35 |
| Share price, end of year, EUR | **0.50** | 0.38 | 0.40 |
| | | | |
| Number of shares traded (1,000) | **63,067** | 46,061 | 35,594 |
| % of average number of registered shares | **32.7%** | 23.9% | 20.7% |
| Market capitalization, end of year, EUR million | **96.5** | 73.3 | 77.2 |

# Financial Ratios

| EUR thousand | 2015 | 2014 Restated | 2013 Restated |
|---|---|---|---|
| **Income statement and profitability** | | | |
| Net sales | **123,371** | 109,746 | 106,141 |
| Operating result | **6,642** | 10,798 | 11,743 |
| % of net sales | **5.4%** | 9.8% | 11.1% |
| Operating result, non-recurring items excluded | **8,232** | 11,429 | 7,998 |
| % of net sales | **6.7%** | 10.4% | 7.5% |
| Financial income and expenses (net) | **-5,772** | -634 | -776 |
| % of net sales | **4.7%** | 0.6% | 0.7% |
| Result of continuing operations before income taxes and non-controlling interests | **870** | 10,164 | 10,966 |
| % of net sales | **0.7%** | 9.3% | 10.3% |
| Income taxes | **-719** | -2,424 | -3,527 |
| Result of discontinued operations | **-13,973** | -6,600 | -6,144 |
| Net profit / loss attributable to owners of the parent | **-13,792** | 1,150 | 1,295 |
| % of net sales | **-11.2%** | 1.0% | 1.2% |
| | | | |
| Return on capital employed (ROCE), %, total of continuing and discontinued operations | **-13.8%** | 7.9% | 9.8% |
| Return on equity, % | **-31.5%** | 2.2% | 3.2% |
| | | | |
| Research and development expenses, continuing operations | **3,642** | 3,492 | 4,142 |
| % of net sales of continuing operations | **3.0%** | 3.2% | 3.9% |
| Research and development expenses, discontinued operations | **240** | 456 | 667 |
| Research and development expenses, continuing and continuing operations | **3,883** | 3,948 | 4,809 |
| % of net sales of continuing and discontinued operations | **3.0%** | 3.2% | 3.9% |
| | | | |
| Gross capital expenditure, continuing operations | **6,980** | 3,432 | 2,209 |
| % of net sales of continuing operations | **5.7%** | 3.1% | 2.1% |
| Gross capital expenditure, discontinued operations | **260** | 191 | 559 |
| Gross capital expenditure, continuing and discontinued operations | **7,239** | 3,432 | 2,768 |
| % of net sales of continuing and discontinued operations | **5.6%** | 2.9% | 2.3% |
| | | | |
| Order book, continuing operations, EUR million | **38.5** | 56.0 | 37.8 |
| Order book, discontinued operations, EUR million | **-** | 1.9 | 1.2 |
| Order book, EUR million | **38.5** | 56.0 | 39.1 |
| | | | |
| **Statement of financial position and solvency** | | | |
| Property, plant and equipment and intangible assets | **15,088** | 15,254 | 15,642 |
| Goodwill | **30,551** | 36,843 | 36,843 |
| Non-current assets total | **52,682** | 57,187 | 58,335 |
| Equity attributable to owners of the parent | **36,493** | 50,517 | 50,384 |
| Equity (includes non-controlling interest) | **36,798** | 50,830 | 50,678 |
| Liabilities | **63,492** | 77,832 | 74,926 |
| Total assets | **100,290** | 128,662 | 125,603 |
| Capital employed | **50,293** | 65,894 | 75,642 |
| Net interest-bearing debt | **7,429** | -4,976 | 8,588 |
| Equity ratio, % | **43.9%** | 47.7% | 45.4% |
| Gearing, % | **36.7%** | 29.6% | 49.3% |
| Net gearing, % | **20.2%** | -9.8% | 16.9% |
| | | | |
| **Personnel** | | | |
| Personnel, average | **494** | 494 | 590 |
| Personnel, continuing operations, at the end of the period | **450** | 495 | 581 |
| Personnel, discontinued operations, at the end of the period | **-** | - | - |
| Personnel, at the end of the period, total | **450** | 495 | 581 |
| in Finland | **164** | 146 | 129 |

# Definitions of Key Ratios

## Per Share Data

**Earnings per share (EPS), continuing operations**

$$\frac{\text{Net result of continuing operations attributable to owners of the parent}}{\text{Adjusted average number of shares}}$$

**Earnings per share (EPS), discontinued operations**

$$\frac{\text{Net result of discontinued operations attributable to owners of the parent}}{\text{Adjusted average number of shares}}$$

**Earnings per share (EPS)**

$$\frac{\text{Net result attributable to owners of the parent}}{\text{Adjusted average number of shares}}$$

**Dividend per share***

$$\frac{\text{Dividends paid}}{\text{Adjusted number of issued shares at end of the period}}$$

**Dividend payout ratio***

$$\frac{\text{Dividend per share} \times 100}{\text{Earnings per share}}$$

**Dividend yield***

$$\frac{\text{Dividend per share} \times 100}{\text{Share price at end of the period}}$$

**Equity attributable to owners of the parent per share**

$$\frac{\text{Equity attributable to owners of the parent at end of the period}}{\text{Adjusted number of shares at end of the period}}$$

**Average trading price**

$$\frac{\text{Shares traded (EUR)}}{\text{Shares traded (volume)}}$$

**Price per earnings per share (P/E)**

$$\frac{\text{Share price at end of the period}}{\text{Earnings per share (EPS)}}$$

**Price per equity attributable to owners of the parent per share**

$$\frac{\text{Share price at end of the period}}{\text{Equity attributable to owners of the parent per share}}$$

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

**Market capitalization**
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

## 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

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

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

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

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

**Equity ratio, %**

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

**Gearing, %**

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

**Net gearing, %**

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

**Return on capital employed, % (ROCE)**

$$\frac{\text{Profit / loss before taxes + financial expenses} \times 100}{\text{Equity + interest-bearing liabilities (average of 1 January and end of the reporting period)}}$$

**Return on equity, % (ROE)**

$$\frac{\text{Profit / loss for the reporting period} \times 100}{\text{Equity (Equity attributable to owners of the parent + non-controlling interest) (average of 1 January and end of the reporting period)}}$$

* Definitions are also applied with return of capital

# Notes to the consolidated financial statements

Note 1

## Summary of Significant Accounting Policies – Consolidated Financial Statements

The financial statements have been prepared on a going concern basis.

### Basic Information

Glaston Corporation is a public limited liability company organized under the laws of the Republic of Finland and domiciled in Helsinki, Finland. Glaston's shares are publicly traded in the NASDAQ Helsinki Ltd. Small Cap in Helsinki, Finland. Glaston Corporation is the parent of Glaston Group and its registered office is at Yliopistonkatu 7, 00100 Helsinki, Finland.

Glaston Group is an international glass technology company. Glaston is one of the leading manufacturers of glass processing machines globally. Its product range and service network are the most extensive in the industry. The business operations of the Glaston Group are organized in one reportable segment, which consists of operating segments. Supporting activities include head office operations.

The Board of Directors of Glaston Corporation has in its meeting on 11 February, 2016, approved these financial statements to be published. According to the Finnish Companies' Act, the shareholders have a possibility to approve or reject or make a decision on altering the financial statements in a General Meeting to be held after the publication of the financial statements.

### Basis of Presentation

The consolidated 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). International Financial Reporting Standards are standards and their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the European Parliament and of the Council. The Notes to the Financial Statements are also in accordance with the Finnish Accounting Act and Ordinance and the Finnish Companies' Act.

The consolidated financial statements include the financial statements of Glaston Corporation and its subsidiaries. The functional and reporting currency of the parent is euro, which is also the reporting currency of the consolidated financial statements. Functional currencies of subsidiaries are determined by the primary economic environment in which they operate.

The financial year of Glaston Group as well as of the parent and subsidiaries is the calendar year ending 31 December.

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The figures in Glaston's consolidated financial statements are mainly presented in EUR thousands. Due to rounding differences the figures presented in tables do not necessarily add up to the totals of the tables.

### Applied new and amended IFRS standards and interpretations

Glaston has applied the following new or revised or amended standards and interpretations from 1 January, 2015:

**Annual improvement to IFRSs 2010-2012 and 2011-2013 Cycles**

**Annual improvements 2012**

| | |
|---|---|
| IFRS 2 | Share based payments |
| IFRS 3 | Business combinations |
| IFRS 8 | Operating segments |
| IFRS 13 | Fair value |
| IAS 16 | Property plant and equipment |
| IAS 24 | Related party disclosures |
| IAS 38 | Intangible assets |

**Annual improvements 2013**

| | |
|---|---|
| IFRS1 | First time adoptions of IFRS |
| IFRS 3 | Business combinations |
| IFRS 13 | Fair value measurement |
| IAS 40 | Investment property |

The amendments do not have a material impact on the consolidated financial statements of Glaston.

Other new or amended standards or interpretations applicable from 1 January, 2015 are not material for Glaston Group.

**Glaston will apply the following new or revised or amended standards and interpretations from 1 January, 2016:**

**Amendment to IAS 1 Presentation of Financial Statements: Disclosure Initiative**

The amendments are designed to encourage companies to apply judgement in determining what information to disclose in the financial statements. For example, the amendments clarify the application of the materiality concept and judgement when determining where and in what order information is presented in the financial disclosures. The interpretation is not assessed to have a significant impact on the consolidated financial statements of Glaston.

**Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Clarification of Acceptable Methods of Depreciations and Amortization**

The amendments clarify IAS 16 and IAS 38 that revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in limited circumstances to amortize intangible assets. The amendments are not assessed to have an impact on the consolidated financial statements of Glaston.

**Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures**

The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are not assessed to have an impact on the consolidated financial statements of Glaston.

Other new or amended standards or interpretations applicable from 1 January, 2016 are not material for Glaston Group.

**Glaston will apply the following new or revised or amended standards and interpretations from 1 January, 2018:**

**IFRS 15 Revenue from Contracts with Customers***

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. Under IFRS 15 an entity shall recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods delivered or services rendered. Glaston assesses the impact of the IFRS 15 standard to be significant on the consolidated financial statements.

**IFRS 9 Financial Instruments***

IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. Glaston is assessing the impact of IFRS 9 on the consolidated financial statements.

* The standard has not yet been endorsed for use by the European Union.

**Glaston will apply the following new or revised or amended standards and interpretations from 1 January, 2019:**

**IFRS 16 Leases (estimated effective date 1 January 2019)***

IFRS 16 replaces the existing guidance in IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. Glaston is assessing the impact of IFRS 16 on the consolidated financial statements.

## Consolidation Principles

The consolidated financial statements include the parent and its subsidiaries. Subsidiaries are companies in which the parent has, based on its holding, more than half of the voting rights directly or via its subsidiaries or over which it otherwise has control. Divested subsidiaries are included in the consolidated financial statements until the control is lost, and companies acquired during the reporting period are included from the date when the control has been transferred to Glaston. Acquisitions of subsidiaries are accounted for under the purchase method.

Associates, where the Group has a significant influence (holding normally 20 - 50 percent), are accounted for using the equity method. The Group's share of the associates' net results for the financial year is recognized as a separate item in profit or loss. The Group's interest in an associate is carried in the statement of financial position at an amount that reflects its share of the net assets of the associate together with goodwill on acquisition, if such goodwill exists. When the Group's share of losses exceeds the carrying amount of associate, the carrying amount is reduced to nil and recognition of further losses ceases unless the Group is committed to satisfy obligations of the associate by guarantees or otherwise.

Other shares, i.e. shares in companies in which Glaston owns less than 20 percent of voting rights, are classified as available-for-sale financial assets and presented in the statement of financial position at fair value, or if the fair value cannot be measured reliably, at acquisition cost, and dividends received from them are recognized in profit or loss.

All inter-company transactions are eliminated as part of the consolidation process. Unrealized gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealized losses are eliminated in the similar way as unrealized gains, but only to the extent that there is no evidence of impairment.

Non-controlling interests are presented separately in arriving at the net profit or loss attributable to owners of the parent. They are also shown separately within equity. If the Group has a contractual obligation to redeem the share of the non-controlling interest with cash or cash equivalents, non-controlling interest is classified as a financial liability. The effects of the transactions made with non-controlling interests are recognized in equity, if there is no change in control. These transactions do not result in goodwill or gains or losses. If the control is lost, the possible remaining ownership share is measured at fair value and the resulting gain or loss is recognized in profit or loss. Total comprehensive income is attributed also to non-controlling interest even if this will result in the non-controlling interest having a deficit balance.

## Foreign Subsidiaries

In the consolidated financial statements, the income statements, statements of comprehensive income and statements of cash flows of foreign subsidiaries have been translated into euros using the average exchange rates of the reporting period and the statements of financial positions have been translated using the closing exchange rates at the end of the reporting period.

The exchange difference arising from translating the income statements, statements of comprehensive income and statements of financial position using the different exchange rates is recognized as other comprehensive income and included in equity as cumulative exchange difference. Exchange differences arising from the translation of the net investments in foreign subsidiaries and associates in non-euro-area are also recognized in other comprehensive income and included in equity as cumulative exchange difference.

On the disposal of all or part of a foreign subsidiary or an associate, the cumulative amount or proportionate share of the exchange difference is reclassified from equity to profit or loss as a reclassification item in the same period in which the gain or loss on disposal is recognized.

## Transactions in Foreign Currency

In their own day-to-day accounting the Group companies translate transactions in foreign currencies into their own reporting or functional currency at the exchange rates prevailing on the dates of the transactions. At the end of the reporting period, the unsettled balances of foreign currency transactions are measured at the exchange rates prevailing at the end of the reporting period. Foreign exchange gains and losses arising from trade receivables are entered as adjustments of net sales and foreign exchange gains and losses related to trade payables are recorded as adjustments of purchases. Foreign exchange gains and losses arising from financial items are recorded as financial income and expenses.

## Financial Assets and Liabilities

Financial assets and liabilities of Glaston have been classified as financial assets and liabilities at fair value through profit or loss, loans and receivables, available-for-sale financial assets and financial liabilities measured at amortized cost.

A financial asset is derecognized from the statement of financial position when Glaston's contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to an external party and the transfer fulfills the asset derecognition criteria of IAS 39.

A financial liability or a part of a financial liability is removed from the statement of financial position when the liability is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired.

### Derivative Financial Instruments at Fair Value through Profit or Loss and Hedge Accounting

Derivatives, which do not meet hedge accounting criteria, are financial assets and liabilities at fair value through profit or loss, and changes in the fair values of these derivative instruments are recognized immediately in profit or loss.

Derivatives are recorded in the statement of financial position at their fair values. Fair values of publicly traded derivatives are calculated based on quoted market rates at the end of the reporting period. All Glaston's derivatives are publicly traded. Fair values of forward contracts are determined using forward exchange market rates at the end of the reporting period. At the end of the reporting periods 2015 and 2014, Glaston had electricity forward contracts.

The Group's derivative transactions, while providing economic hedges, do not qualify for hedge accounting under IAS 39, and therefore changes in the fair values of these derivative instruments have been recognized immediately in profit or loss. Group companies can hedge with currency derivatives their sales in foreign currency as well as those orders received, for which there are firm commitments. The hedging instruments used can be forward contracts mainly made with Group Treasury or directly with banks. These hedges are recognized in profit or loss as adjustment of net sales. In addition, the Group hedges its electricity purchases with electricity derivatives. The fair value changes of these derivative instruments are recognized immediately in profit or loss as an adjustment of expenses.

If the hedge accounting criteria are fulfilled, derivatives are reported as cash flow hedges in accordance with IAS 39 hedge accounting principles. Hedge accounting was not applied during the reporting periods 2015 and 2014.

Changes in the fair value of foreign currency derivatives designated as hedges of net investment in foreign entities, and which are effective hedges, are recognized in other comprehensive income net of tax, and included in the equity in cumulative exchange difference. Ineffective part of the hedge is recognized immediately in profit or loss. Glaston had no net investment hedges in foreign entities in 2015 or 2014.

Derivative instruments are included in current assets or liabilities in the statement of financial position. Trade date accounting is used in recognizing purchases and sales of derivative instruments.

### Other Assets and Liabilities at Fair Value through Profit or Loss

Other assets and liabilities 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. Other assets and liabilities at fair value through profit or loss are included in current assets or liabilities in the statement of financial position.

Fair values of other financial assets and liabilities at fair value through profit or loss are estimated to approximate their carrying amounts because of their short maturities. Trade date accounting is used in recognizing purchases and sales of other assets and liabilities at fair value through profit or loss.

### Loans and Receivables

Loans and receivables are assets which are not included in derivative assets. Loans and receivables arise when money, goods or services are delivered to a debtor. They are not quoted in an active market and payments related to them are either fixed or determinable. Loans and receivables granted by the Group are measured at amortized cost.

Loans and receivables include loan receivables, trade receivables, other receivables and cash. They are included in current or non-current financial assets in accordance with their maturity. Loan and trade receivables falling due after 12 months are discounted, if no interest is charged separately, and the increase in the receivable which reflects the passage of time is recognized as interest income in financial income and expenses.

Trade receivables are carried at the original invoice amount less the share of the discounted interest and an estimate made for doubtful receivables. Estimate made for doubtful receivables is based on a periodic review of all outstanding amounts. For example payment defaults or late payments are considered as indications of impairment of the receivable.

Impairment losses of trade receivables are recorded in a separate allowance account within trade receivables, and the impairment losses are recognized in profit or loss as other operating expenses. If the impairment loss is final, the trade receivable is derecognized from the allowance account. If a payment is later received from the impaired receivable, the received amount is recognized in profit or loss as a deduction of other operating expenses. If no impairment loss has been recognized in allowance account and the impairment loss of the trade receivable is found to be final, impairment loss is recognized directly as deduction of trade receivables.

Loan receivables are carried at the original amount less an estimate made for doubtful receivables. Estimate made for doubtful receivables is based on a review of all outstanding amounts at the end of the reporting period. For example payment defaults or late payments are considered as indications of impairment of the receivable. Impairment losses of loan receivables are recognized in profit or loss as financial expenses. If a payment is later received from the impaired receivable, the received amount is recognized in profit or loss in financial items.

### Available-for-sale Financial Assets

Available-for-sale financial assets are assets not classified as derivative assets, assets at fair value through profit or loss or loans and receivables.

Glaston has classified other shares than shares in associates as available-for-sale financial assets.

Glaston records changes in fair value of available-for-sale assets as other comprehensive income net of tax, and they are included in fair value reserve in equity until the assets are disposed, at which time the cumulative gain or loss is reclassified from equity in profit or loss as a reclassification item.

Listed investments are measured at the market price at the end of the reporting period. Investments, for which fair values cannot be measured reliably, such as unlisted equities, are reported at cost or at cost less impairment. If the available-for-sale asset is impaired, impairment loss is recognized immediately in profit or loss.

Trade date accounting is used in recognizing purchases and sales of available-for-sale financial assets.

Available-for-sale assets are included in non-current assets in the statement of financial position.

### Cash and Cash Equivalents

Cash and cash equivalents comprise cash and other financial assets. Other financial assets are highly liquid investments with remaining maturities at the date of acquisition of three months or less. Bank overdrafts are included in current interest-bearing liabilities.

### Financial Liabilities Measured at Amortized Cost

On initial recognition financial liabilities are measured at their fair values that are based on the consideration received. Subsequently, financial liabilities are measured at amortized cost using the effective interest method. Transaction costs are included in the acquisition cost.

Financial liabilities measured at amortized cost include convertible bond, pension loans, loans from financial institutions, finance lease liabilities, debenture bond, trade payables and advances received. They are included in current or non-current liabilities in accordance with their maturity.

Interest expenses are accrued for and mainly recognized in profit or loss for each period. If an asset is a qualifying asset as defined in IAS 23 Borrowing Costs, the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized to the acquisition cost of the asset. The capitalization applies mainly to property, plant and equipment and intangible assets.

At the end of 2015 and 2014 Glaston had no convertible bond.

## Revenue Recognition

Net sales include the total invoicing value of products sold and services provided less discounted interest and sales tax, cash discounts and rebates. Foreign exchange differences arising from trade receivables are recognized as sales adjustments.

Revenue is recognized after the risks and rewards of ownership of the goods have been transferred to the buyer. Normally, revenue recognition takes place at the date of the delivery in accordance with the delivery terms. Revenue from services rendered and reparation work made is recognized in profit or loss when the service has been rendered or the work has been finished.

Revenue from tailor-made glass processing machine deliveries is recognized based on a milestone method with two milestones. Revenue from a glass processing machine is recognized when the machine delivery leaves the manufacturing plant and the revenue from the installation is recognized when the machine has been installed and is taken into use by the customer. The portion of the total estimated costs of the project, allocated to the revenue recognized, is recognized in profit or loss simultaneously with the revenue recognition. Costs which are attributable to a project, for which revenue is not yet recognized, are included in inventories as unfinished construction contracts.

## Pensions and Other Long-term Employee Benefits

The Group has various pension plans in accordance with the local conditions and practices in the countries where it operates. The pension plans are classified as defined contribution plans or defined benefit plans. The payments to the schemes are determined by actuarial calculations.

The contributions to defined contribution plans are charged to profit or loss in the period to which the contributions relate.

In addition to defined benefit pensions, Glaston has other long-term employee benefits, such as termination benefits. These benefits are accounted for as post-employment benefits, and they are presented separately from defined benefit pensions.

The obligations for defined benefit plans have been calculated separately for each plan. Defined benefit liabilities or assets, which have arisen from the difference between the present value of the obligations and the fair value of plan assets, have been entered in the statement of financial position.

The defined benefit obligation is measured as the present value of the estimated future cash flows using interest rates of government securities that have maturity terms approximating the terms of related liabilities or similar long-term interests.

For the defined benefit plans, costs are assessed using the projected unit credit method. Under this method the cost is charged to profit or loss so as to spread over the service lives of employees.

Glaston records actuarial gains and losses in other comprehensive income. Only current and past service costs as well as net interest on net defined benefit liability can be recorded in profit or loss. Other changes in net defined benefit liability are recognized in other comprehensive income with no subsequent recycling to profit or loss.

## Share-based Payments

Glaston Corporation has share-based incentive plans for the Group's key personnel. Depending on the plan, the reward is settled in shares, cash, or a combination thereof, provided that the key employee's employment or service with the Group is in force and the criteria for the performance is fulfilled. If a key employee's employment or service with the Group ends before the payment of a reward, the main principle is that no reward will be paid.

The granted amount of the incentive plans settled in shares is measured at fair value at the grant date, and the cash-settled part of the plans is measured at fair value at the reporting or payment date.

The expenses arising from the incentive plans are recognized in profit or loss during the vesting periods. The cash-settled portion of the incentive plans is recorded as a liability in the statement of financial position, if it has not been paid, and the portion settled in shares is recorded in retained earnings in equity net of tax. Glaston records the personnel costs arising from the share-based incentive plans to the extent it is liable to pay them. The share-based incentive plans are described in Note 29 to the consolidated financial statements.

## Current and Deferred Taxes

The consolidated financial statements include current taxes, which are based on the taxable results of the group companies for the reporting period together with tax adjustments for previous reporting periods, calculated in accordance with the local tax rules, and the change in the deferred tax liabilities and assets.

Income taxes which relate to items recognized in other comprehensive income are also recognized in other comprehensive income.

The Group's deferred tax liabilities and assets have been calculated for temporary differences, which have been obtained by comparing the carrying amount of each asset or liability item with their tax bases. Deferred tax assets are recognized for deductible temporary differences and tax losses to the extent that it is probable that taxable profit will be available, against which tax credits and deductible temporary differences can be utilized. In calculating deferred tax liabilities and assets, the tax rate used is the tax rate in force at the time of preparing the financial statements or which has been enacted by end of the reporting period.

Principal temporary differences arise from depreciation and amortization of property, plant and equipment and intangible assets, defined benefit plans, recognition of net assets of acquired companies at fair value, measuring available-for-sale assets and derivative instruments at fair value, inter-company inventory profits, share-based payments and confirmed tax losses.

## Non-recurring Items

Glaston includes in non-recurring items mainly items arising from restructuring and structural changes. They can include expenses arising from personnel reduction, product portfolio rationalization, changes in production structure and from reduction of offices. Impairment loss of goodwill is also included in non-recurring items. Non-recurring items are recognized in profit or loss in the income or expense category where they belong by their nature and they are included in operating result. In its key ratios Glaston presents also operating result excluding non-recurring items.

If a non-recurring expense is reversed for example due to changes in circumstances, the reversal is also included in non-recurring items.

In addition, 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 are included in non-recurring items.

## Intangible Assets

Intangible asset is recognized in the balance sheet if its cost can be measured reliably and it is probable that the expected future economic benefits attributable to the asset will flow to the Group. Intangible assets are stated at cost and amortized on a straight line basis over their estimated useful lives. Intangible assets with indefinite useful life are not amortized, but tested annually for impairment.

Acquired intangible assets recognized as assets separately from goodwill are recorded at fair value at the time of the acquisition of the subsidiary.

The estimated useful lives for intangible assets are as follows:

| | |
|---|---|
| Computer software, patents, licenses, trademarks, product rights | 3-10 years |
| Capitalized development expenditure | 5-7 years |
| Other intangible assets | 5-10 years |

Research costs are expensed as incurred. Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products, is capitalized if the product is technically and commercially feasible and the Group has sufficient resources to complete development and to use or sell the intangible asset. Amortization of the capitalized expenditure starts when the asset is available for use. The intangible assets not yet available for use are tested annually for impairment. Research expenditure and development expenditure recognized in profit or loss are recognized in operating expenses.

Borrowing costs are capitalised as part of the acquisition cost of intangible assets if the intangible assets are qualifying assets as defined in IAS 23 Borrowing

Costs. In 2015 or 2014 Glaston did not have any qualifying assets.

## Goodwill

Goodwill represents the excess of the acquisition cost over fair value of the assets less liabilities of the acquired entity. Goodwill arising from the acquisition of foreign entities of acquisitions made after 1 January 2004, is treated as an asset of the foreign entity and translated at the closing exchange rates at the end of the reporting period. Goodwill arising from the acquisitions of foreign entities made before 1 January 2004, has been translated into euros at the foreign exchange rate prevailing on the acquisition date.

Acquisitions made after 1 January 2004, have been recognized in accordance with IFRS 3. Purchase consideration has been allocated to intangible assets, if they have met the recognition criteria stated in IAS 38 (Intangible Assets). Acquisitions made before 1 January 2004, have not been restated to be in accordance with IFRS-standards. The revised IFRS 3 standard has been applied for business combinations made after 1 January 2010.

In accordance with IFRS 3 Business Combinations, goodwill is not amortized. The carrying amount of goodwill is tested annually for impairment. The testing is made more frequently if there are indications of impairment of the goodwill. Any possible impairment loss is recognized immediately in profit or loss. Glaston's goodwill has been allocated to the cash generating units of the group.

## Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. When an asset consists of major components with different useful lives, they are accounted for as separate items. Assets from acquisition of a subsidiary are stated at their fair values at the date of the acquisition.
Depreciation is recorded on a straight-line basis over expected useful lives. Land is not depreciated since it is deemed to have indefinite useful life.

The most common estimated useful lives are as follows:

| | |
|---|---|
| Buildings and structures | 25-40 years |
| Heavy machinery | 10-15 years |
| Other machinery and equipment | 3-5 years |
| IT equipment | 3-10 years |
| Other tangible assets | 5-10 years |

Gain on the sale of property, plant and equipment is included in other operating income and loss in operating expenses.

The costs of major inspections or the overhaul of property, plant and equipment items, that occur at regular intervals and are identified as separate components, are capitalized and depreciated over their useful lives. Ordinary maintenance and repair charges are expensed as incurred.

Borrowing costs are capitalised as part of the acquisition cost of tangible assets if the tangible assets are qualifying assets as defined in IAS 23 Borrowing Costs. In 2015 or 2014 Glaston did not have any qualifying assets.

## Discontinued Operations and Assets and Liabilities of Disposal Group Classified as Held for Sale

A discontinued operation is a segment or a unit representing a significant geographical area, which has been disposed of or is classified as held for sale. The profit for the period attributable to the discontinued operation is presented separately in the consolidated income statement. Also post-tax gains and losses recognized on the measurement to fair value less costs to sell or on the disposal of the asset or disposal group are presented in the income statement as result of discontinued operations. Comparative information has been restated.

Non-current assets or disposal groups are classified as held for sale and presented separately in the statement of financial position if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. In order to be classified as held for sale the asset or disposal group must be available for immediate sale in its present condition and the sale must be highly probable. In addition, the sale should qualify for recognition of a complete sale within one year from the date of the classification.

An asset classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell and it is not depreciated or amortized.

Also liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations is not applied retrospectively if the valuations and other information required by the standard were not obtainable at the time the classification criteria were met.

## Impairment of Assets

Annual impairment tests for goodwill are performed during the fourth quarter of the year. If there is, however, an indication of impairment of goodwill, the impairment tests for goodwill are performed earlier during the financial year. Other assets of the Group are evaluated at the end of each reporting period or at any other time, if events or circumstances indicate that the value of an asset has been impaired. If there are indications of impairment, the asset's recoverable amount is estimated, based on the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognized in profit or loss whenever the carrying amount of an asset or cash generating unit exceeds its recoverable amount. If subsequently recording the impairment loss a positive change has occurred in the estimates of the recoverable amount, the impairment loss made in prior years is reversed no more than up to the value which would have been determined for the asset, net of amortization or depreciation, had not impairment loss been recognized in prior years. For goodwill, a recognized impairment loss is not reversed.

Cash flow projections have been calculated on the basis of reasonable and supportable assumptions. They are based on the most recent financial plans and forecasts that have been approved by management. Estimated cash flows are used for a maximum of five years. Cash flow projections beyond the period covered by the most recent plans and forecasts are

estimated by extrapolating the projections. The discount rate is the weighted average cost of capital. It is a pre-tax rate and reflects current market assessments of the time value of money at the time of review and the risks related to the assets. Impairment of assets has been described in more detail in Note 12 to the consolidated financial statements.

## Inventories

Inventories are reported at the lower of cost and net realisable value. Cost is determined on a first in first out (FIFO) basis, or alternatively, weighted average cost. Net realisable value is the amount which can be realized from the sale of the asset in the normal course of business, after allowing for the estimated costs of completion and the costs necessary to make the sale.

The cost of finished goods and work in process includes materials, direct labour, other direct costs and a systematically allocated appropriate share of variable and fixed production overheads. As Glaston's machine projects are usually not considered to be qualifying assets as defined in IAS 23, borrowing costs are not included in the cost of inventory in normal machine projects.

Used machines included in the inventory are measured individually so that the carrying amount of a used machine does not exceed the amount that is expected to be received from the sale of the machine. In this measurement the costs arising from converting the used machine back to saleable condition are taken into account.

Prototypes of new machines included in inventory are measured at the lower of cost and net realisable value.

## Government Grants

Government or other grants are recognised in profit or loss in the same periods in which the corresponding expenses are incurred. Government grants received to acquire property, plant and equipment are reduced from the acquisition cost of the assets in question.

## Accounting for Leases

Glaston Group has entered into various operating leases, the payments under which are treated as rentals and charged to profit or loss over the lease term.

Leases of property, plant and equipment where Glaston has substantially all the rewards and risks of the ownership, are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Lease payments are allocated between liability and finance charges. The lease liabilities net of finance charges are included in interest-bearing liabilities, with the interest element charged to profit or loss over the lease period.

Property, plant and equipment acquired under finance lease contracts are depreciated over the shorter of the useful life of the asset or the lease period.

The Group has acquired machinery and equipment under finance leases.

IFRIC 4 Determining Whether an Arrangement Contains a Lease is applied to such agreements, which are not leases in legal form, but which in substance convey the right to use an asset for an agreed period of time in return for a payment. If an arrangement or part of it is determined to be a lease, it or part of it is classified as finance or operating lease and accounted for under the guidance in IAS 17 Leases.

## Provisions

A provision is recognized when as a consequence of some previous event there has arisen a legal or constructive obligation, and it is probable that this will cause future expenses and the amount of the obligation can be evaluated reliably.

A restructuring provision is booked only when a detailed and fully compliant plan has been prepared for it and implementation of the plan has been started or notification of it has been made known to those whom the arrangement concerns. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the time value of money is material, provisions are discounted.

A provision for warranties is recognized when the underlying products are sold. The provision is estimated on the basis of historical warranty expense data. Warranty provision is presented as non-current or current provision depending on the length of the warranty period.

The amount and probability of provision requires management to make estimates and assumptions. Actual results may differ from these estimates.

## Segment Information

In June 2015, Glaston Corporation completed the sale of the pre-processing machines business and reorganized its business and reporting structure. As a result of the sale, Glaston has re-evaluated its reporting segments and, as of 1 July 2015, has combined the operating segments, Machines and Services, into a single reporting segment. The remaining business consists of the manufacture and sale of heat treatment glass machines as well as the service operations for these machines.

The reportable segment applies Glaston Group's accounting and measurement principles. 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. Also the methods to distribute products or to provide services are similar. Glaston follows the same commercial terms for transactions within the segment as with third parties.

The reportable segment is disclosed in more detail in the Note 5 to the consolidated financial statements.

## Critical Accounting Estimates and Judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the end of the reporting period and the recognized amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

In addition, management uses

judgment in applying the accounting principles and in choosing the applicable accounting policies, if IFRS allow alternative methods.

The following items include critical accounting estimates: impairment testing of assets; estimated fair values of property, plant and equipment and intangible assets acquired in an acquisition and their estimated useful lives; useful lives of other intangible assets and property, plant and equipment; future economic benefits arising from capitalized development cost; measurement of inventories and trade and loan receivables; recognition and measurement of deferred taxes; estimates of the amount and probability of provisions and actuarial assumptions used in defined benefit plans.

The critical accounting estimates and judgments are described in more detail in Note 2 to the consolidated financial statements.

## Dividends

Dividends proposed by the Board of Directors are not recorded in the financial statements until they have been approved by the shareholders at the Annual General Meeting.

## Treasury Shares

Treasury shares acquired by the company and the related costs are presented as a deduction of equity. Gain or loss on surrender of treasury shares are recorded in reserve for invested unrestricted equity net of tax.

## Earnings per Share

Basic earnings per share are calculated by dividing the net result attributable to owners of the parent by the weighted share-issue adjusted average number of shares outstanding during the year, excluding shares acquired by the Group and held as treasury shares.

When calculating diluted earnings per share, the net result attributable to owners of the parent is adjusted with the effect on profit or loss of the convertible bond and the weighted share-issue adjusted average number of shares outstanding during the year is adjusted by the effect of the convertible bond on the number of shares. Earnings per share arising from continuing and discontinued operations are presented separately.

## Order Book

Glaston's order book includes the binding undelivered orders of the Group at the end of the reporting period. Orders for new machines and machinery upgrades are recognized in the order book only after receiving a binding agreement and either a down payment or a letter of credit. Also orders of software licenses of discontinued operations have been recognized in the order book only after receiving a binding agreement and either a down payment or a letter of credit.

## Orders Received

Glaston's orders received include the binding orders received and recognized in the order book during the reporting period as well as net sales of the service business, including net sales of spare parts and tools. Machine upgrades, which belong to the service business, are included in orders received based on the binding orders received and recognized in the order book during the reporting period.

## Audit

Quarterly information as well as interim reports are not audited.

Note 2

# Critical accounting estimates and judgements

The most significant management estimates relate to impairment tests, which require use of estimates in the calculations. In impairment testing management estimates recoverable amount of an asset or a cash generating unit. Recoverable amount is the higher of fair value less costs to sell and value in use. When calculating value in use, management estimates the future cash flows as well as the discount rates used in discounting the cash flows. Discount rates reflect current market assessments of the time value of money at the time of impairment testing and the risks related to the tested assets. Estimated cash flows include assumptions of, among other things, future prices, production levels, costs and development of the markets. Impairment loss is recorded if the carrying amount exceeds recoverable amount. The sensitivity analyses related to the impairment tests performed are described in Note 12 to the consolidated financial statements.

Useful lives of intangible assets and property, plant and equipment are based on management's best estimate of the period the asset is expected to be available for use by Glaston. The actual useful life can, however, differ from the expected useful life resulting in adjustment of annual depreciation or amortization of the asset or in recording of impairment loss.

Glaston capitalizes development costs of new products. In addition to other capitalization criteria, management has to estimate the future economic benefits arising from the development cost. If management estimates that there will not be future economic benefits, the development cost is recognized in profit or loss. Whether a development cost is capitalized or recognized immediately in profit or loss can have an effect on the result of the reporting period. At the end of the reporting period of 2015, Glaston's continuing operations had EUR 4.0 (5.3) million of capitalized development expenditure in the statement of financial position.

Measurement of inventories and trade and loan receivables includes some management estimates. Inventories are measured at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Net realisable value is used in testing the recoverable amount of inventories in order to avoid the inventories being carried in excess of amount expected to be realized from their sale or use. If management estimates that carrying amount of a trade or loan receivable exceeds its fair value, an impairment loss is recognized. For example payment defaults or late payments are considered as indications of impairment of the receivable. The carrying amount of continuing operations' inventory was at the end of the reporting period EUR 17.3 (21.8) million, the carrying amount of trade receivables continuing operations was EUR 20.8 (24.2) million and the carrying amount of loan receivables was EUR 1.8 (2.4) million.

Recognition and measurement of deferred tax liabilities and assets include management estimates, especially deferred tax assets arising from confirmed tax losses of group companies or from other temporary differences. Deferred tax assets are recognized for deductible temporary differences and tax losses to the extent that it is probable that taxable profit will be available against which tax credits and deductible temporary differences can be utilized. All tax liabilities and assets are reviewed at the end of the reporting period and changes are recognized in profit or loss. At the end of the reporting period, the carrying amount of deferred tax assets of continuing operations was EUR 2.4 (3.0) million and the carrying amount of deferred tax liabilities of continuing operations was EUR 0.4 (1.1) million.

If Glaston's management has assessed that as a result of a past event Glaston has a legal or constructive obligation, and that it is probable, that an outflow of resources will be required to settle the obligation, the management has estimated the amount of provision recognized from the obligation. The amount of the provision is the management's best estimate of the amount required to settle the obligation at the end of the reporting period. Glaston's most significant provision at the end of the reporting period was warranty provision of continuing operations, EUR 3.5 (4.0) million. The management's estimate of the warranty provision is based on previous experience. The estimate of the restructuring provision is based on the restructuring plan in which the locations and personnel concerned have been identified. If possible, external experts have been used in estimating the amount of the provision. If the management has estimated that it is unlikely, that Glaston has an obligation, a contingent liability is presented in the notes to the consolidated financial statements.

Calculation of defined benefit pensions and other defined long-term employee benefits requires choosing certain assumptions which actuaries use in calculation of the obligations arising from defined benefit plans. These assumptions include, among other things, discount rates used in the measurement of plan assets and liabilities as well as other actuarial assumptions such as future salary increases and mortality rate.

Note 3

# Management of Financial Risks

## Financial Risk Management

The main objectives for the financial risk management within Glaston are to secure the sufficient funding of the Group while taking into consideration the current and future needs of the business and at the same time to secure competitive cost of financing.

The Group's treasury functions have been centralized to the parent which is responsible for relations with financial institutions, long-term financing arrangements and the investment of liquid assets as well as the Group's internal funding allocations according to the liquidity needs of different group companies. Group Treasury cooperates with the group companies to identify the risks and provides financial services for the group companies in order to manage these identified risks.

The management of financial risks in Glaston Group is conducted in accordance with the Glaston Group's Treasury Policy approved by the Board of Directors of Glaston Corporation. It is the responsibility of the CFO and Group Treasury to propose amendments to this policy as conditions within the Group and on the financial markets change. Group Treasury is responsible for monitoring the use of the Policy.

The Group's financial risks consist of foreign exchange, interest rate, credit, counterparty and liquidity risks. Due to its international operations the Group is exposed to risks arising from foreign exchange rate fluctuations. The effects of interest rate changes on the Group's annual result create an interest rate risk. Credit and counterparty risk primarily consists of risk related to credit granted to customers. Liquidity risk is defined as the risk that the Group's funds and borrowing facilities become insufficient to meet the needs of the business or that extra costs are incurred in order to arrange the financing needed.

Also investment of liquid funds is managed in accordance with the Treasury Policy. Liquid assets are invested in low risk instruments and only counterparties that possess high credit-worthiness are accepted. Counterparties are approved annually by the Board of Directors of Glaston Corporation.

## Market Risks

### Foreign Exchange Risk

The Group operates internationally and is therefore exposed to transaction and translation risks arising from fluctuations in foreign exchange rates which may have an effect on profit or loss and financial position. Transaction risks arise from cash flows generated by purchase and sales activities while translation risks arise from converting items in the statements of profit or loss and the statements of financial position of non-euro subsidiaries into the Group's functional currency.

The main invoicing currency is the euro which is the Group's functional currency. The most significant foreign exchange risk arises from exchange rate fluctuations between the euro and the US dollar, but group has significant exposures of Brazilian Real, Chinese Yuan and English Pound. US dollar accounted for approximately 34 per cent of the net sales of continuing operations in 2015 (in 2014, 28 per cent). Euro and US doller together account for approximately 80 per cent of the invoicing of continuing operations in 2015 (in 2014, 76 per cent).

The Group did not have major foreign currency denominated loans at 31 December 2015. Group's internal loans are either short-term working capital credit facilities or subordinated long-term loans denominated in either in the local currency of the foreign subsidiary or in domestic curenncy of the Group.

The objective for foreign exchange risk management is primarily to secure the results of group companies from unexpected currency fluctuations. Possible hedging of foreign exchange risk is conducted in accordance with the Treasury Policy and the group companies are responsible for reporting their respective currency positions. In 2015, currency hedging was not in use. The Group has not hedged the net investments in foreign entities.

Glaston does not apply hedge accounting as defined by IAS 39.

For the sensitivity analysis as defined in IFRS 7, a possible +/- 10 per cent change in the main currencies was assessed, with all other factors remaining unchanged. The sensitivity analysis is based on the foreign currency denominated assets and liabilities as of 31 December 2015. The analysis takes into consideration the impact of foreign exchange derivatives, if such instruments are in use, which offsets the effects of changes in foreign exchange rates.

### Interest Rate Risk

Possible changes in the interest rates cause a risk that will affect the result of the Group. The objective for the interest risk management is to minimize the effect of interest rate fluctuations on the Group's annual result.

As a measurement for the management of interest rate risk an average interest fixing term for the Group's interest bearing liabilities has been used. The average interest fixing term at the end of 31 December 2015 was 3 months which is the same as at the end of the previous year. The current average interest fixing term is clearly lower than the limit

**In the table below the effect of the main currencies on consolidated result before taxes has been analysed. Only risks that are related to financial instruments are included in the analysis.**

| | | Change in currency rate | |
|---|---|---|---|
| EUR thousand | Gross position | -10 per cent | + 10 per cent |
| USD/EUR | 983 | 109 | -89 |
| BRL/EUR | 1,377 | 153 | -125 |
| CNY/EUR | -5,441 | -605 | 495 |
| GBP/EUR | 350 | 39 | -32 |
| | -2,731 | | |

set by Board of Directors of Glaston Corporation.

On 31 December 2015, the Group's interest-bearing net debt consisted of loans agreed with the lenders in the financing agreement signed in June 2015.

For the sensitivity analysis as defined by IFRS 7, a possible +1 / -0.5 percentage point change in the interest rates was assessed, with all other factors remaining unchanged. The effect of the change on the Group's result before taxes considering the level of debt with flexible interest rates on 31 December 2015, is EUR -0.14 / +0.07 (2014, -0.15 / +0.08) million. In reality, due to low level of market interest rates (Group financing is tied to short market rates), the decrease of 0.5 percentage points is not possible.

## Credit and Counterparty Risk

The Group becomes exposed to credit and counterparty risks when it grants payment time to the customers. The credit worthiness of these counterparties may decrease and affect Group's result. Credit risk management is conducted in accordance with the Group's Credit Management Policy.

The objective for credit risk management is to minimize credit risk without compromising the flexibility needed by different business areas. Risk management is performed together with the business management with the objective to avoid major credit risk concentrations and to verify, that sufficient guarantees and collaterals are received. The Group reduces its credit risk by using letters of credit and various types of guarantees received from the customers to secure the receivables. In addition, the Group uses advance payments to reduce risk and to accelerate fund inflows.

At the end of 2015, 15.0 (17.8) per cent of Group's trade receivables were secured by guarantees. The carrying amounts of trade receivables equal their maximum credit risk.

The Group's client base is diversified over several different geographical areas and customer segments which reduces major concentrations of credit risk. The largest single customer's share of the Group's receivables is not significant in terms of risk management. Significant unfavorable changes in the level of business, particularly in construction sector, could negatively impact the development of the Group's credit risk.

The Group's liquid funds are invested to mitigate risk and only counterparties with high credit rating are accepted. The investment portfolio consist mainly of money market deposits. The risk profile of accepted counterparties and maximum risk to a single counterparty are approved annually by the Board of Directors of Glaston Corporation.

### Committed credit facilities

| EUR million | In use | Unused | Total |
|---|---|---|---|
| Committed credit facilities 31.12.2015 | 11.8 | 10.2 | 22 |
| Committed credit facilities 31.12.2014 | 14.1 | 3.9 | 18 |

### Maturity analysis of financial liabilities 31 December, 2015

| EUR thousand<br>**Maturity of financial liabilities** | **Carrying amount** | **Contractual cash flows** | **Maturing in** | | |
|---|---|---|---|---|---|
| | | | **< 12 months** | **1-2 years** | **> 2 years** |
| Financial liabilities | | | | | |
| Credit facilities | 7,500 | 7,533 | 7,533 | - | - |
| Other interest-bearing loans | 5,995 | 6,258 | - | 2,503 | 3,754 |
| Trade payables | 11,291 | 11,291 | 11,291 | - | - |
| Forward contracts | | | | | |
| - inflow | 256 | 256 | 256 | - | - |
| - outflow | 403 | 403 | 403 | - | - |

### Maturity analysis of financial liabilities 31 December, 2014

| EUR thousand<br>**Maturity of financial liabilities** | **Carrying amount** | **Contractual cash flows** | **Maturing in** | | |
|---|---|---|---|---|---|
| | | | **< 12 months** | **1-2 years** | **> 2 years** |
| Financial liabilities | | | | | |
| Credit facilities | 5,000 | 5,033 | 5,033 | - | - |
| Other interest-bearing loans | 10,064 | 10,129 | 10,129 | - | - |
| Trade payables | 13,038 | 13,038 | 13,038 | - | - |
| Forward contracts | | | | | |
| - inflow | 411 | 411 | 411 | - | - |
| - outflow | 478 | 478 | 478 | - | - |

Maturity of rental obligations is presented in Note 27 to the consolidated financial statements.

**Trade receivables**

The quality of trade receivables is assessed by each group company based on the Group's Credit Management Policy. Based on these assessments, impairment losses on trade receivables are recognized in accordance with the Credit Policy.

The total carrying amount of trade receivables of continuing operations on 31 December 2015, was EUR 20.8 million (in 2014, EUR 24.2 million).

Ageing analysis and changes in allowance account of trade receivables are presented in Note 19 to the consolidated financial statements.

## Liquidity Risk

Liquidity risk is defined as the risk that the Group's funds and borrowing facilities become insufficient to meet the business needs or that significant extra costs are incurred in order to arrange the financing needed.

Liquidity risk is managed through effective use of advance payments in order to reduce the amount of working capital tied up in the operations. A special focus is set on the working capital management and the development is monitored regularly. Short- and long-term cash planning is part of group companies' operational activity together with the Group Treasury. As a measurement for the liquidity risk are the Group's liquid funds and unused credit facilities. Group Treasury reports the Group's liquidity position on a monthly basis to the management and to the Board of Directors of Glaston Corporation.

Group's funding is mainly organized by using the EUR 32 million Facilitites Agreement signed in June 2015.

## Management of Capital

The objective for management of capital is to secure the continuation of operations at all times and to maintain appropriate capital structure. In the capital management planning process both current and future needs of the business are taken into consideration together with securing the competitive pricing of financing.

The primary measure for the Group's capital structure is net gearing. It is calculated as the ratio between net interest-bearing debt to equity. The Group's equity ratio is also used as a measure for the capital structure. It is calculated as the ratio between equity to the total assets adjusted with advance payments received. Additionally, the Group's liquid funds are monitored regularly.

The Group's loan agreements include covenants and other terms and conditions which are linked to consolidated key figures. If the covenant terms are not fulfilled, negotiations with the lenders will be initiated. These negotiations may lead to notice of termination of financial agreements. The covenants in use are net interest-bearing debt to equity (gearing ratio) and interest-bearing debt to EBITDA (leverage). Group treasury is responsible for monitoring the covenants and reports regularly to management and the Board of Directors of Glaston Corporation.

| EUR thousand | 31 December, 2015 | 31 December, 2014 |
|---|---|---|
| **Interest-bearing net debt** | | |
| Non-current interest-bearing liabilities | **5,994** | 7,462 |
| Current interest-bearing liabilities | **7,501** | 7,603 |
| Cash and cash equivalents, continuing and discontinued operations | **-6,066** | -20,040 |
| **Total** | **7,429** | **-4,976** |
| **Equity** | | |
| Attributable to owners of the parent | **36,493** | 50,517 |
| Non-controlling interest | **305** | 313 |
| **Total** | **36,798** | **50,830** |
| Total assets | **100,290** | 128,662 |
| Advances received, continuing and discontinued operations | **-16,557** | -22,074 |
| **Total** | **83,733** | **106,588** |
| Equity ratio, % | **43.9%** | 47.7% |
| Net gearing, % | **20.2%** | -9.8% |

The consolidated equity and thus the capital structure is decreased by dividends paid, return of capital and acquisition of Glaston Corporation's own shares. The equity can be increased by disposal of own shares and share issues. The authorizations of the Board of Directors to acquire and dispose own shares, and to issue new shares, are disclosed in Note 4 to the consolidated financial statements. Equity is also affected by the result for the reporting period, as well as by changes in fair value reserve and exchange differences included in equity.

Note 4

# Shares and Shareholders

## Shares and Voting Rights

Glaston Corporation has one class of shares. The number of outstanding shares is 193,708,336 (treasury shares are included in the number of shares) and each share, with the exception of treasury shares, carries one vote at general meetings of shareholders. There are no limitations to transfer the shares. At the end of 2015 and 2014, Glaston Corporation's share capital amounted to EUR 12,696,000. The share has no nominal value. The share's counter book value is EUR 0.07 per share. Glaston's shares are registered in the book-entry securities system maintained by Euroclear Finland Ltd.

According to the Articles of Association of Glaston Corporation, a shareholder whose proportion of all the company's shares or the votes conferred by the shares - either alone or together with other shareholders as defined hereinafter - reaches or exceeds 33 1/3 per cent or 50 per cent is obligated, upon a demand by the other shareholders, to redeem their shares and the securities entitling their holders to shares under the Companies Act according to the provisions of this article.

**According to the Articles of Association of Glaston Corporation the redemption price in respect of shares shall be the higher of the following:**

a) the weighted average price of trading in the share during the last ten (10) trading days on the NASDAQ Helsinki Ltd. before the day when the company received from the Redeeming Shareholder a notification that the shareholding or voting rights limit as set forth above had been reached or exceeded or, should such notification be lacking or fail to be received by the deadline, when the company's Board of Directors otherwise received knowledge of it;

b) the average price, weighted by the number of shares, which the Redeeming Shareholder has paid for the shares which he has purchased or otherwise received during the last twelve (12) months before the day specified in paragraph a) above.

The redemption obligation set forth in the Articles of Association does not pertain to a shareholder who can prove that the shareholding or voting rights limit entailing a redemption obligation was reached or exceeded before the relevant provision of these Articles of Association was entered in the Trade Register.

## Share Trading

During 2015, the highest price of the Glaston share was EUR 0.60 (in 2014 EUR 0.45) and the lowest price EUR 0.37 (0.32). The average volume-weighted share price was EUR 0.50 (0.38). At the end of 2015, the share price stood at EUR 0.50 (0.38). The turnover of the share in NASDAQ Helsinki Ltd. in 2015 was 63,067,452 (46,060,964) shares and in euro-terms EUR 30.7 (17.4) million. Number of shares traded was 32.7 (23.9) per cent of the average share stock. Market capitalization at the end of 2015 was approximately EUR 96.5 (73.3) million.

| | 2015 | 2014 |
|---|---|---|
| **Number of shares and treasury shares** | | |
| **Number of shares (registered)** | | |
| Number of shares 1 January | **193,708,336** | 193,708,336 |
| Number of shares 31 December | **193,708,336** | 193,708,336 |
| Treasury shares 31 December | **-788,582** | -788,582 |
| **Number of shares 31 December, excluding treasury shares** | **192,919,754** | **192,919,754** |
| **Average share-issue adjusted number of shares 31 December, excluding treasury shares** | **192,919,754** | **192,919,754** |
| Average share-issue adjusted number of shares 31 December, excluding treasury shares, dilution effect of the convertible bond taken into account | **192,919,754** | 192,919,754 |
| **Acquisition and disposal of treasury shares** | | |
| Treasury shares 1 January, shares | **788,582** | 788,582 |
| **Treasury shares 31 December, shares** | **788,582** | **788,582** |
| Treasury shares 1 January, EUR thousand | **3,308** | 3,308 |
| **Treasury shares 31 December, EUR thousand** | **3,308** | **3,308** |

Glaston's treasury shares consist of shares acquired for the share-based incentive scheme. Share acquisition and the scheme management have been outsourced to an external service provider. Irrespective of the legal form of the procedure, the shares have been treated as if Glaston would have acquired the shares itself.

## Notifications as per Section 5 of Chapter 9 of the Securities Market Act

On 26 October, 2015 Glaston Corporation received a notification of change in holdings in accordance with Chapter 9, Section 5 of the Securities Markets Act as follows: Oy G.W.Sohlberg Ab's share of the total number of shares and voting rights in Glaston Corporation has exceeded 15 per cent.

On 16 October, 2015 Glaston Corporation received a notification of change in holdings in accordance with Chapter 9, Section 5 of the Securities Markets Act as follows: Evli Pankki Oyj's share of the total number of shares and voting rights in Glaston Corporation has exceeded 5 per cent.

On 31 March, 2015 Glaston Corporation received a notification of change in holdings in accordance with Chapter 9, Section 5 of the Securities Markets Act as follows: The holding of Jeppe Lahtinen and Hymy Lahtinen Oy, which is controlled by Jeppe Lahtinen, share of the total number of shares and voting rights in Glaston Corporatio has risen above 10%.

On 10 March, 2015 Glaston Corporation received a notification of change in holdings in accordance with Chapter 9, Section 5 of the Securities Markets Act as follows: Hymy Lahtinen Oy´s share of the total number of shares and voting rights in Glaston Corporation has exceeded 10 per cent.

On 27 January , 2015 Glaston Corporation received a notification of change in holdings in accordance with Chapter 9, Section 5 of the Securities Markets Act as follows: Suomen Teollisuussijoitus Oy's share of the total number of shares and voting rights in Glaston Corporation has fallen below 5 per cent.

## Authorizations of the Board of Directors

The Annual General Meeting of Glaston Corporation was held on 26 March 2015 in Helsinki. The General Meeting authorised the Board of Directors to decide on the issuance of shares as well as the issuance of options and other rights entitling to shares. The authorisation consists of up to 20,000,000 shares in the aggregate.

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

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

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 subscription price or allocation of shares, option or other rights free of charge or that the subscription price may be paid besides in cash also by other assets either partially or entirely.

The authorisation is effective until 30 June 2016. The authorisation supersedes earlier authorisations.

## Share-based incentive plan and management's shareholding

Share-based incentive plan is presented in detail in Note 29.
The Board of Directors' and Executive Management Group's share ownership is presented in detail in Note 30.

## Equity attributable to owners of the parent per share

| | 2015 | 2014 |
|---|---|---|
| Equity attributable to owners of the parent, EUR thousand | **36,493** | 50,517 |
| Share-issue adjusted number of shares | **192,919,754** | 192,919,754 |
| **Equity attributable to owners of the parent per share, EUR** | **0.19** | **0.26** |

## Distribution of profit

| | | |
|---|---|---|
| Dividend per share, EUR | **-** | - |
| Return of capital per share, EUR | **0.01** * | 0.02 |

* The Board of Directors' proposal to the Annual General Meeting.

## Largest shareholders 31 December 2015

| Shareholder | Number of shares | % of shares and votes |
|---|---|---|
| 1. Oy G.W.Sohlberg Ab | 33,253,679 | 17.17% |
| 2. Etera Mutual Pension Insurance Company | 22,593,878 | 11.66% |
| 3. Hymy Lahtinen Oy | 21,106,117 | 10.90% |
| 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 | 7,000,000 | 3.61% |
| 7. Päivikki and Sakari Sohlberg Foundation | 3,965,600 | 2.05% |
| 8. Danske Invest Finnish Small Cap Fund | 3,960,197 | 2.04% |
| 9. Oy Investsum Ab | 3,438,000 | 1.77% |
| 10. The Central Church Fund | 2,730,000 | 1.41% |
| 11. Sijoitusrahasto Taaleritehdas Mikro Markka | 2,550,000 | 1.32% |
| 12. Säästöpankki Pienyhtiöt | 2,307,860 | 1.19% |
| 13. Sumelius-Fogelholm Birgitta | 1,994,734 | 1.03% |
| 14. Sumelius Bjarne Henning | 1,961,504 | 1.01% |
| 15. Von Christierson Charlie | 1,600,000 | 0.83% |
| 16. Metsänen Arto | 1,500,000 | 0.77% |
| 17. Oy Nissala Ab | 1,500,000 | 0.77% |
| 18. Sumelius Christer | 1,398,533 | 0.72% |
| 19. Sumelius-Koljonen Barbro | 1,235,988 | 0.64% |
| 20. Lahtinen Jeppe | 986,423 | 0.51% |
| **20 largest shareholders total** | **137,458,365** | **70.96%** |
| Common accounts | 75,200 | 0.04% |
| Other shares | 56,174,771 | 29.00% |
| **Total** | **193,708,336** | **100.00%** |
| Treasury shares | -788,582 | 0.41% |
| **Total excluding treasury shares** | **192,919,754** | |

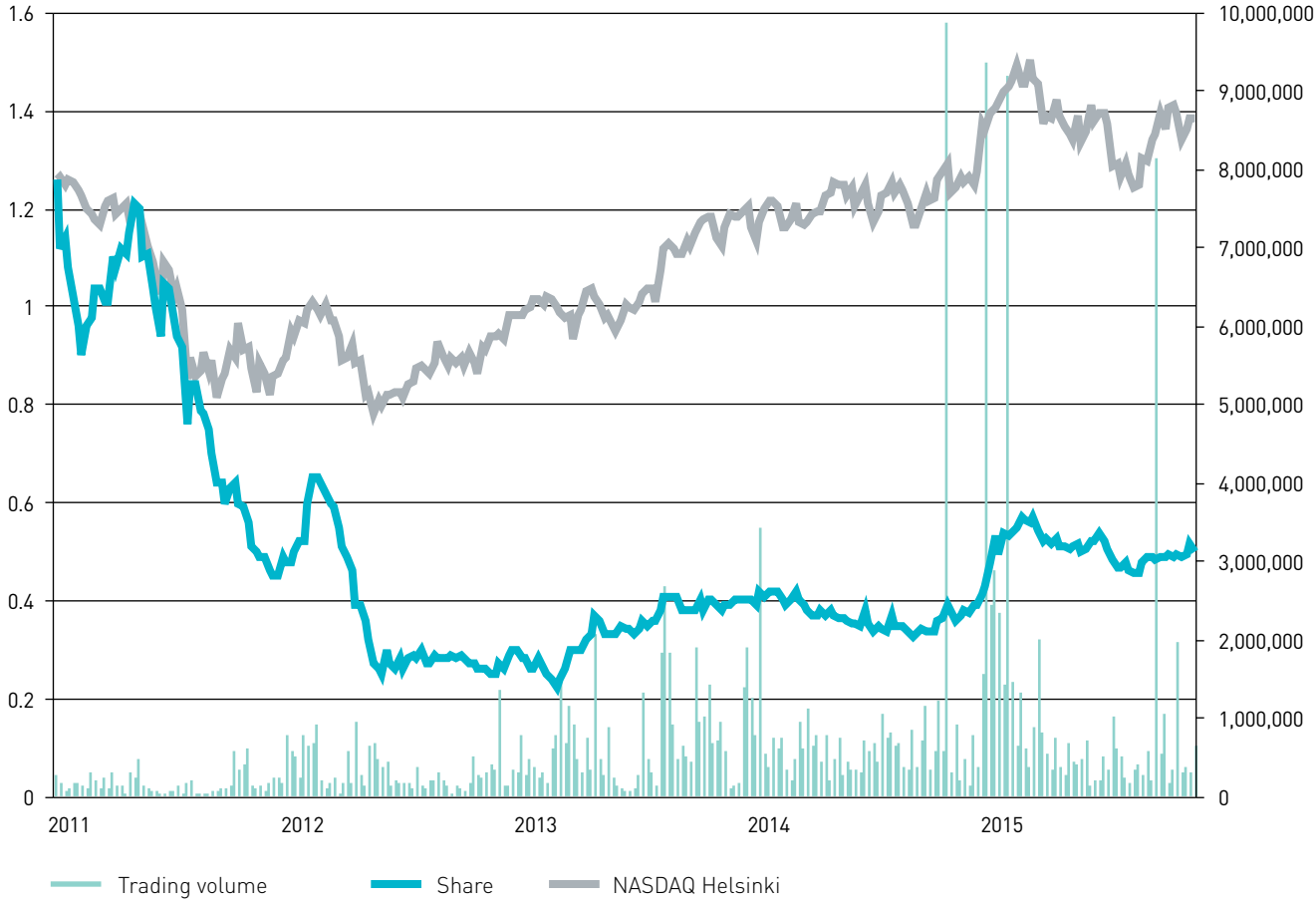
## Ownership distribution 31 December 2015

| | Shares total | % of shares and votes |
|---|---|---|
| Households | 51,721,530 | 26.70% |
| Public sector institutions | 35,400,521 | 18.28% |
| Financial and insurance institutions | 23,281,127 | 12.02% |
| Corporations | 69,191,375 | 35.72% |
| Non-profit institutions | 7,696,910 | 3.97% |
| Foreign countries | 4,740,054 | 2.45% |
| Total | 192,031,517 | 99.13% |
| Nominee registered | 1,601,619 | 0.83% |
| Total | 193,633,136 | 99.96% |
| Common Accounts | 75,200 | 0.04% |
| **Total** | **193,708,336** | **100%** |

## Shareholders by share ownership 31 December 2015

| Number of shares | Number of shareholders | % of shareholders | Shares total | % of shares and votes |
|---|---|---|---|---|
| 1 - 100 | 398 | 6.7% | 24,154 | 0.01% |
| 101 - 1000 | 2,274 | 38.1% | 1,283,716 | 0.66% |
| 1,001 - 10,000 | 2,555 | 42.8% | 9,942,214 | 5.13% |
| 10,001 - 100,000 | 620 | 10.4% | 17,751,918 | 9.16% |
| 100,001 - 99,999,999 | 116 | 1.9% | 164,631,134 | 84.99% |
| Total | 5,963 | 100% | 193,633,136 | 99.96% |
| Common accounts | | | 75,200 | 0.04% |
| **Number of shares issues** | | | **193,708,336** | **100%** |

Share price development and trading volume



Note 5

# Segment information

As a result of the sale of the pre-processing machines in 2015, Glaston's remaining business operations will be reported as a single segment, starting from 1 July, 2015 and the comparable figures have been restated accordingly. The reportable segment consists of two operating segments, Machines and Services. The reportable segment applies Glaston Group's accounting and measurement principles as described in Note 1 to the consolidated financial statements. Glaston follows the same commercial terms in transactions within the segment as with third parties.

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. As of 1 July 2015, 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.

## Reportable segment

| EUR thousand<br>**2015** | **Machines** | **Services** | **Total segment** | **Unallocated and eliminations and adjustments** | **Total** |
|---|---|---|---|---|---|
| External net sales | 76,442 | 46,328 | 122,770 | 601 | 123,371 |
| Internal net sales | 4 | 1,852 | 1,856 | -1,856 | - |
| **Total net sales** | **76,446** | **48,180** | **124,626** | **-1,255** | **123,371** |
| | | | | | |
| **Operating result of the segment, non-recurring items excluded** | | | | | **8,232** |
| Non-recurring items | | | | | -1,589 |
| **Operating result, non-recurring items included** | | | | | **6,642** |
| Financial items | | | | | -5,772 |
| Income taxes | | | | | -719 |
| Profit / loss for the year, discontined operations | | | | | -13,973 |
| **Result for the reporting period** | | | | | **-13,821** |
| | | | | | |
| Segment assets | | | | | 86,266 |
| Other assets | | | | | 14,024 |
| **Total assets** | | | | | **100,290** |
| | | | | | |
| Segment liabilities | | | | | 48,498 |
| Other liabilities | | | | | 14,994 |
| **Total liabilities** | | | | | **63,492** |
| **Operative net working capital** | | | | | **37,768** |

The non-recurring items of January-December 2015, in total EUR 1.6 million negative, consist of personnel and other costs related to business restructuring in China, Brazil and Finland.

Segment assets include external trade receivables and inventory, and segment liabilities include external trade payables and advance payments received. In addition, segment assets and liabilities include business related prepayments and accruals as well as other business related receivables and liabilities. Segment assets and liabilities do not include loan receivables, prepayments and receivables related to financial items, interest-bearing liabilities, accruals and liabilities related to financial items, income and deferred tax assets and liabilities nor cash and cash equivalents.

| EUR thousand<br>Restated<br>2014 | Machines | Services | Total segment | Unallocated and elimi-nations and adjustments | Total |
|---|---|---|---|---|---|
| External net sales | 69,573 | 40,117 | 109,690 | 56 | 109,746 |
| Internal net sales | 65 | 1,741 | 1,806 | -1,806 | - |
| **Total net sales** | **69,638** | **41,858** | **111,496** | **-1,749** | **109,746** |
| | | | | | |
| **Operating result of the segment, non-recurring items excluded** | | | | | **11,429** |
| Non-recurring items | | | | | -631 |
| **Operating result, non-recurring items included** | | | | | **10,798** |
| Financial items | | | | | -634 |
| Income taxes | | | | | -2,424 |
| Profit / loss for the year, discontined operations | | | | | -6,600 |
| **Result for the reporting period** | | | | | **1,140** |
| | | | | | |
| Segment assets | | | | | 101,399 |
| Other assets | | | | | 27,262 |
| **Total assets** | | | | | **128,662** |
| | | | | | |
| Segment liabilities | | | | | 61,212 |
| Other liabilities | | | | | 16,620 |
| **Total liabilities** | | | | | **77,832** |
| **Operative net working capital** | | | | | **40,187** |

The non-recurring items of January-December 2014, in total EUR 0.6 million negative, consist of the adjustment of the final sales price of the Software Solutions business area sales sold in 2013.

## Non-cash income and expenses included in operating result *

| EUR thousand | 2015 | 2014<br>Restated |
|---|---|---|
| Segment total | **-3,395** | -2,796 |
| Unallocated | **-7** | 13 |
| **Total non-cash expenses and income** | **-3,401** | **-2,783** |

* Excluding impairment.

Non-cash income and expenses in 2015 included the following items: impairment losses of trade receivables EUR -0.8 million, impairment losses of inventory EUR -1.3 million, changes in provisions EUR -1.4 million.

Non-cash income and expenses in 2014 included the following items: impairment losses of trade receivables EUR -0.3 million, impairment losses of inventory EUR -0.6 million, changes in provisions EUR -1.8 million.

| EUR million | 2015 | 2014<br>Restated |
|---|---|---|

## Orders received and order book by business area

| | | |
|---|---|---|
| **Orders received** | | |
| Machines | **59.9** | 87.7 |
| Services | **47.5** | 45.9 |
| **Total** | **107.4** | **133.6** |
| | | |
| **Order book** | | |
| Machines | **34.9** | 51.4 |
| Services | **3.6** | 4.6 |
| **Total** | **38.5** | **56.0** |

| | 2015 | 2014 Restated |
|---|---|---|

## Personnel

| | | |
|---|---|---|
| **Number of personnel at the end of the year** | | |
| **Total continuing operations** | **450** | **495** |
| **Total number of personnel** | **450** | **495** |

| | | |
|---|---|---|
| **Number of personnel at the end of the year by geographical location** | | |
| Finland | **164** | 146 |
| Other EMEA | **65** | 68 |
| Americas | **80** | 89 |
| Asia | **141** | 192 |
| **Total number of personnel** | **450** | **495** |

| EUR thousand | 2015 | 2014 Restated |
|---|---|---|

## Entity-wide disclosures

| | | |
|---|---|---|
| **Net sales by product groups, continuing operations** | | |
| Goods sold | **117,835** | 105,638 |
| Services rendered | **5,537** | 4,109 |
| **Total net sales** | **123,371** | **109,746** |

| | | |
|---|---|---|
| **Net sales by country by destination, continuing operations** | | |
| Finland | **1,869** | 186 |
| Other EMEA* | **46,121** | 47,168 |
| Americas* | **57,193** | 40,356 |
| Asia* | **18,188** | 22,037 |
| **Total** | **123,371** | **109,746** |

* EMEA = Europe, the Middle East and Africa
Americas = North, Central and South America
Asia = China and the rest of the Asia-Pacific area

| | | |
|---|---|---|
| **Property, plant and equipment and intangible assets by geographical location (goodwill excluded)** | | |
| Finland | **9,222** | 9,502 |
| Other EMEA | **321** | 1,064 |
| Americas | **240** | 287 |
| Asia | **5,306** | 4,400 |
| **Total property, plant and equipment and intangible assets, goodwill excluded** | **15,088** | **15,254** |

Glaston's revenues from any single external customer do not exceed 10 per cent of Glaston's total revenue.

Note 6

# Construction Contracts

| EUR thousand | 2015 | 2014 |
|---|---|---|
| **Construction contracts** | | |
| Total revenue from construction contracts included in net sales during the reporting period | **77,622** | **74,740** |
| Construction contracts in progress at the end of reporting period: revenue recognized during the reporting period and previous reporting periods | **51,410** | 37,477 |

## Gross amounts due from / to customers in 2015

| | Gross amount due from customers as an asset | Gross amount due to customers as a liability | Carrying amount, net |
|---|---|---|---|
| Projects where recognized revenue exceeds advances received | 20,891 | 9,661 | 11,230 |
| Projects where advances received exceed recognized revenue | 442 | 15,095 | 14,653 |
| Gross amounts due from / to customers | 21,333 | 24,757 | |

## Gross amounts due from / to customers in 2014

| | Gross amount due from customers as an asset | Gross amount due to customers as a liability | Carrying amount, net |
|---|---|---|---|
| Projects where recognized revenue exceeds advances received | 29,712 | 18,654 | 11,058 |
| Projects where advances received exceed recognized revenue | 647 | 20,531 | 19,884 |
| Gross amounts due from / to customers | 30,359 | 39,185 | |

Projects where recognized revenue exceeds advances received: net carrying amount is included in trade receivables (Note 19).
Projects where advances received exceed recognized revenue: net carrying amount is included in advances received (Note 24).

Note 7

# Other Operating Income

| EUR thousand | 2015 | 2014 Restated |
|---|---|---|
| **Other operating income** | | |
| Capital gains on sale of property, plant and equipment | **25** | 47 |
| Rents | **772** | 523 |
| Government grants | **74** | 89 |
| Insurance compensation | **4** | 74 |
| Compensation from legal case | **-** | 116 |
| Other income | **68** | 31 |
| **Other operating income total** | **943** | **879** |

Government grants are essentially related to regional headquarter compensation.

Note 8

# Materials and Other Operating Expenses

| EUR thousand | 2015 | 2014 Restated |
|---|---|---|
| **Materials** | | |
| Materials and supplies, purchases during the period | -56,804 | -44,301 |
| Change in inventories of materials and supplies | 103 | 348 |
| **Total materials** | **-56,701** | **-43,953** |
| **Other operating expenses** | | |
| Leases | -3,333 | -2,891 |
| Losses on sale of property, plant and equipment | -23 | -1 |
| Losses from sale of investment | -0 | -631 |
| Subcontracting and maintenance | -4,565 | -5,475 |
| Commissions | -2,465 | -2,036 |
| Freight expenses | -3,474 | -2,356 |
| Travel expenses | -4,278 | -3,138 |
| External services, not production related | -2,505 | -2,157 |
| IT, internet and phone | -3,282 | -2,998 |
| Electricity, heating | -1,228 | -1,119 |
| Marketing expenses | -1,084 | -1,542 |
| Other expenses | -5,436 | -5,858 |
| **Total other operating expenses** | **-31,674** | **-30,202** |
| **Fees for professional services rendered by principal auditors** | | |
| Auditing, EY | -296 | -317 |
| Auditing, other auditing companies | -26 | -24 |
| Tax advisory, EY | -58 | - |
| Tax advisory, other auditing companies | -1 | - |
| Other services, EY | -12 | -3 |
| **Total** | **-393** | **-344** |

The principal auditor of Glaston Group during the financial years of 2015 and 2014 has been Ernst & Young. Auditor fees include fees in both continuing and discontinued operations.

| Principal auditor's audit fees of the audit of the financial year | | |
|---|---|---|
| Ernst & Young | -239 | -282 |

## Research and development costs, continuing operations

| | | |
|---|---|---|
| Recognized in profit or loss | -1,942 | -1,758 |
| Amortization, impairment losses and reversals of impairment losses of capitalized development costs during the reporting period, net | -1,701 | -1,734 |
| **Total** | **-3,642** | **-3,492** |
| As a percentage of net sales | 3.0% | 3.2% |
| | | |
| Capitalized development costs during the reporting period, continuing operations | 1,240 | 1,087 |
| Capitalized development costs during the reporting period, discontinued operations | 42 | 101 |
| **Capitalized development costs during the reporting period, total** | **1,282** | **1,188** |

Note 9

# Employee Benefits and Number of Personnel

| EUR thousand | 2015 | 2014 Restated |
|---|---|---|
| **Employee benefits** | | |
| Wages and salaries | **22,375** | 17,805 |
| Pension expenses | **3,512** | 2,899 |
| Other personnel expenses | **2,563** | 2,284 |
| Other post-employment benefits | **9** | 2 |
| **Total personnel expenses** | **28,459** | **22,990** |

Share-based incentive plans are presented in more detail in Note 29 to the consolidated financial statements.

## Pension expenses

| | | |
|---|---|---|
| Defined benefit plans | **0** | 0 |
| Defined contribution plans | **3,512** | 2,899 |
| **Total pension expenses** | **3,512** | **2,899** |

Pension benefits are presented in more detail in Note 21 to the consolidated financial statements.

## Number of personnel

| | | |
|---|---|---|
| Number of personnel, average | **494** | 494 |
| | | |
| Personnel in Finland, end of the period | **164** | 146 |
| Personnel outside Finland, end of the period | **286** | 349 |
| **Total** | **450** | **495** |
| | | |
| Personnel, at the end of the period | **450** | 495 |

Note 10

# Financial Income and Expenses

| EUR thousand | 2015 | 2014 Restated |
|---|---|---|
| **Recognized in profit or loss** | | |
| **Interest income** | | |
| Interest income on loans and receivables | 193 | 312 |
| Other interest income | 1 | 1 |
| Total interest income | 194 | 313 |
| | | |
| **Dividend income** | | |
| Dividend income on available-for-sale financial assets | 6 | 6 |
| | | |
| **Interest expenses** | | |
| Interest expenses on financial liabilities measured at amortized cost | -462 | -634 |
| Other interest expenses | -1 | -19 |
| Total interest expenses | -463 | -654 |
| | | |
| **Other financial expenses** | | |
| On financial liabilities measured at amortized cost | -333 | -246 |
| On bank fees | -125 | -119 |
| Other financial expenses | -33 | -73 |
| Total other financial expenses | -491 | -437 |
| | | |
| **Impairment losses on loans and receivables** | -2,290 | - |
| | | |
| **Foreign exchange differences, net** | | |
| On financial liabilities measured at amortized cost | -4,084 | -1,074 |
| On loans and receivables | 1,356 | 1,220 |
| Other foreign exchange gains and losses | 0 | -9 |
| Total foreign exchange differences | -2,728 | 138 |
| | | |
| **Total financial income and expenses in financial items** | **-5,772** | **-634** |
| | | |
| **Net foreign exchange differences in operating result** | | |
| Net sales | -22 | -94 |
| Purchases | -234 | -90 |
| Other operating expenses | -890 | -85 |
| **Total** | **-1,146** | **-90** |
| **Derivatives recognized in profit or loss** | | |
| **Electricity derivatives, non-hedge accounting** | | |
| Realized electricity derivatives recognized in operating expenses | -1 | 18 |
| Unrealized electricity derivatives recognized in operating expenses | -147 | -67 |
| **Total** | **-148** | **-48** |
| **Recognized in other comprehensive income** | | |
| Fair value changes of available-for-sale financial assets | 58 | 16 |
| **Total in other comprehensive income** | **58** | **16** |

Borrowing costs were not capitalized in Glaston Group in 2015 or 2014 as Glaston has not had any qualifying assets as defined in IAS 23 Borrowing Costs.

Impairment losses on trade receivables are presented in Note 19.

## Impairment losses of loan receivables

In 2015, an impairment loss of loan receivables of EUR 2.3 million was recognized, based on management's estimate of the debtor's ability to pay back the loan. In 2014, no impairment loss of loan receivables was recognized.

Note 11

# Income Taxes

| EUR thousand | 2015 | 2014 Restated |
|---|---|---|
| **Income tax charge in income statement** | | |
| Current income tax charge | -433 | -721 |
| Adjustments in respect of current income tax of previous years | -63 | -130 |
| Deferred tax charge | -79 | -997 |
| Other | -144 | -577 |
| **Total income tax charge** | **-719** | **-2,424** |

## Income taxes recognized in other comprehensive income and in equity

| | | |
|---|---|---|
| Deferred taxes | | |
| Available-for-sale assets, fair value changes recognized in other comprehensive income | -12 | -4 |
| Total deferred taxes recognized in other comprehensive income and equity | -12 | -4 |
| **Total taxes recognized in other comprehensive income and in equity** | **-12** | **-4** |

## Reconciliation of income tax expense calculated at statutory tax rates with income tax expense in the income statement

| | | |
|---|---|---|
| Profit before taxes | 870 | 10,164 |
| Tax at the tax rate applicable to the parent | -174 | -2,033 |
| Difference due to different tax rates of foreign subsidiaries | 279 | 92 |
| Tax exempt income and non-deductible expenses | -3,558 | -1,492 |
| Effect of changes in tax rates and tax laws | 14 | -19 |
| Losses, where no deferred tax benefit is recognized | 689 | -205 |
| Deferred taxes recognized during the reporting period in respect of previous years' temporary differences | 94 | 806 |
| Withholding taxes and adjustments in respect of current income tax of previous periods | -206 | -791 |
| Use of losses, where no deferred tax asset was recognized | 2,101 | -452 |
| Eliminations | - | 1,327 |
| Effect of taxes not based on taxable income | 42 | 343 |
| **Income taxes in the income statement** | **-719** | **-2,424** |
| **Effective tax rate** | **-82.65%** | **-23.85%** |

The Group companies have tax losses totalling EUR 40.4 (68.1) million, which can be applied against future taxable income. A deferred tax asset has not been recognized for all tax losses, due to the uncertainty regarding the extent to which they can be used. When preparing 2015 financial statements, the management has estimated that Glaston is able to utilize the unused tax losses for which deferred tax asset has been recognized. In addition, there are several years before the tax losses will expire.

Deferred tax assets are recognized for deductible temporary differences and tax losses to the extent that it is probable that taxable profit will be available, against which tax credits and deductible temporary differences can be utilized. Changes in tax rates have been taken into account when calculating deferred taxes. Corporate tax rate in Finland is 20.0 percent.

Deferred tax liability has not been recognized in 2015 or 2014 of the undistributed earnings of Finnish or foreign subsidiaries as the majority of such earnings can be transferred to the owner without any tax consequences. Deferred tax liability of undistributed earnings of associates has also not been recognized.

## Tax assets and tax liabilities

| | | |
|---|---|---|
| Deferred tax assets | 2,419 | 2,968 |
| Assets for current tax | 356 | 344 |
| Deferred tax liabilities | 421 | 1,066 |
| Liabilities for current tax | 1,077 | 486 |

## Reconciliation of deferred tax assets and deferred tax liabilities

| EUR thousand<br>**Deferred tax assets 2015** | **1 January** | **Exchange difference** | **Change in income statement (- tax expense)** | **Recognized in other comprehensive income** | **31 December** |
|---|---|---|---|---|---|
| Unrealized internal profits, inventory | 387 | - | -126 | - | 261 |
| Unrealized internal profits, property, plant and equipment and intangible assets | -0 | - | - | - | -0 |
| Confirmed tax losses carried forward * | 1,380 | - | -88 | - | 1,292 |
| Share-based payments | -103 | - | 45 | - | -58 |
| Other temporary differences | 1,304 | 99 | -479 | - | 924 |
| **Deferred tax assets in statement of financial position** | **2,968** | **99** | **-648** | **-** | **2,419** |

* No deferred tax asset from losses of the reporting period has been recognized during the reporting period.
Other temporary differences consist of expenses which were not tax deductible in the reporting period, but will be tax deductible in future.

| EUR thousand<br>**Deferred tax liabilities 2015** | **1 January** | **Exchange difference** | **Change in income statement (+ tax expense)** | **Recognized in other comprehensive income** | **31 December** |
|---|---|---|---|---|---|
| Untaxed reserves | -124 | - | -215 | - | -339 |
| Defined benefit employee benefits | 15 | - | - | - | 15 |
| Available-for-sale financial assets at fair value | 23 | - | - | 12 | 35 |
| Share-based payments | -0 | - | - | - | -0 |
| Other temporary differences | 1,152 | 30 | -473 | - | 709 |
| **Deferred tax liabilities in statement of financial position** | **1,067** | **30** | **-688** | **12** | **421** |

Other temporary differences consist of, among other things, differences between local and IFRS accounting principles, which create timing differences in recognizing revenue and expenses.

| | |
|---|---|
| Change in deferred taxes in income statement, continuing operations (- tax expense) | -79 |
| Change in deferred taxes in income statement in result of discontinued operations (- tax expense) | - |
| **Total change in deferred taxes in income statement (- tax expense)** | **-79** |

## Reconciliation of deferred tax assets and deferred tax liabilities

| EUR thousand<br>**Deferred tax assets 2014** | **1 January** | **Exchange difference** | **Change in income statement (- tax expense)** | **Recognized in other comprehensive income** | **31 December** |
|---|---|---|---|---|---|
| Unrealized internal profits, inventory | 306 | - | 81 | - | 387 |
| Unrealized internal profits, property, plant and equipment and intangible assets | -0 | - | - | - | -0 |
| Confirmed tax losses carried forward * | 2,783 | - | -1,403 | - | 1,380 |
| Share-based payments | 79 | - | -182 | - | -103 |
| Other temporary differences | 554 | 105 | 645 | - | 1,304 |
| **Deferred tax assets in statement of financial position** | **3,722** | **105** | **-859** | **-** | **2,968** |

* No deferred tax asset from losses of the reporting period has been recognized during the reporting period.
Other temporary differences consist of expenses which were not tax deductible in the reporting period, but will be tax deductible in future.

| EUR thousand<br>**Deferred tax liabilities 2014** | **1 January** | **Exchange difference** | **Change in income statement (+ tax expense)** | **Recognized in other comprehensive income** | **31 December** |
|---|---|---|---|---|---|
| Untaxed reserves | 36 | - | -160 | - | -124 |
| Defined benefit employee benefits | 47 | - | -32 | - | 15 |
| Available-for-sale financial assets at fair value | 19 | - | - | 4 | 23 |
| Share-based payments | -0 | - | - | - | -0 |
| Other temporary differences | 873 | 25 | 254 | - | 1,152 |
| **Deferred tax liabilities in statement of financial position** | **975** | **25** | **62** | **4** | **1,066** |

Other temporary differences consist of, among other things, differences between local and IFRS accounting principles, which create timing differences in recognizing revenue and expenses.

| | |
|---|---|
| Change in deferred taxes in income statement, continuing operations (- tax expense) | -997 |
| Change in deferred taxes in income statement in result of discontinued operations (- tax expense) | - |
| **Total change in deferred taxes in income statement (- tax expense)** | **-997** |

Note 12

# Depreciation, Amortization and Impairment of Assets

| EUR thousand | 2015 | 2014 Restated |
|---|---|---|
| **Depreciation and amortization** | | |
| Intangible assets | | |
| Intangible rights | 638 | 931 |
| Capitalized development expenditure | 1,698 | 1,734 |
| Property, plant and equipment | | |
| Buildings and constructions | 245 | 210 |
| Machinery and equipment | 696 | 766 |
| Other tangible assets | 124 | 60 |
| **Total depreciation and amortization** | **3,402** | **3,701** |
| **Impairment losses** | | |
| Intangible assets | | |
| Intangible rights | 2 | - |
| **Total impairment losses** | **2** | **-** |
| **Total depreciation, amortization and impairment** | **3,404** | **3,701** |

## Impairment of assets

Goodwill and intangible assets with indefinite useful life are tested for impairment annually in accordance with IAS 36. Glaston does not have other intangible assets than goodwill with indefinite useful life and which are not amortized. Intangible assets not yet in use are also tested during the reporting period for impairment. Impairment testing is performed also always when there is indication that the recoverable amount of an asset or cash generating unit is lower than its carrying amount. During 2015 Glaston closed the sale of its pre-processing machines business and as a result, Glaston reports the goodwill of the pre-processing business in Discontinued Operations.

As a result of the sale of the pre-processing machine business, Glaston's remaining business operations will be reported as a single segment. Glaston's cash generating units are Machines/Heat Treatment and Services.

Goodwill has been tested for impairment by comparing the recoverable amount of the cash generating unit, to which the goodwill has been allocated, with the carrying amount of the cash generating unit. Impairment loss is recorded if the recoverable amount is lower than the carrying amount. Consistent methods have been used in testing property, plant and equipment and intangible assets. If the asset has been classified as held for sale, the recoverable amount used is the fair value of the asset less costs of sale.

The recoverable amount of a cash generating unit is its value in use, based on its discounted future cash flows. These cash flows are based on the budgets and estimates approved by the management. Budgets and estimates are used as a basis of the future cash flows for a maximum of five years. Cash flows have, however, been adjusted so that the future cash flows used in impairment testing exclude any cash flows from uncommitted future restructuring and cash flows arising from improving or enhancing the asset's performance. The cash flows of restructuring programs, in which the Group was committed at the date of the testing, are included in testing.

Subsequent cash flows are estimated by extrapolating the cash flow estimates. Terminal values have been calculated using Western European long-range growth rate if Western Europe has been considered to be the main market area of the cash-generating unit. If the main market areas are considered to have moved or to move over to other areas, such as Asia or other emerging markets, this growth have been taken into account in terminal value.

The assumptions used in impairment calculations are mainly the same as in estimates. The assumptions, such as for example market development on short term and price development of products, are based on past experience and information gathered from external sources. Assumptions on market development on longer term are based on external sources, such as market studies on development of flat glass consumption. The new products are expected to receive good response from customers and this is expected to give Glaston a better position on the market compared to competitors. Restructuring measures to improve cost structure have already improved and will further improve profitability.

The discount rate used in arriving at the recoverable amount is the pre-tax weighted average cost of capital, which reflects the current market assessment

of the time value of money and of risks related to the assets and countries of operation. Also the industry's median capital structure has been taken into acccount in determining the discount rate as well as Glaston's cost of debt.

There are no major changes in the sources of information used in determining the discount rates. The importance of the different geographical areas has slightly changed due to the change in the geographical focus of business. This has had an impact on defining the risk-free interest rates and country risk premiums. The impact of the global economic uncertainty on the level of interest rates in different geographical areas has affected the determination of the discount rate.

Discount rates have been calculated separately for each cash generating unit and they can vary between the units. The discount rate depends, among other things, on the geographcial allocation of cash flows as well as the relative importance of these cash flows. These can differ between the cash generating units.

| The most significant assumptions used in value in use calculations in 2015 | Machines: Heat Treatment | Services |
|---|---|---|
| Pre-tax discount rate | 12.3% | 12.5% |
| Long-term growth rate | 2.0% | 2.0% |

| The most significant assumptions used in value in use calculations in 2014 | Machines: Heat Treatment | Services |
|---|---|---|
| Pre-tax discount rate | 11.8% | 11.4% |
| Long-term growth rate | 2.0% | 2.0% |

## Impairment testing of goodwill

| **Goodwill,** EUR million<br>Cash generating unit | 1 January 2015 | Impairment loss | Reclassfication to discontinued operations | 31 December 2015 |
|---|---|---|---|---|
| Machines | | | | |
| Heat Treatment | 4.1 | - | - | 4.1 |
| Pre-processing* | 6.3 | - | -6.3 | - |
| Services* | 26.5 | - | - | 26.5 |
| **Yhteensä** | **36.8** | **-** | **-** | **30.6** |

| Cash generating unit | 1 January 2014 | Impairment loss | Reclassfication to discontinued operations | 31 December 2014 |
|---|---|---|---|---|
| Machines | | | | |
| Heat Treatment | 4.1 | - | - | 4.1 |
| Pre-processing | 10.2 | - | - | 10.2 |
| Services | 22.6 | - | - | 22.6 |
| **Total** | **36.8** | **-** | **-** | **36.8** |

* Goodwill has been reallocated between cash generating units in 2015

## Sensitivity analysis

The recoverable amounts used in impairment testing are subject to change if the assumption used in calculation of the recoverable amounts changes.

The management estimates, that in most cases, a reasonably possible change in a key assumption in the Machines/Heat Treatment and Services do not cause the cash generating unit's carrying amount to exceed its recoverable amount. The cases in which a reasonably possible change in a key assumption would cause the carrying amount of a cash generating unit to exceed its recoverable amount are presented in the table below.

The recoverable amounts of these cash generating units exceed their carrying amounts by 37 per cent in the Services business and by 78 per cent in the Machines/Heat Treatment business.

A change in an assumption which, other things being equal, would cause the recoverable amount to equal the carrying amount:

| Post-tax discount rate* | Value assigned to the assumption | Value Change |
|---|---|---|
| Services | 9.4% | 19.0% |
| Machines/Heat Treatment | 9.9% | 46.1% |

| Long-term growth rate* | Value assigned to the assumption | Value Change |
|---|---|---|
| Services | 2.0% | -16.8% |
| Machines/Heat Treatment** | 2.0% | - |

* The consequential effects of the change in the assumption on other variables used to measure recoverable amounts have not been incorporated in the sensitivity analysis. Terminal year growth rate of Heat Treatment has no effect on the recoverable value.

** The long term growth rate does not have an impact on the test, the recoverable amount exceeds the carrying value in the reporting period.

The costs of Machines/Heat Treatment business are estimated to be 88 per cent of the estimated net sales during the testing period. Should the costs be 8 percentage points higher, the recoverable amount, other things being equal, would equal the carrying amount.

The costs of Services business are estimated to be 81 per cent of the estimated net sales during the testing period. Should the costs be 9 percentage points higher, the recoverable amount, other things being equal, would equal the carrying amount.

## Impairment of property, plant and equipment and intangible assets and reversal of impairment loss

In 2015 an impairment loss of EUR 2 thousand was recognized in intangible assets. In 2014 Glaston had no impairment losses.

Note 13

# Discontinued Operations and Assets and Liabilities of Disposal Groups Classified as Held for Sale

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.

| EUR thousand<br>**Revenue, expenses and result of discontinued operations** | **2015** | **2014** |
|---|---|---|
| Revenue | 6,503 | 14,792 |
| Expenses | **-10,371** | -21,317 |
| **Gross profit** | **-3,867** | **-6,525** |
| Finance costs, net | **-18** | -66 |
| **Profit / loss before tax from discontinued operations** | **-3,885** | **-6,591** |
| Income tax | **-176** | -9 |
| Loss from disposal of discontinued operations | **-9,911** | - |
| **Profit / loss from discontinued operations** | **-13,973** | **-6,600** |

| EUR thousand<br>**Effect of the sale of the pre-processing machine business on the financial position of Glaston Group** | **2015** | **2014** |
|---|---|---|
| Goodwill | **-** | - |
| Other intangible assets | **640** | - |
| Tangible assets | **139** | - |
| Receivables | **3,394** | - |
| Inventories | **8,520** | - |
| Cash equivalents | **271** | - |
| Deferred tax liability | **-108** | - |
| Non-current liabilities and provisions | **-1,696** | - |
| Current provisions | **-413** | - |
| Advances received | **-1,398** | - |
| Trade and other payables | **-5,505** | - |
| **Total assets and liabilities** | **3,844** | - |
| | | |
| **Net cash flows of discontinued operations** | | |
| Operating | **-4,615** | -3,705 |
| Investing | **-482** | -223 |
| Financing | **-** | - |
| **Net cash flow** | **-5,097** | **-3,928** |

Note 14

# Intangible Assets

Glaston has no other intangible assets than goodwill with indefinite useful life. All intangible assets with the exception of goodwill are amortized over their useful lives.

| EUR thousand<br>**2015** | **Capitalized development expenditure** | **Intangible rights** | **Goodwill** | **Other capitalized expenditure** | **Advances paid** | **Total** |
|---|---|---|---|---|---|---|
| Acquisition cost at beginning of year | 23,252 | 6,941 | 53,401 | 682 | 1,275 | 85,552 |
| Other increases | - | 322 | - | - | 1,641 | 1,963 |
| Decreases | -5,856 | -2,808 | -29,110 | -180 | -89 | -38,043 |
| Reclassifications and other changes | 419 | 261 | - | - | -680 | -0 |
| Exchange differences | -82 | -70 | 0 | - | 16 | -136 |
| **Acquisition cost at end of year** | **17,733** | **4,646** | **24,291** | **503** | **2,164** | **49,337** |
| Accumulated amortization and impairment at beginning of year | -18,644 | -5,024 | -16,559 | -682 | - | -40,909 |
| Accumulated amortization relating to decreases and transfers | 5,367 | 2,579 | 22,819 | 180 | - | 30,944 |
| Amortization during the reporting period | -1,698 | -638 | - | - | - | -2,337 |
| Impairment losses (Note 12) | - | -2 | - | - | - | -2 |
| Reclassifications and other changes | - | -4 | - | - | - | -4 |
| Reclassified to discontinued operations (Note 13) | -168 | -16 | - | - | - | -184 |
| Exchange differences | -62 | 81 | - | - | - | 19 |
| **Accumulated amortization and impairment at end of year** | **-15,206** | **-3,026** | **6,260** | **-503** | **-** | **-12,474** |
| **Carrying amount at end of year** | **2,527** | **1,620** | **30,551** | **0** | **2,164** | **36,862** |

| EUR thousand<br>**2014** | **Capitalized development expenditure** | **Intangible rights** | **Goodwill** | **Other capitalized expenditure** | **Advances paid** | **Total** |
|---|---|---|---|---|---|---|
| Acquisition cost at beginning of year | 20,800 | 8,293 | 53,401 | 733 | 2,455 | 85,684 |
| Other increases | - | 507 | - | - | 1,668 | 2,175 |
| Decreases | -183 | -2,179 | - | -50 | -53 | -2,465 |
| Reclassifications and other changes | 2,514 | 290 | - | - | -2,804 | -0 |
| Exchange differences | 121 | 28 | - | - | 9 | 158 |
| **Acquisition cost at end of year** | **23,252** | **6,941** | **53,401** | **682** | **1,275** | **85,552** |
| Accumulated amortization and impairment at beginning of year | -16,583 | -6,230 | -16,559 | -733 | - | -40,104 |
| Accumulated amortization relating to decreases and transfers | 183 | 2,177 | - | 50 | - | 2,410 |
| Amortization during the reporting period | -1,734 | -929 | - | - | - | -2,663 |
| Reclassified to discontinued operations (Note 13) | -423 | -24 | - | - | - | -447 |
| Exchange differences | -87 | -17 | - | - | - | -105 |
| **Accumulated amortization and impairment at end of year** | **-18,644** | **-5,024** | **-16,559** | **-682** | **-** | **-40,909** |
| **Carrying amount at end of year** | **4,608** | **1,917** | **36,843** | **0** | **1,275** | **44,643** |

Note 15

# Property, Plant and Equipment

Glaston has given liens on chattel as security for liabilities. These as well as real estate mortgages provided as security for liabilities are presented in Note 27. At the end of 2015 Glaston did not have any pledged property, plant and equipment or intangible assets as security for liabilities (2014 the carrying value of pledged property, plant and equipment and intangible assets was EUR 0.1 million).

At the end of 2015 Glaston has EUR 0.8 million contractual commitments for the acquisition of property, plant and equipment (2014 EUR 1.5 million).

In 2015 or 2014, Glaston did not receive any material third party compensation for items of property, plant and equipment that were impaired, lost or given up.

| EUR thousand<br>**2015** | **Land and water areas** | **Buildings and constructions** | **Machinery and equipment** | **Other tangible assets** | **Advances paid and assets under construction** | **Total** |
|---|---|---|---|---|---|---|
| Acquisition cost at beginning of year | 474 | 4,638 | 6,368 | 319 | 689 | 12,487 |
| Other increases | - | 209 | 556 | 5 | 1,671 | 2,442 |
| Decreases | - | -0 | -5,490 | -88 | - | -5,578 |
| Reclassifications and other changes | - | - | 171 | 179 | -255 | 95 |
| Exchange differences | - | 271 | 28 | -3 | 41 | 337 |
| **Acquisition cost at end of year** | **474** | **5,118** | **1,633** | **412** | **2,145** | **9,783** |
| Accumulated depreciation and impairment at beginning of year | - | -2,018 | -3,260 | 244 | - | -5,034 |
| Accumulated depreciation relating to decreases and transfers | - | -0 | 5,305 | 80 | - | 5,385 |
| Depreciation during the reporting period | - | -245 | -696 | -124 | - | -1,065 |
| Reclassifications and other changes | - | - | -181 | 72 | - | -109 |
| Reclassified as discontinued operations (Note 13) | - | - | -34 | -3 | - | -37 |
| Exchange differences | - | -108 | -39 | 3 | - | -144 |
| **Accumulated depreciation and impairment at end of year** | **-** | **-2,371** | **1,095** | **271** | **-** | **-1,005** |
| **Carrying amount at end of year** | **474** | **2,747** | **2,728** | **683** | **2,145** | **8,778** |

| EUR thousand<br>**2014** | **Land and water areas** | **Buildings and constructions** | **Machinery and equipment** | **Other tangible assets** | **Advances paid and assets under construction** | **Total** |
|---|---|---|---|---|---|---|
| Acquisition cost at beginning of year | 474 | 4,245 | 8,247 | 729 | 831 | 14,527 |
| Other increases | - | - | 414 | - | 1,034 | 1,448 |
| Decreases | - | - | -3,321 | -882 | - | -4,202 |
| Reclassifications and other changes | - | - | 714 | 459 | -1,176 | -3 |
| Exchange differences | - | 393 | 313 | 13 | - | 718 |
| **Acquisition cost at end of year** | **474** | **4,638** | **6,368** | **319** | **689** | **12,487** |
| Accumulated depreciation and impairment at beginning of year | - | -1,650 | -5,408 | -563 | - | -7,622 |
| Accumulated depreciation relating to decreases and transfers | - | - | 3,320 | 882 | - | 4,202 |
| Depreciation during the reporting period | - | -210 | -766 | -60 | - | -1,036 |
| Reclassifications and other changes | - | - | 0 | - | - | 0 |
| Reclassified as discontinued operations (Note 13) | - | - | -144 | -7 | - | -151 |
| Exchange differences | - | -157 | -262 | -8 | - | -427 |
| **Accumulated depreciation and impairment at end of year** | **-** | **-2,018** | **-3,260** | **244** | **-** | **-5,034** |
| **Carrying amount at end of year** | **474** | **2,620** | **3,108** | **563** | **689** | **7,453** |

| | |
|---|---|
| Carrying amount of machinery and equipment used in production 31 December, 2015 | 1,813 |
| Carrying amount of machinery and equipment used in production 31 December, 2014 | 2,355 |

Note 16

# Subsidiary, with material non-controlling interest ownership

The group has a 70 per cent ownership in Chinese Glaston Tools (Sanhe) Co., Ltd. The remaining 30 per cent of the company is held by one investor Sanhe New Stone Tools Super Hard Materials Co.,Ltd. The group has the right to nominate two out of three directors to the board of directors, including the chairman, who has a casting vote in case of equality of votes at the board meeting. Consequently, the entity is fully consolidated by the group, the part of the investor companion is reported as non-controlling interest.

Included in the consolidated financial statements are the following items, that represent the Group's interest in the asset and liabilities, revenue and expenses of the subsidiary. The financial information presented in the table is based on the financial statements of the subsidiary, prepared in accordance with IFRS.

| EUR thousand | 2015 | 2014 |
|---|---|---|
| Non-current assets | **241** | 287 |
| Current assets | **985** | 1,010 |
| Long-term liabilites | **1,017** | 1,042 |
| Short-term liabilities | **209** | 255 |
| | | |
| Net sales | **1,064** | 1,096 |
| Expenses | **-1,160** | -1,131 |
| Profit / Loss for the period | **-97** | -36 |
| Profit / Loss attributable to parent company shareholders | **-68** | -25 |
| Profit / Loss attributable to non-controlling interest | **-29** | -11 |
| Dividends paid to non-controlling interest | **-** | - |
| Net cash flow from operating activities | **-33** | 30 |
| Net cash flow from investing activities | **-1** | -29 |
| Net cash flow from financing activities | **-** | - |

Note 17

# Other investments Available-for-sale Financial Assets

| EUR thousand<br>**2015** | **Available-for-sale shares** |
|---|---|
| Carrying amount 1 January | 357 |
| Additions | 2,834 |
| Disposals | -0 |
| Reclassifications | - |
| Impairments | - |
| Fair value changes recognized in other comprehensive income | 58 |
| Reclassification to assets held for sale | - |
| **Carrying amount 31 December** | **3,249** |

| EUR thousand<br>**2014** | **Available-for-sale shares** |
|---|---|
| Carrying amount 1 January | 341 |
| Additions | - |
| Disposals | - |
| Reclassifications | - |
| Impairments | - |
| Fair value changes recognized in other comprehensive income | 16 |
| Reclassification to assets held for sale | - |
| **Carrying amount 31 December** | **357** |

Glaston has classified its non-current investments as available-for-sale shares and other available-for-sale investments. Glaston recognizes fair value changes of these investments in other comperehensive income and they are included in the fair value reserve in equity until the assets are disposed, at which time the cumulative gain or loss is reclassified to profit or loss as an reclassification item. Certain unlisted equities and investments, for which fair values can not be measured reliably, are recognized and measured at cost or at cost less impairment.

Impairment losses of available-for-sale financial assets are recognized in the income statement in financial items.

Note 18

# Inventories

| EUR thousand | 2015 | 2014 |
|---|---|---|
| **Inventories** | | |
| Materials and supplies | **2,491** | 6,608 |
| Work in process | **9,149** | 9,365 |
| Finished goods | **5,109** | 5,543 |
| Advances paid | **529** | 316 |
| **Total inventories** | **17,279** | **21,832** |
| | | |
| Impairment losses of inventory during the period | **-1,255** | -699 |
| Reversals of impairment losses of inventory during the period | **-** | 78 |
| **Total** | **-1,255** | **-621** |

Note 19

# Receivables

| EUR thousand | 2015 | 2014 |
|---|---|---|
| Trade receivables | **20,441** | 22,925 |
| Trade receivables, falling due after 12 months | **378** | 1,313 |
| Total trade receivables | **20,819** | 24,237 |
| | | |
| Prepaid expenses and accrued income | **625** | 1,833 |
| Prepaid expenses and accrued income, falling due after 12 months | **318** | 305 |
| | | |
| Other receivables | **1,609** | 1,818 |
| Other receivables, falling due after 12 months | **163** | 393 |
| | | |
| Current loan receivables | **375** | 672 |
| Non-current loan receivables* | **1,375** | 1,765 |
| | | |
| **Total receivables** | **25,282** | **31,024** |

* In non-current assets

Prepaid expenses and accrued income consist mainly of accruals of financial items, fair values of derivative instruments, accruals related to sales, accruals related to insurances and other accruals.

Receivables falling due after 12 months have been discounted.

Prepaid expenses and accrued income related to derivative instruments are disclosed in more detail in Note 26.

Credit quality of other receivables is based on the debtors' payment history. Other receivables are not past due nor impaired.

Each loan receivable has been individually analyzed for a possible impairment loss. These analyses are based on the financial position and future cash flows of the debtor. Debtors have no external credit rating. In 2015, an impairment loss of loan receivables of EUR 2.3 million was recognized, based on management's estimate of the debtor's ability to pay back the loan. In 2014, no impairment losses were recognized.

Trade receivables related to construction contracts in progress, EUR 11.2 (11.1) million, are described in more detail in Note 6.

## Ageing analysis of trade receivables at 31 December

| EUR thousand | Carrying amount of trade receivables after recognizing allowance account | Past due | | | | |
|---|---|---|---|---|---|---|
| | | Not past due | < 30 days | 31 - 180 days | 181 - 360 days | > 360 days |
| **2015** | 20,819 | 15,365 | 1,399 | 3,115 | 775 | 164 |
| **2014** | 24,237 | 19,278 | 2,447 | 1,849 | 663 | - |

Allowance account of trade receivables is used when an estimate of impairment losses arising from trade receivables is recognized. These impairment losses are recognized in profit or loss. If the impairment loss recognized in the allowance account becomes final, trade receivables are decreased with the amount of the impairment loss and allowance account is adjusted respectively.

The counterparties of trade receivables do not normally have external credit rating. The credit quality of these receivables is assessed based on the payment history of the customers.

If the counterparty of a trade receivable is insolvent, the trade receivable is individually determined to be impaired even though the trade receivable were not past due. Otherwise the trade receivables not past due are not determined to be impaired.

Also the trade receivables past due are individually analyzed. If the days past due exceed the time limits set in the Group's credit policy, an impairment loss is recognized of the trade receivable. The gross amount of impaired trade receivables at the end of the reporting period was EUR 4.1 (4.7) million, and an impairment loss of these receivables was EUR 3.6 (4.0) million.

| EUR thousand<br>**Impairment losses of trade receivables and changes in allowance account of trade receivables** | |
|---|---|
| **Allowance account 1 January 2014** | **4,119** |
| Exchange difference | 43 |
| Charge for the year | 1,161 |
| Utilized | -277 |
| Unused amounts reversed | -1,033 |
| **Allowance account 31 December 2014** | **4,014** |
| Exchange difference | -38 |
| Charge for the year | 1,310 |
| Utilized | -291 |
| Unused amounts reversed | -595 |
| Reclassification to discontinued operations | -818 |
| **Allowance account 31 December 2014** | **3,582** |

| **Impairment losses of trade receivables recognized in profit or loss, net (- income), continuing operations** | |
|---|---|
| **2015** | 764 |
| **2014** | 118 |

Note 20

# Total Comprehensive Income Included in Equity

| EUR thousand<br>2015 | Other restricted equity reserves | Fair value reserve | Retained earnings | Cumulative exchange difference | Non-controlling interest | Total |
|---|---|---|---|---|---|---|
| **Total other comprehensive income** | | | | | | |
| Total exchange differences on translating foreign operations | 5 | - | -3 | 3,578 | 21 | 3,601 |
| Change in actuarial gains and losses | - | - | -1 | - | - | -1 |
| Available-for-sale financial assets, fair value changes | - | 58 | - | - | - | 58 |
| Income taxes on fair value changes of available-for-sale financial assets | - | -12 | - | - | - | -12 |
| **Other comprehensive income** | **5** | **47** | **-4** | **3,578** | **21** | **3,646** |
| **Loss** | | | **-13,792** | | **-29** | **-13,821** |
| **Total comprehensive income** | **5** | **47** | **-13,797** | **3,578** | **-8** | **-10,175** |

| EUR thousand<br>2014 | Other restricted equity reserves | Fair value reserve | Retained earnings | Cumulative exchange difference | Non-controlling interest | Total |
|---|---|---|---|---|---|---|
| **Total other comprehensive income** | | | | | | |
| Total exchange differences on translating foreign operations | 7 | - | -4 | 1,114 | 31 | 1,148 |
| Change in actuarial gains and losses | - | - | -217 | - | - | -217 |
| Available-for-sale financial assets, fair value changes | - | 16 | - | - | - | 16 |
| Income taxes on fair value changes of available-for-sale financial assets | - | -4 | - | - | - | -4 |
| **Other comprehensive income** | **7** | **12** | **-221** | **1,114** | **31** | **943** |
| **Gain** | | | **1,150** | | **-10** | **1,140** |
| **Total comprehensive income** | **7** | **12** | **929** | **1,114** | **21** | **2,083** |

Note 21

# Pensions and Other Defined Long-term Employee Benefits

The Group has defined benefit schemes in the countries where it operates. The plans include retirement and termination benefits.

The Group has a defined benefit pension plan in Finland. The Group has also defined contribution pension plans, of which the charge to the income statement was EUR 3.5 (2014: restated 2.9) million.

In addition to defined benefit pensions, Glaston has other long-term defined employee benefits, such as statutory defined benefit severance pay schemes in Italy and Mexico.

## Amounts in the statement of financial position relating to Finnish defined benefit pension plans

| EUR thousand | 2015 | 2014 |
|---|---|---|
| Fair value of plan assets | - | - |
| Present value of unfunded obligations | 14 | 15 |
| Total deficit of defined benefit pension plans | - | - |
| **Difference** | **14** | **15** |
| | | |
| Amounts in the statement of financial position | | |
| Liabilities | 14 | 15 |
| Assets | - | - |
| **Net liability (asset -)** | **14** | **15** |

## Amounts in the statement of financial position relating to other long-term employee benefits

| EUR thousand | 2015 | 2014 |
|---|---|---|
| Fair value of plan assets | - | - |
| Present value of unfunded obligations | 448 | 1,598 |
| Total deficit of defined benefit pension plans | - | - |
| **Difference** | 448 | 1,598 |
| | | |
| Amounts in the statement of financial position | - | - |
| Liabilities | 448 | 1,598 |
| Assets | - | - |
| **Net liability (asset-)** | 448 | 1,598 |

## Changes of Finnish defined benefit pension

| EUR thousand | Present value of obligation | Fair value on plan assets | Total |
|---|---|---|---|
| 1 January 2014 | 16 | - | 16 |
| Current service cost | - | - | - |
| Interest expense / income | 0 | - | 0 |
| Past service cost | - | - | - |
| **Total** | **16** | **-** | **16** |
| | | | |
| **Remeasurements** | | | |
| Return on plan assets excluding amounts included in interest expence / income | - | - | - |
| Gain (-) / loss (+) from change in financial assumptions | 3 | - | 3 |
| Experience gain (-) / loss (+) | - | - | - |
| **Total** | **3** | **-** | **3** |
| | | | |
| Exchange differences | - | - | - |
| Contributions: | | | |
| Employers (+) | - | 4 | 4 |
| Plan participants (+) | - | - | - |
| | | | |
| Benefit payments (-) | -4 | -4 | -8 |
| **31 December 2014** | **15** | **-** | **15** |
| | | | |
| 1 January 2015 | 15 | - | 15 |
| Current service cost | - | - | - |
| Interest expense / income | 0 | - | 0 |
| Past service cost | - | - | - |
| **Total** | **15** | **-** | **15** |
| | | | |
| **Remeasurements** | | | |
| Return on plan assets excluding amounts included in interest expence / income | - | - | - |
| Gain (-) / loss (+) from change in financial assumptions | 2 | - | 2 |
| Experience gain (-) / loss (+) | - | - | - |
| **Total** | **2** | **-** | **2** |
| | | | |
| Exchange differences | - | - | - |
| Contributions: | | | |
| Employers (+) | - | 3 | 3 |
| Plan participants (+) | - | - | - |
| | | | |
| Benefit payments (-) | -3 | -3 | -6 |
| **31 December 2015** | **14** | **-** | **14** |

## Changes of other long-term employee benefit plans

| EUR thousand | Present value of obligation | Fair value on plan assets | Total |
|---|---|---|---|
| 1 January 2014 | 1,366 | - | 1,366 |
| Current service cost | 6 | - | 6 |
| Interest expense / income | 18 | - | 18 |
| Past service cost | - | - | - |
| **Total** | **1,389** | **-** | **1,389** |
| | | | |
| **Remeasurements** | | | |
| Return on plan assets excluding amounts included in interest expence / income | - | - | - |
| Gain (-) / loss (+) from change in financial assumptions | 219 | - | 219 |
| Experience gain (-) / loss (+) | - | - | - |
| **Total** | **219** | **-** | **219** |
| | | | |
| Exchange differences | -1 | - | -1 |
| Contributions: | | | |
| Employers (+) | - | - | - |
| Plan participants (+) | - | - | - |
| | | | |
| Benefit payments (-) | -9 | - | -9 |
| **31 December 2014** | **1,598** | **-** | **1,598** |
| | | | |
| 1 January 2015 | 1,598 | - | 1,598 |
| Divestments of subsidiaries | -1,529 | - | -1,529 |
| Current service cost | 5 | - | 5 |
| Interest expense / income | 5 | - | 5 |
| Past service cost | - | - | - |
| **Total** | **79** | **-** | **79** |
| | | | |
| **Remeasurements** | | | |
| Return on plan assets excluding amounts included in interest expence / income | - | - | - |
| Gain (-) / loss (+) from change in financial assumptions | 5 | - | 5 |
| Experience gain (-) / loss (+) | - | - | - |
| **Total** | **5** | **-** | **5** |
| | | | |
| Exchange differences | 7 | - | 7 |
| Contributions: | | | |
| Employers (+) | - | - | - |
| Plan participants (+) | - | - | - |
| | | | |
| Benefit payments (-) | 357 | - | 357 |
| **31 December 2015** | **448** | **-** | **448** |

The Group expects to contribute EUR 28.7 thousand to its other long-term employee benefit plans in 2016.

## Actuarial assumptions

| EUR thousand | 2015 Finnish defined pension plans | 2015 Other plans | 2014 Finnish defined pension plans | 2014 Other plans |
|---|---|---|---|---|
| Discount rate, % | 1.00% | 2.18%-6.50% | 1.00% | 1,66%-6,50% |
| Future salary increase, % | - | 5.50% | - | 5.50% |
| Future pension increases, % | 1.85% | - | 2.10% | - |
| Inflation, % | 1.6% | 1,5%-5,5% | 2.0% | 1,5%-4,00% |
| Expected remaining service period, years | - | 10 | - | 10 |

There are no plan assets.

| EUR thousand | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| **Amounts for the current and previous periods, defined benefit pensions** | | | | | |
| Defined benefit pension obligation | **14** | 15 | 16 | 28 | 28 |
| Plan assets | **-** | - | - | - | - |
| **Surplus / deficit (-)** | **-14** | **-15** | **-16** | **-28** | **-28** |
| Experience adjustments on plan liabilities (gain -) | **-** | 3 | -8 | 3 | -7 |
| **Amounts for the current and previous periods, other long-term employee benefit plans** | | | | | |
| Defined benefit obligation | **448** | 1,598 | 1,366 | 1,353 | 1,273 |
| Plan assets | **-** | - | - | - | - |
| **Surplus / deficit (-)** | **-448** | **-1,598** | **-1,366** | **-1,353** | **-1,273** |
| Experience adjustments on plan liabilities (gain -) | **-** | 219 | -51 | 203 | -126 |

Note 22

# Interest-bearing Liabilities

| EUR thousand | 2015 | 2014 |
|---|---|---|
| **Non-current interest-bearing liabilities** | | |
| Loans from financial institutions | **5,994** | 7,459 |
| Other non-current liabilities | **-** | 3 |
| **Total non-current interest-bearing liabilities** | **5,994** | **7,462** |
| **Maturity of non-current interest-bearing liabilities** | | |
| 2017 (2016) | **2,500** | 7,462 |
| 2018 (2017) | **3,494** | - |
| 2019 (2018) | **-** | - |
| 2020 (2019) or later | **-** | - |
| **Total** | **5,994** | **7,462** |
| **Non-current liabilities by currency** | | |
| EUR | **5,994** | 7,459 |
| Other currencies | **-** | 3 |
| **Total** | **5,994** | **7,462** |
| **Current interest-bearing liabilities** | | |
| Loans from financial institutions | **7,500** | 7,600 |
| Other current interest-bearing liabilities | **1** | 3 |
| **Total current interest-bearing liabilities** | **7,501** | **7,603** |
| **Interest-bearing net liabilities** | | |
| Non-current interest-bearing liabilities | **5,994** | 7,462 |
| Current interest-bearing liabilities | **7,501** | 7,603 |
| Cash | **-6,066** | -20,040 |
| **Total** | **7,429** | **-4,976** |

Some of the Group's loan agreements include covenants and other terms and conditions which are linked to consolidated key figures. If the covenant terms are not fulfilled, negotiations with the lenders will be initiated. These negotiations may lead to notice of termination of financial agreements. Covenant terms are described in more detail in Note 3.

The liquidity and currency risk related to interest-bearing debt is described in more detail in Note 3.

Note 23

# Provisions

## Non-current provisions

| EUR thousand<br>**2015** | **Warranty provision** | **Other provisions** | **Total** |
|---|---|---|---|
| Carrying amount 1 January | 1,233 | 9 | 1,241 |
| Reclassification | -1,645 | - | -1,645 |
| Increase in provisions | 1,606 | - | 1,606 |
| Decrease in provisions due the disposals | -35 | -0 | -35 |
| **Carrying amount 31 December** | **1,158** | **9** | **1,167** |

| **2014** | **Warranty provision** | **Other provisions** | **Total** |
|---|---|---|---|
| Carrying amount 1 January | 811 | 5 | 815 |
| Reclassification | -821 | - | -821 |
| Increase in provisions | 1,243 | 4 | 1,247 |
| **Carrying amount 31 December** | **1,233** | **9** | **1,241** |

## Current provisions

EUR thousand

| **2015** | **Warranty provision** | **Restructuring provision** | **Other provisions** | **Total** |
|---|---|---|---|---|
| Carrying amount 1 January | 2,789 | 36 | 437 | 3,262 |
| Exchange difference | -9 | -9 | -23 | -41 |
| Reclassification | 1,645 | - | - | 1,645 |
| Increase in provisions | 746 | 333 | 113 | 1,193 |
| Provisions used during the period | -1,311 | -318 | -101 | -1,731 |
| Provisions released during the period | -1,401 | - | - | -1,401 |
| Decrease in provisions due the disposals | -140 | - | -272 | -413 |
| **Carrying amount 31 December** | **2,318** | **42** | **153** | **2,514** |

EUR thousand

| **2014** | **Warranty provision** | **Restructuring provision** | **Other provisions** | **Total** |
|---|---|---|---|---|
| Carrying amount 1 January | 2,180 | 37 | 379 | 2,596 |
| Exchange difference | 45 | 0 | 1 | 46 |
| Reclassification | 821 | - | - | 821 |
| Increase in provisions | 864 | - | 99 | 963 |
| Provisions used during the period | -789 | -1 | -28 | -818 |
| Provisions released during the period | -332 | - | -15 | -347 |
| **Carrying amount 31 December** | **2,789** | **36** | **437** | **3,262** |

### Warranty provisions

Glaston grants to its machine deliveries a guarantee period of 1 to 2 years. During the guarantee period Glaston repairs the defects, if any, of the machines and carries the costs of the repairing. The warranty provisions are expected to be realized within the next two years.

### Restructuring provisions

Glaston has recorded restructuring provisions for rationalization measures by closing production units or reducing activities at the units. Restructuring provisions only include expenses that are necessarily entailed by the restructuring, and which are not associated with the on-going activities. The restructuring provision includes, but is not limited to, estimated provisions for employee benefits related to personnel whose employment has been terminated. For some of the provisions it is not possible to estimate timing of the outflow of economic benefits, for example due to the timing of such outflows are dependent on the actions of an external party.

### Other provisions

Other provisions include, among other things, litigation provisions and provisions for costs, for which third party compensation has not yet been recognized.

Note 24

# Interest-free Liabilities

| EUR thousand | 2015 | 2014 |
|---|---|---|
| **Current interest-free liabilities** | | |
| Trade payables | **11,291** | 13,038 |
| Advances received* | **16,557** | 22,074 |
| Accrued expenses and deferred income | **15,578** | 17,139 |
| Other current interest-free liabilities | **931** | 2,849 |
| **Total current interest-free liabilities** | **44,357** | **55,099** |

Accruals mainly consist of cost accruals for machinery deliveries, accrued personnel expenses, accruals related to net sales and purchases, accruals of interests and other accruals.

* Advances received include EUR 14.7 (19.9) million advances received from construction contracts in progress. These are described in more detail in Note 6.

Note 25

# Financial Assets and Liabilities

| EUR thousand<br>31 December 2015 | Note | Assets available-for-sale* | Financial assets and liabilities at fair value through profit and loss* | Loans and receivables | Financial liabilities at amortized cost | Total carrying amounts | Total fair value |
|---|---|---|---|---|---|---|---|
| Cash | 3 | - | - | 6,066 | - | 6,066 | |
| Trade receivables | 19 | - | - | 20,819 | - | 20,819 | |
| Other interest-free receivables | 19 | - | - | 1,609 | - | 1,609 | |
| Receivables related to financial liabilities | | - | - | - | 162 | 162 | |
| Current loan receivables | 19 | - | - | 375 | - | 375 | |
| Other non-current interest-free receivables | 19 | - | - | 163 | - | 163 | |
| Non-current loan receivables | 19 | - | - | 1,375 | - | 1,375 | |
| Available-for-sale shares | 17 | 3,249 | - | - | - | 3,249 | |
| Non-current interest-bearing liabilities | 22 | - | - | - | -5,994 | -5,994 | -5,771 |
| Current interest-bearing liabilities | 22 | - | - | - | -7,501 | -7,501 | -7,446 |
| Trade payables | 24 | - | - | - | -11,291 | -11,291 | |
| Other current interest-free liabilities | 24 | - | - | - | -931 | -931 | |
| Derivatives (in liabilities) | 26 | - | -147 | - | - | -147 | -147 |
| **Total** | | **3,249** | **-147** | **30,406** | **-25,555** | **7,954** | **-13,364** |

| EUR thousand<br>31 December 2014 | Note | Assets available-for-sale* | Financial assets and liabilities at fair value through profit and loss* | Loans and receivables | Financial liabilities at amortized cost | Total carrying amounts | Total fair value |
|---|---|---|---|---|---|---|---|
| Cash | 3 | - | - | 20,040 | - | 20,040 | |
| Trade receivables | 19 | - | - | 24,237 | - | 24,237 | |
| Other interest-free receivables | 19 | - | - | 1,818 | - | 1,818 | |
| Receivables related to financial liabilities | | - | - | - | 110 | 110 | |
| Current loan receivables | 19 | - | - | 672 | - | 672 | |
| Other non-current interest-free receivables | 19 | - | - | 393 | - | 393 | |
| Non-current loan receivables | 19 | - | - | 1,765 | - | 1,765 | |
| Available-for-sale shares | 17 | 357 | - | - | - | 357 | |
| Non-current interest-bearing liabilities | 22 | - | - | - | -7,462 | -7,462 | -7,225 |
| Current interest-bearing liabilities | 22 | - | - | - | -7,603 | -7,603 | -7,519 |
| Trade payables | 24 | - | - | - | -13,038 | -13,038 | |
| Other current interest-free liabilities | 24 | - | - | - | -2,849 | -2,849 | |
| Derivatives (in receivables) | 26 | - | -67 | - | - | -67 | -67 |
| **Total** | | **357** | **-67** | **48,926** | **-30,841** | **18,376** | **-14,811** |

If the fair value is not mentioned separately, the carrying amount is equal to fair value.

## * Fair value measurement hierarchy

| | 2015 | 2014 |
|---|---|---|
| **Financial liabilities** | | |
| Level 2 | -13,217 | -14,744 |
| **Other long-term investments** | | |
| Level 3 | 2,834 | - |
| **Available-for-sale shares** | | |
| Level 1 | 167 | 109 |
| Level 3 | 248 | 248 |
| | 415 | 357 |
| **Derivatives** | | |
| Level 2 | -147 | -67 |

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

| | 2015 | 2014 |
|---|---|---|
| 1 January | 248 | 248 |
| Additions | 2,834 | - |
| Impairment losses | - | - |
| Reclassification | - | - |
| **31 December** | **3,082** | **248** |

## 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

Note 26

# Derivative Instruments

The Group had no currency derivatives at the end of 2015 or 2014.

The Group hedges its electricity purchases with electricity derivatives. The fair value changes of these derivative instruments are recognized immediately in profit or loss as an adjustment of expenses.

Valuation methods of derivative instruments are presented in the Summary of Significant Accounting Policies and hedging principles in Note 3.

## Nominal and fair values of derivative instruments

| | 2015 | | 2014 | |
|---|---|---|---|---|
| EUR thousand | **Nominal value** | **Fair value** | **Nominal value** | **Fair value** |
| **Electricity derivatives** | | | | |
| Forward contracts | 403 | -147 | 478 | -67 |

| EUR thousand | **2015** | **2014** |
|---|---|---|
| **Derivative instruments in the income statement** | | |
| Items included in operating expenses | **-148** | -48 |
| **Derivative instruments in the statement of financial position, receivables and liabilities** | | |
| **Accrued expenses and deferred income** | | |
| Electricity derivatives* | 147 | 67 |

* Carrying amount of electricity derivatives includes realized but unpaid electricity derivatives.

Note 27

# Contingencies

| EUR thousand | 2015 | 2014 |
|---|---|---|
| **Loans secured with mortgages or pledges** | | |
| Loans from financial institutions | **15,086** | 15,059 |
| | | |
| Mortgages given | **-** | 21,000 |
| Liens on chattel | **143,000** | 143,000 |
| Carrying amount of pledged securities | **23,941** | 91,448 |
| Carrying amount of pledged receivables and other assets | **-** | 48,233 |
| | | |
| **Total loans secured with mortgages, liens on chattel and pledged assets** | **15,086** | **15,059** |
| **Total mortgages, liens on chattel and pledged assets** | **166,941** | **303,682** |

## Contingent liabilities

| | | |
|---|---|---|
| Mortgages | | |
| On behalf of own commitments | **-** | 21,000 |
| Liens on chattel | | |
| On behalf of own commitments | **143,000** | 143,000 |
| Securities pledged | | |
| On behalf of own commitments | **23,941** | 91,448 |
| Receivables and other assets pledged | | |
| On behalf of own commitments | **-** | 48,233 |
| Total | **166,941** | 303,682 |
| | | |
| Guarantees | | |
| On behalf of own commitments | **4,437** | 11,002 |
| On behalf of others | **62** | 41 |
| Repurchase obligation | **484** | 690 |
| Total | **4,983** | 11,733 |
| | | |
| **Total contingent liabilities** | **171,924** | **315,414** |

## Operating leases

Glaston has various non-cancellable operating leases. The minimum future payments of these leasing contracts for continuing and discontinued operations are presented in the table below.

| **Minimum future payments of operating lease commitments** | | |
|---|---|---|
| Maturity within one year | **2,257** | 3,716 |
| Maturity later than one year and not later than five years | **6,533** | 12,624 |
| Maturity later than five years | **6,769** | 7,852 |
| **Total minimum future payments of operating lease commitments** | **15,558** | **24,192** |

## Operating leases as a lessor

Glaston has some operating lease agreements in which the Group acts as a lessor. The minimum future payments to be received from non-cancellable operating lease agreements are presented in the table below.

| **Minimum future payments of operating leases** | | |
|---|---|---|
| Maturity within one year | **417** | 649 |
| Maturity later than one year and not later than five years | **456** | 2,414 |
| Maturity later than five years | **-** | 130 |
| **Total minimum future payments of operating leases** | **873** | **3,193** |

## Other contingent liabilities and litigations

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 result.

Note 28

# Shares and Holdings

| Group companies | | | Group holding % | Parent holding % |
|---|---|---|---|---|
| Glaston Corporation | Helsinki | Finland | | |
| Uniglass Engineering Oy | Tampere | Finland | 100% | 100% |
| Glaston Services Ltd. Oy | Tampere | Finland | 100% | 100% |
| Glaston Finland Oy | Tampere | Finland | 100% | |
| Tamglass Project Development Oy | Tampere | Finland | 100% | |
| Glaston International Oy | Tampere | Finland | 100% | |
| Glaston Germany GmbH | Nürnberg | Germany | 100% | |
| Glaston America, Inc. | Mount Laurel, NJ | United States | 100% | |
| Glaston USA, Inc. | Pittsburgh, PA | United States | 100% | |
| Glaston UK Ltd.* | Derbyshire | United Kingdom | 100% | |
| Glaston France S.A.R.L. | Chassieu | France | 100% | |
| Glaston Singapore Pte. Ltd. | Singapore | Singapore | 100% | |
| Glaston Tianjin Co. Ltd. | Tianjin | China | 100% | |
| Glaston Management (Shanghai) Co. Ltd. | Shanghai | China | 100% | |
| Glaston China Co. Ltd. | Tianjin | China | 100% | |
| LLC Glaston | Moscow | Russia | 100% | |
| Glaston Mexico S.A. de C.V. | Jalisco | Mexico | 100% | |
| Glaston Brasil Ltda | São Paulo | Brazil | 100% | |
| Glaston Hong Kong Ltd. | Hong Kong | China | 100% | |
| Glaston Tools (Sanhe) Co., Ltd. | Sanhe | China | 70% | |
| Glaston Tools s.r.l . | Bregnano | Italy | 100% | |

* For the year ending 31 December 2015, Glaston UK Ltd. was entitled to exemption from audit under section 479A of the UK Companies Act 2006.

## Changes in subsidiaries in 2015

Glaston Italy S.p.A. was sold in June 2015.
Glaston Tools s.r.l. was established in June 2015.

## Changes in subsidiaries in 2014

Bavelloni Tools (Tianjin) Co., Ltd. was liquidated in April 2014.
Bavelloni UK Ltd. was merged with Glaston UK Ltd in November 2014.
Z. Bavelloni South America Ltda changed it's name to Glaston Brasil Ltda in November 2014.

Note 29

# Share-based Incentive Plans

## Share-based incentive plans

Glaston's share-based incentive plans are directed to the Group's key personnel as part of the Group's incentive schemes. The plans aim to align the interests of the company's shareholders and key personnel in the Group in order to raise the value of Glaston. The shares can be held by Glaston Corporation's own treasury or they may be purchased in public trading. Therefore, the incentive plan has no dilution effect on the share value.

The share-based incentive plans of Glaston are a combination of shares and cash payments. Glaston has the option to settle the possible rewards in cash in its entirety. The granted amount of the incentive plans settled in shares is measured at fair value at the grant date, and the cash-settled part of the plans is measured at fair value at the reporting or payment date. The expenses arising from the incentive plans have been recognized in profit or loss during the vesting periods. The cash-settled portion of the incentive plans is recorded as a liability in the statement of financial position, if it has not been paid, and the portion settled in shares has been recorded in retained earnings in equity net of tax. Glaston has recorded the personnel costs arising from the share-based incentive plans to the extent it is liable to pay them.

## 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 incentive scheme is based on the development of Glaston's share price. The plan 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.

| **Basic information of the share-based plans** | **Share-based incentive plan 2015** | **Share-based incentive plan 2014** |
|---|---|---|
| Grant date | 27 January 2015 | 21 January 2014 |
| Nature of the plan | Cash | Cash |
| Target group | Key personnel | Key personnel |
| Maximum amount od cash | 1,941,600 | 2,024,000 |
| Performance period begins | 1 January 2015 | 1 January 2014 |
| Performance period ends | 31 December 2017 | 31 December 2016 |
| End of restriction period/ payment | 1 April 2018 | 1 April 2017 |
| Vesting conditions | Share price | Share price |
| | Service period | Service period |
| Maximum contractual life, years | 3 | 3 |
| Remaining contractual life, years | 2 | 1 |
| Number of persons involved 31 December | 31 | 30 |

| EUR thousand<br>**Effect on the profit or loss for the period and on financial position** | **2015** | **2014** |
|---|---|---|
| Effect on the result of the reporting period, EUR thousand | **225** | 231 |

The fair value of the share-based reward is defined on the date when the company and the target group have agreed on the plan (grant date). As the persons involved in the plan are not entitled to dividends during the performance period, the fair value of the equity-settled reward accounts for the share price at the grant date deducted by the dividends expected to be paid during the performance period.

Note 30

# Related Parties

Parties are considered to be related parties if a party is able to exercise control over the other or substantially influence its decision-making concerning its finances and business operations. Glaston Group's related parties include the parent of the Group (Glaston Corporation), subsidiaries and associates. Also the shareholders, which have significant influence in Glaston through shareholding, are considered to be related parties, as well as the companies controlled by these shareholders.

Related parties also include the members of the Board of Directors, the Group's Executive Management Group, the CEO and their family members.

Glaston follows the same commercial terms in transactions with associates and other related parties as with third parties. Associates are described in more detail in Note 16 to the consolidated financial statements.

Total accrual based remuneration of the Board of Directors and the Executive Management Group was EUR 2,236 (1,758) thousand.

## Remuneration of the Executive Management Group, accrual based

| **Transactions with related parties,** EUR thousand | **2015** | **2014** |
|---|---|---|
| **CEO Arto Metsänen** | | |
| Salaries | **519,924** | 378,569 |
| Bonuses | **40,000** | - |
| Share based benefit | **41,000** | 42,488 |
| Total | **600,924** | 421,057 |
| Fringe benefits | **-** | 16,583 |
| **Total** | **600,924** | **437,640** |
| | | |
| Statutory pension payments (Finnish TyEL or similar plan) | **30,122** | 161,158 |
| Voluntary pension payments | **63,671** | 56,774 |
| | | |
| **Other members of the Executive Management Group** | | |
| Salaries | **1,179,963** | 901,424 |
| Compensations for termination of employment | **-** | 83,479 |
| Bonuses | **104,000** | 2,847 |
| Share based benefit | **95,000** | 112,131 |
| Total | **1,378,963** | 1,099,881 |
| Fringe benefits | **78,348** | 38,054 |
| **Total** | **1,457,311** | **1,137,935** |
| | | |
| Statutory pension payments (Finnish TyEL or similar plan) | **154,040** | 276,346 |
| Voluntary pension payments | **46,097** | 26,701 |

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

The CEO's period of notice is 3 months. In the event the company would give notice to the CEO, he will receive an additional remuneration equaling 12 months' salary. If there is a change in control of the company where more than 50 per cent of the company's shares are transferred to a new owner, the CEO has the right to terminate his employment with 1 month's period of notice, in which case he would receive EUR 200,000 as compensation for temination of employment.

Compensation of the CEO and other members of the Executive Management Group consists of a fixed monthly salary, an annual bonus and a share-based incentive plan intended as a long-term incentive (described in more detail in Note 29). The criteria for bonus payments are consolidated result, result of the business area or business unit as well as functional targets. The maximum annual bonus of the CEO is 50 per cent of the annual salary. The maximum annual bonus of the other members of the Executive Management Group is 40 per cent of the annual salary.

The CEO of Glaston Corporation is entitled to retire at the age of 63. The retirement age of other members of the Executive Management Group is according to the normal local legislation, ie. 63 - 68 years.

## Remuneration of the Board of Directors, accrual based

| EUR | 2015 annual fee | 2015 meeting fee | 2014 annual fee | 2014 meeting fee |
|---|---|---|---|---|
| Andreas Tallberg, Chairman of the Board of Directors | **40,000** | **6,700** | 40,000 | 8,100 |
| Teuvo Salminen, Deputy Chairman of the Board of Directors | **30,000** | **4,300** | 27,500 | 4,600 |
| Claus von Bonsdorff | **20,000** | **4,300** | 20,000 | 5,100 |
| Pekka Vauramo | **20,000** | **4,300** | 20,000 | 4,100 |
| Anu Hämäläinen | **20,000** | **4,300** | 20,000 | 5,100 |
| Kalle Reponen | **20,000** | **4,300** | 15,000 | 3,600 |
| Christer Sumelius* | **-** | **-** | 7,500 | 1,500 |
| Total | **150,000** | **28,200** | 150,000 | 32,100 |

The members of Glaston Corporation's Board of Directors were paid an annual remuneration and a meeting fee; other compensation was not paid. The Chairman of Glaston Corporation's Board of Directors was paid EUR 40,000 (40,000) annually, the Deputy Chairman EUR 30,000 (30,000) annually and each of the members EUR 20,000 (20,000) annually. In addition, a meeting fee of EUR 800 (800) per meeting was paid to the chairman of the meeting and EUR 500 (500) to the other participants of the meeting. The members of the Board of Directors did not receive any shares or share derivatives as remuneration during the year.

The members of Glaston Corporation's Board of Directors are covered by voluntary pension insurance accrued from board membership fees. The value of the pension insurance corresponds to the Finnish TyEL pension.

| Glaston shares | 31 December 2015 | 31 December 2014 |
|---|---|---|
| **Board of Directors, share ownership** | | |
| Andreas Tallberg, Chairman of the Board of Directors | **1,500,000** | 1,500,000 |
| Teuvo Salminen, Deputy Chairman of the Board of Directors | **400,000** | 300,000 |
| Claus von Bonsdorff | **172,600** | 172,600 |
| Pekka Vauramo | **250,000** | 250,000 |
| Anu Hämäläinen | **150,000** | 150,000 |
| Kalle Reponen | **10,000** | 10,000 |
| Christer Sumelius* | **-** | 4,878,933 |
| **Executive Management Group, share ownership** | | |
| Arto Metsänen, CEO | **1,500,000** | 1,500,000 |
| Sasu Koivumäki | **300,000** | 300,000 |
| Juha Liettyä | **250,000** | 250,000 |
| Pekka Huuhka | **150,000** | 150,000 |
| Frank Chengdong Zhang | **-** | - |
| Taina Tirkkonen | **75,000** | 75,000 |
| Pekka Hytti** | **100,000** | - |

Share ownership includes also the ownership of Glaston Corporation shares by the related parties of the person in question and entities controlled by the person in question.

* Member of the Board of Directors until 2 April 2014
** Member of the the Executive Management Group from 2 March 2015

Note 31

# Events after End of the Reporting Period

On 22 January 2016, Glaston announced on an appointment to Glaston's Executive Management Group. 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. Pekka Huuhka, the present Senior Vice President, Services will continue in Glaston in a Senior Advisor role and as member of the Executive Management Group.

At its meeting held on 27 January 2016, the Nomination Board appointed by the Annual General Meeting gave its proposal on the remuneration of the Board of Directors. The Nomination Board has had differing opinions on the number of members of the Board of Directors and on the composition of the Board of Directors for the term of office that expires at the end of the 2017 Annual General Meeting. The Nomination Board has therefore decided not to submit a proposal on the number of members and on the composition of the Board of Directors to the Annual General Meeting.

# Parent Company Financial Statements

## 2015

# Parent Company Financial Statements

## Income Statement of the Parent Company (FAS)

| EUR thousand | Note | 1 January - 31 December 2015 | 2014 |
|---|---|---|---|
| **Net sales** | 2 | **3,282** | **3,644** |
| Other operating income | 3 | **2,494** | 2,926 |
| Personnel expenses | 4 | **-2,111** | -1,830 |
| Depreciation, amortization and impairment losses | 5 | **-646** | -924 |
| Other operating expenses | 6 | **-9,030** | -5,421 |
| **Operating profit / loss** | | **-6,012** | **-1 605** |
| Net financial items | 7 | **-26,687** | 2,908 |
| **Profit / loss before extraordinary items** | | **-32,698** | **1,303** |
| Extraordinary items | 8 | **10,022** | 28 |
| **Profit /loss before appropriations and taxes** | | **-22,676** | **1,331** |
| Appropriations | 9 | **63** | 4 |
| Income taxes | 10 | **-36** | -653 |
| **Profit / loss for the financial year** | | **-22,650** | **682** |

# Balance Sheet of the Parent Company (FAS)

| EUR thousand | Note | 1 January - 31 December 2015 | 2014 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 11 | **1,604** | 1,755 |
| Tangible assets | 11 | **358** | 370 |
| Investments | 12,13 | **57,138** | 46,558 |
| **Non-current assets, total** | | **59,100** | **48,683** |
| **Current assets** | | | |
| Non-current receivables | 14 | **6,960** | 36 |
| Current receivables | 14 | **38,798** | 61,127 |
| Cash and bank | | **7** | 10,960 |
| **Current assets, total** | | **45,668** | **72,123** |
| **Total assets** | | **104,768** | **120,806** |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | | **12,696** | 12,696 |
| Share premium account | | **25,270** | 25,270 |
| Reserve for invested unrestricted equity | | **44,915** | 48,772 |
| Treasury shares | | **-3,308** | -3,308 |
| Retained earnings | | **4,877** | 4,195 |
| Profit / loss for the financial year | | **-22,650** | 682 |
| **Total equity** | 15 | **61,800** | **88,306** |
| **Accumulated appropriations** | 16 | **25** | **88** |
| **Liabilities** | | | |
| Non-current liabilities | 17 | **6,264** | 15 |
| Current liabilities | 18 | **36,776** | 32,396 |
| **Total liabilities** | | **42,943** | **32,411** |
| **Total equity and liabilities** | | **104,768** | **120,806** |

# Parent Company Cash Flow Statement (FAS)

| EUR thousand | 1 January - 31 December 2015 | 2014 |
|---|---|---|
| **Cash flow from operating activities before financial items and taxes** | | |
| Profit / loss for the financial period | **-22,650** | 682 |
| Adjustments: | | |
| Income taxes for the period | **36** | 653 |
| Deferred taxes | **-63** | -4 |
| Appropriations | **-10,022** | -28 |
| Group contribution | **26,687** | -2,908 |
| Financial income and expenses | **646** | 924 |
| Depreciation, amortization and impairment | **-8** | - |
| Proceeds from disposal of tangible and intangible assets | **-** | 691 |
| Other adjustments | **3,016** | 6 |
| Cash flow before change in net working capital | **-2,358** | 16 |
| | | |
| Change in net working capital | | |
| Change in current interest-free receivables | **-683** | -3 454 |
| Change in current interest-free liabilities | **660** | -348 |
| Cash flow from operating activities before financial items and taxes | **-2 380** | -3 786 |
| | | |
| Interests paid and payments made for other financial items and income taxes | | |
| Interests and other financial expenses paid | **-592** | 900 |
| Dividends received | **2** | 2 |
| Interest received | **1,500** | 3,386 |
| Cash flow from operating activities before extraordinary items | **-1,470** | 502 |
| **Cash flow from operating activities** | **-1,470** | **502** |
| | | |
| **Cash flow from investing activities** | | |
| Investments in tangible and intangible assets | **-519** | -689 |
| Proceeds from disposal of tangible and intangible assets | **44** | - |
| Investments in long term investments | **-2,834** | - |
| Cash flow from sales of business | **-** | 1,500 |
| **Cash flow from investing activities** | **-3,309** | **811** |
| | | |
| **Cash flow from financing activities** | | |
| Drawn-down of non-current loans | **7,500** | - |
| Change in current intra-group receivables | **-11,164** | -11,986 |
| Change in current intra-group loans | **97** | 19,464 |
| Drawn-down of current loans | **22,500** | 29,000 |
| Repayments of current loans | **-21,250** | -34,000 |
| Dividends paid | **-** | -1,929 |
| Return of capital | **-3,857** | - |
| **Cash flow from financing activities** | **-6,174** | **549** |
| | | |
| **Change in cash and cash equivalents** | **-10,953** | **1,861** |
| | | |
| Cash and cash equivalents at the beginning of the period | **10,960** | 9,099 |
| Cash and cash equivalents at the end of the period | **7** | 10,960 |
| **Change in cash and cash equivalents** | **-10,953** | **1,861** |

# Notes to Parent Company Financial Statements (FAS)

Note 1

## Summary of Significant Accounting Policies

Glaston Corporation is a public limited liability company organized under the laws of Republic of Finland. Glaston's shares are publicly traded in the NASDAQ Helsinki Ltd. Small Cap in Helsinki, Finland. Glaston Corporation is domiciled in Helsinki, Finland and its registered office is Yliopistonkatu 7, 00100 Helsinki, Finland. Glaston Corporation is the parent of Glaston Group.

The financial statements of Glaston Corporation are prepared in accordance with Finnish Accounting Standards (FAS). The consolidated financial statements of Glaston Group are prepared in accordance with International Financial Reporting Standards (IFRS), and Glaston Corporation applies in its separate financial statements the same accounting principles as Glaston Group to the extent it is possible within the framework of Finnish accounting practice. The accounting principles of Glaston Group are presented in the Notes to the Consolidated Financial Statements (Note 1).

The main differences in the accounting principles between Glaston Corporations's separate financial statements and Glaston Group's consolidated financial statement are presented below.

### Pension Arrangements

Glaston Corporation has a pension arrangement, which is classified as a defined benefit plan in the IFRS financial statements. The obligation arising from this pension as well as the pension expense differ from the obligation and expense recognized in the consolidated financial statements.

### Financial Assets and Liabilities and Derivative Instruments

Financial assets and liabilities with the exception of derivative instruments are recorded at cost or at cost less impairment losses. Fair value changes of derivatives are recognized in financial items. Valuation methods of derivatives are presented in the accounting policies of Glaston Group.

### Finance Leasing

Lease payments are recognized as lease expenses. Leasing obligations are presented as contingent liabilities.

### Extraordinary Income and Expenses

The parent's extraordinary income and expenses consist of group contributions received from and given to subsidiaries.

### Untaxed Reserves

Untaxed reserves consist of a depreciation difference. This difference between scheduled depreciation and amortization and the depreciation and amortization deducted in arriving to taxable profit is presented as a separate item in the income statement and in the balance sheet.

Note 2

## Net Sales

| EUR thousand | 2015 | 2014 |
|---|---|---|
| **Net sales by business** | | |
| Manufacturing industry | **3,282** | 3,644 |
| **Net sales by country by destination** | | |
| Finland | **2,712** | 2,061 |
| Other EMEA | **110** | 741 |
| Americas | **398** | 504 |
| Asia | **62** | 339 |
| **Total** | **3,282** | **3,644** |

EMEA = Europe, the Middle East and Africa
Americas = North, Central and South America
Asia = China and the rest of the Asia-Pacific area

Note 3

# Other Operating Income

| EUR thousand | 2015 | 2014 |
|---|---|---|
| Charges from group companies | 2,482 | 2,926 |
| Proceeds from sale of business operations | 11 | - |
| **Other operating income, total** | **2,494** | **2,926** |

Note 4

# Personnel Expenses

| EUR thousand | 2015 | 2014 |
|---|---|---|
| Salaries and fees | -1,661 | -1,446 |
| Pension expenses | -387 | -335 |
| Other personnel expenses | -63 | -50 |
| **Total** | **-2,111** | **-1,830** |

| | | |
|---|---|---|
| Salaries and remuneration paid to members of the Board of Directors and Managing Director | -738 | -620 |

The members of the Board of Directors are covered by voluntary pension insurance accrued from board membership fees. This pension liability is covered. The value of the pension insurance corresponds to the Finnish TyEL pension.

| | | |
|---|---|---|
| **Employees during financial year, average** | | |
| White collar | 11 | 11 |

Note 5

# Depreciation, Amortization and Impairment Losses

| EUR thousand | 2015 | 2014 |
|---|---|---|
| **Depreciation and amortization according to plan** | | |
| Intangible assets | | |
| Intangible rights | -471 | -785 |
| Other capitalized expenditure | -40 | -35 |
| Tangible assets | | |
| Machinery and equipment | -136 | -104 |
| **Total depreciation and amortization according to plan** | **-646** | **-924** |
| | | |
| **Total depreciation and amortization according to plan and impairment losses** | **-646** | **-924** |

Note 6

# Other Operating Expenses

| EUR thousand | 2015 | 2014 |
|---|---|---|
| Rents | -228 | -227 |
| Information and communications technology expenses | -3,475 | -3,309 |
| Travel expenses | -282 | -161 |
| Losses on disposals of assets | -3 | -691 |
| Intra-group credit loss | -3,016 | - |
| Other expenses | -2,026 | -1,034 |
| **Other operating expenses, total** | **-9,030** | **-5,421** |
| | | |
| **Fees paid to auditors** | | |
| Fees paid to principal auditors for audit | -61 | -61 |
| Fees paid to principal auditors for other services | -70 | -3 |
| **Total** | **-131** | **-64** |

Note 7

# Net Financial Items

| EUR thousand | 2015 | 2014 |
|---|---|---|
| **Dividend income** | | |
| From external parties | 2 | 2 |
| **Dividend income, total** | **2** | **2** |
| | | |
| **Interest and other financial income** | | |
| From group companies | 3,293 | 3,754 |
| From external parties | 0 | 0 |
| **Interest and other financial income** | **3,293** | **3,754** |
| | | |
| **Interest and other financial income, total** | **3,295** | **3,756** |
| | | |
| **Interest and other financial expenses** | | |
| To group companies | -188 | -375 |
| Impairment losses of investments in non-current assets | -29,100 | - |
| To external parties | -693 | -473 |
| **Interest and other financial expenses, total** | **-29,981** | -848 |
| | | |
| **Net financial items, total** | **-26,687** | **2,908** |
| | | |
| Other financial income and expenses include foreign exchange gains and losses (net) | 911 | 1,037 |

Note 8

# Extraordinary items

| EUR thousand | 2015 | 2014 |
|---|---|---|
| **Extraordinary income** | | |
| Received group contributions | 10,022 | 28 |
| **Extraordinary income, total** | **10,022** | **28** |

Note 9

# Appropriations

| EUR thousand | 2015 | 2014 |
|---|---|---|
| Difference between depreciation and amortization according to plan and depreciation and amortization in taxation | 63 | 4 |
| **Total** | **63** | **4** |

Note 10

# Income Taxes

| EUR thousand | 2015 | 2014 |
|---|---|---|
| Income taxes for operations | - | -238 |
| Change in deferred tax assets | -36 | -415 |
| **Total** | **-36** | **-653** |

Note 11

# Fixed Assets

| EUR thousand<br>**Intangible assets** | **Intangible rights** | **Other capitalized expenditure** | **Advance payments and investments in progress** | **Total** |
|---|---|---|---|---|
| Acquisition cost 1 January 2015 | 5,160 | 525 | 579 | 6,263 |
| Additions | 0 | 1 | 359 | 360 |
| Reclassifications | 220 | 40 | -261 | -0 |
| **Acquisition cost 31 December 2015** | **5,381** | **566** | **677** | **6,623** |
| Accumulated amortizations and impairment losses 1 January 2014 | -4,069 | -439 | - | -4,508 |
| Amortization of the period | -471 | -40 | - | -511 |
| **Accumulated amortizations and impairment losses 31 December 2015** | **-4,540** | **-479** | **-0** | **-5,019** |
| | | | | |
| **Carrying amount at 31 December 2015** | **840** | **87** | **677** | **1,604** |
| Carrying amount at 31 December 2014 | 1,090 | 86 | 579 | 1,755 |

| EUR thousand<br>**Tangible assets** | **Machinery and equipment** | **Other tangible assets** | **Advance payments and investments in progress** | **Total** |
|---|---|---|---|---|
| Acquisition cost 1 January 2015 | 1,038 | 24 | - | 1,062 |
| Additions | 128 | - | 31 | 159 |
| Disposals | -74 | - | - | -74 |
| **Acquisition cost 31 December 2015** | **1,092** | **24** | **31** | **1,147** |
| Accumulated depreciations and impairment losses 1 January 2014 | -692 | 0 | - | -692 |
| Accumulated depreciations of disposals and transfers | 39 | -0 | - | 39 |
| Depreciation for the period | -136 | - | - | -136 |
| **Accumulated depreciations and impairment losses 31 December 2015** | **-789** | **0** | **-** | **-789** |
| **Carrying amount 31 December 2015** | **303** | **24** | **31** | **358** |
| Carrying amount at 31 December 2014 | 345 | 24 | - | 370 |

Note 12

# Investments

| EUR thousand | Shares Group companies | Subordinated loan receivable Group Companiens | Shares Others | Total |
|---|---|---|---|---|
| Carrying amount at 1 January, 2015 | 46,304 | - | 254 | 46,558 |
| Increase | - | 36,846 | 2,834 | 39,680 |
| Decrease | -29,100 | - | -0 | -29,100 |
| **Carrying amount at 31 December, 2015** | **17,204** | **36,846** | **3,088** | **57,138** |

Note 13

# Shares and holdings owned by the Parent

| EUR thousand | Ownership % | Number of shares | Nominal value | Carrying amount |
|---|---|---|---|---|
| **Subsidiary shares** | | | | |
| Uniglass Engineering Oy, Tampere, Finland | 100% | 20,000 | 400 | 2,351 |
| Glaston Services Ltd. Oy, Tampere, Finland | 100% | 1,800,000 | 3,600 | 14,853 |
| **Total** | | | | **17,204** |
| **Other** | | | | |
| Kiinteistö Oy Torikyrö, Finland | 63.4% | 804 | 68 | 240 |
| Other shares and holdings | | | | 2,848 |
| **Total** | | | | **3,088** |

Note 14

# Receivables

| EUR thousand | 2015 | 2014 |
|---|---|---|
| **Non-current receivables** | | |
| **Receivables from external parties** | | |
| Deferred tax assets | - | 36 |
| Total | - | 36 |
| **Receivables from group companiens** | | |
| Loan receivables | 6,960 | - |
| Total | 6,960 | - |
| **Non-current receivables, total** | 6,960 | 36 |
| **Current receivables** | | |
| **Receivables from external parties** | | |
| Trade receivables | 18 | 19 |
| Other receivables | 104 | 111 |
| Prepaid expenses and accrued income | 464 | 136 |
| Total | 586 | 266 |
| **Receivables from group companies** | | |
| Trade receivables | 6,065 | 8,145 |
| Loan receivables | 25,635 | 48,291 |
| Group Contribution receivables | 10,022 | 28 |
| Other receivables | - | 1,375 |
| Prepaid expenses and accrued income | 3,450 | 3,022 |
| Total | 45,172 | 60,860 |
| **Current receivables, total** | 45,758 | 61,127 |
| **Prepaid expenses and accrued income** | | |
| Personnel expenses | - | 26 |
| Interest income | 3,428 | 2,982 |
| Financial items | 449 | 110 |
| Other | 38 | 40 |
| **Prepaid expenses and accrued income, total** | 3,914 | 3,158 |

Note 15

# Equity

| EUR thousand | 2015 | 2014 |
|---|---|---|
| Share capital 1 January | 12,696 | 12,696 |
| Share capital 31 December | 12,696 | 12,696 |
| Share premium account 1 January | 25,270 | 25,270 |
| Share premium account 31 December | 25,270 | 25,270 |
| Reserve for invested unrestricted equity 1 January | 48,772 | 48,772 |
| Capital repayment | -3,857 | - |
| Reserve for invested unrestricted equity 31 December | 44,915 | 48,772 |
| Treasury shares 1 January | -3,308 | -3,308 |
| Treasury shares 31 December | -3,308 | -3,308 |
| Retained earnings 1 January | 4,877 | 6,124 |
| Retained earnings 31 December | 4,877 | 4,195 |
| Profit / loss for the financial year | -22,650 | 682 |
| **Equity at 31 December** | 61,800 | **88,306** |
| **Distributable funds at 31 December** | | |
| Reserve for invested unrestricted equity | 44,915 | 48,772 |
| Treasury shares | -3,308 | -3,308 |
| Retained earnings | 4,877 | 4,195 |
| Profit / loss for the financial year | -22,650 | 682 |
| **Distributable funds** | 23,834 | **50,340** |

Note 16

# Accumulated Appropriations

| EUR thousand | 2015 | 2014 |
|---|---|---|
| Accumulated depreciation difference 1 January | 88 | 92 |
| Increase (+) / decrease (-) | -63 | -4 |
| **Accumulated depreciation difference 31 December** | 25 | **88** |

Note 17

# Non-current Liabilities

| EUR thousand | 2015 | 2014 |
|---|---|---|
| Loans from financial institutions | 6,250 | - |
| Other liabilities | 14 | 15 |
| Liabilities to external parties, total | 6,264 | 15 |
| | | |
| **Non-current liabilities, total** | **6,264** | **15** |

Note 18

# Current Liabilities

| EUR thousand | 2015 | 2014 |
|---|---|---|
| **Liabilities to external parties** | | |
| Loans from financial institutions | 7,500 | 5,000 |
| Trade payables | 324 | 237 |
| Other liabilities | 280 | 125 |
| Accrued expenses and deferred income | 907 | 396 |
| Liabilities to external parties, total | 9,012 | 5,758 |
| | | |
| **Liabilities to group companies** | | |
| Other interest-bearing liabilities | 27,758 | 26,637 |
| Trade payables | 7 | 1 |
| Liabilities to group companies, total | 27,765 | 26,638 |
| | | |
| **Current liabilities, total** | **36,776** | **32,396** |
| | | |
| **Accrued expenses and deferred income** | | |
| Salary and other personnel expense accruals | 387 | 215 |
| Other | 520 | 181 |
| **Accrued expenses and deferred income, total** | **907** | **396** |

Note 19

# Contingent Liabilities

| EUR thousand | 2015 | 2014 |
|---|---|---|
| **Leasing liabilities** | | |
| Maturity within one year | **60** | 41 |
| Maturity later than one year | **38** | 40 |
| **Total** | **98** | **82** |

The leasing agreements have normal terms.

| | | |
|---|---|---|
| **Other rental liabilities** | | |
| Maturity within one year | **93** | 93 |
| **Total** | **93** | **93** |

| | | |
|---|---|---|
| **Pledges** | | |
| On behalf of group companies | **4,891** | 25,889 |
| **Loans secured with pledged assets and mortgages** | | |
| Loans from financial institutions | **15,086** | 5,000 |
| Liens on chattel | | |
| On own behalf | **50,000** | 50,000 |
| Carrying amount of pledged securities | **17,204** | 46,544 |
| Carrying amount of pledged receivables | **-** | 41,929 |
| Other pledged assets | **-** | 20 |

Mortgages, liens on chattel and pledged assets are given on own and other group companies behalf.

# Board of Director's Proposal for Distribution of Profits

The distributable funds of Glaston Corporation, are EUR 23,833,715 of which EUR -22,649,728 represents the net loss for the financial year. There are no funds that can be distributed as dividends.

The Board of Directors proposes to the Annual General Meeting to be held on 5 April 2016 that the loss for the financial year 2015 be placed in retained earnings and no dividend be paid.

The Board of Directors proposes to the Annual General Meeting that, based on the balance sheet to be adopted for 2015, a capital repayment of EUR 0.01 per share be paid. Capital is repaid from the reserve for invested unrestricted equity. The capital is repaid to a shareholder who is registered in the Company's shareholders' register maintained by Euroclear Finland Ltd on the record date for payment, 7 April 2016. The Board of Directors proposes to the Annual General Meeting that the capital repayment be paid on 28 April 2016.

On the day the proposal for the distribution of assets was made, the number of shares entitling to dividend was 192,919,754, which means the total amount of the capital repayment would be EUR 1,929,198.

EUR 21,904,517 will be left in distributable funds.

After the end of the financial year, there have been no material changes in the company's financial position. In the Board's opinion, the proposed distribution of profits does not endanger the company's solvency.

Helsinki, 11 February 2016

**Andreas Tallberg**
Chairman of the Board

**Teuvo Salminen**
Deputy Chairman of the Board

**Claus von Bonsdorff**

**Anu Hämäläinen**

**Pekka Vauramo**

**Kalle Reponen**

**Arto Metsänen**
CEO

# Auditor's report

## To the Annual General Meeting of Glaston Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Glaston Corporation for the financial period 1.1.-31.12.2015. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

## Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

## Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

## Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, February 11, 2016

Ernst & Young Oy
Authorized Public Accountant Firm

**Harri Pärssinen**
Authorized Public Accountant

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Sales and services offices
Sales and services offices and a factory

glaston
seeing it through®