Glaston's half-year report 1 January–30 June 2018: Machines business order book growing

Glaston has applied the new revenue recognition standard IFRS 15 fully retrospectively from 1 January 2018, and therefore the half-year report 1 January – 30 June 2018 is reported in accordance with the new standard for 2018 actual data and 2017 comparison data.

April–June 2018

- Orders received totalled EUR 25.4 (26.6) million.
- Net sales totalled EUR 25.6 (28.9) million.
- Comparable EBITDA was EUR 1.6 (2.2) million, i.e. EUR 6.1 (7.7)% of net sales.
- The operating profit was EUR 0.8 (1.3) million, i.e. 3.1 (4.5)% of net sales.
- The comparable operating profit was EUR 0.8 (1.5) million, i.e. EUR 3.1 (5.1)% of net sales.

January–June 2018

- Orders received totalled EUR 52.0 (48.1) million.
- The order book was EUR 37.3 (36.1) million at the end of June.
- Net sales totalled EUR 50.3 (55.5) million.
- Comparable EBITDA was EUR 3.3 (4.1) million, i.e. EUR 6.6 (7.3)% of net sales.
- The operating profit was EUR 1.6 (2.4) million, i.e. 3.2 (4.3)% of net sales.
- The comparable operating profit was EUR 1.8 (2.6) million, i.e. EUR 3.6 (4.6)% of net sales.
- Return on capital employed (ROCE) was 6.5 (9.5)%.
- Earnings per share were EUR 0.004 (0.008).
- Net interest-bearing debt amounted to EUR 8.2 (5.9) million.

Outlook

Glaston's outlook has remained unchanged. We expect the full-year comparable operating profit to improve from 2017. (Full-year 2017 comparable operating profit was EUR 5.0 million according to the new revenue recognition standard IFRS 15).

President & CEO Arto Metsänen:

"In the second quarter, the order intake of Glaston's Machines business developed positively. Orders grew by 9% compared with corresponding period of the previous year. Glaston's order intake overall, however, was 4% below the previous year's level, because Services business orders in particular were weakened by the removal from orders of the USA and Canada pre-processing business, sold in spring 2017.

Second-quarter net sales fell 12% and operating profit was down on the corresponding period of the previous year. A smaller number of projects, a lower margin in the Machines business and last year's sale of the pre-processing business contributed to this.

The Emerging Technologies unit has a key role in building Glaston's growth. The Heliotrope project, which is developing the unit's smart glass production, proceeded according to plan, and a prototype line is in test production. We currently estimate that, with the project advancing on schedule, the first pilot line will be ordered in spring 2019. Many other Emerging Technologies projects also progressed favourably.

Smart glass is the most strongly growing processed glass market. In the coming years, the market is expected to grow by around 15% per year. The quality targets of Heliotrope smart glass have been set high, but the price of the glass will be significantly lower than that of products currently on the market. The market potential is therefore considerable. Glaston has the exclusive right to supply Heliotrope production lines globally.

In the autumn, two major trade fairs will be held: GlassBuild America, in the USA in September, and our industry's main event Glasstec, in Germany in October. At these events, we will gain a good understanding of market activity and customers' willingness to invest. Our trade fair concept reflects our operational priorities and our focus on digitalisation. For example, in daily live streamings from Finland to Germany we will present the concrete opportunities and benefits of the new FC flat tempering series' as well as the iLook quality measurement system's new digital solutions and machine intelligence in tempering and maintenance services. We will also present the new solutions of the ProL laminating line using augmented reality techniques."

Operating environment

In the second quarter, the glass processing market was reasonably active. In the EMEA area, demand for machines remained high. The subdued development in North America over the last few quarters took a positive turn in the latter part of the reporting period. In the Asia market area, activity was on a lower level than the first quarter.

Machines

The Machines business market was fairly lively in April–June. Particularly in the EMEA area, demand continued to be strong. The most positive development was in Central and Eastern Europe. In Turkey, the devaluation of the lira caused instability, and investment decisions were postponed. In the North American market, demand picked up significantly towards the end of the second quarter, while in the South American market demand remained subdued. Despite the good market activity in the USA and Canada, customers' decision-making was still slow. In Asia, the market remained reasonably active, but the positive market mood showed slight signs of cooling.

In the reporting period, there were a few significant openings in new products, for example the sale to the USA of a CBRC flat tempering line, launched for the RC product range. The machine's CB (Continuous Batch) concept is one example of Glaston's technology leadership, and the machine can be flexibly used in continuous and batch mode operations.

The FC series machines are still Glaston's most sold machines. Demand has been increased particularly by an improvement in usability achieved through digitalisation and by automation of reporting, maintenance and quality management.

Emerging Technologies

Emerging glass technologies and value-adding glass products, such as smart glass, are making a strong entry into the market. To identify new business opportunities, Glaston established the Emerging Technologies unit at the beginning of 2017. The unit offers planning and consulting in the field of emerging glass technologies.

The nanotechnology company Heliotrope Technologies is developing a new smart glass technology for the market, and Glaston's role in the project is production line developer. In the second quarter, the Heliotrope prototype line was in test production, and the line operated in accordance with expectations. In the reporting period, the tests focused particularly on the durability and ageing characteristics of the glass. In addition, testings of larger glass sizes were launched. The goal is for testings of the maximum glass size to take place in the final quarter of this year at the latest. The development of an electrolyte material has progressed well, and in tests the smart glass has met the targets set for it to date. The design of the pilot line advanced to the decision stage, and supplier reviews and offer requests for it were initiated.

Glaston has the exclusive right to sell Heliotrope glass production lines globally. If the final phase of the Heliotrope project is implemented on schedule, the first line will be ordered in spring 2019. Heliotrope lines include Glaston's and external manufacturers' equipment. The total price of the lines is significantly higher than Glaston's present deliveries, and the project size may be EUR 10–20 million.

In the reporting period, negotiations continued on new special projects for the automotive, solar energy and aviation industries.

Services

In the second quarter, the Services business market continued to be relatively calm. North America was the strongest of the sales areas.

In April–June, demand for upgrade products was on a lower level than in the excellent first quarter, the exception being North America, where demand for upgrades continued to be good. A large flat tempering machine modernisation package was sold to the USA, including a new heating chamber and an iLooK online quality measurement system. Spare parts sales grew from the first quarter's low level. Field service also grew compared with the first quarter. This positive development will be supported by increasing maintenance personnel resources. The tools market remained challenging, even though North America saw a change for the better in June.

Demand for the ProL-zone laminating line upgrade product continued to be good. The product is also sold for laminating lines other than Glaston's. In the reporting period, the upgrade product was sold to Poland and the UK, and in these the installation will be made in another manufacturer's product.

The introduction of digital maintenance services advanced, and the need for automation upgrades is rising.

Glaston made the decision in January 2018 to discontinue the production operations of its Chinese joint venture Glaston Tools (Sanhe) Co., Ltd. Measures to discontinue the factory's operations have advanced and will result in non-recurring costs during the latter part of the year. Glaston owns 70% of the joint venture, and its net sales were EUR 0.7 million in 2017.

Orders received and order book

Glaston's second-quarter order intake was 4% down on the corresponding period of the previous year and totalled EUR 25.4 (26.6) million.

The April–June order intake of the Machines business was EUR 16.4 (15.1) million, up 9% on the corresponding period of the previous year. The largest orders were received from the USA, Canada, Italy and Poland.

The order intake of the Services business was EUR 9.1 (11.5), down 21% on the level of the corresponding period of the previous year. The development of order intake was particularly impacted by a single EUR 1 million modernisation order in the comparison period and low orders of pre-processing machine operations, partly sold last year.

Glaston's January-June order intake was 8% up on the corresponding period of the previous year and totalled EUR 52.0 (48.1) million.

Glaston's order book grew by 3% from the previous year's level and totalled EUR 37.3 (36.1) million at the end of June. Compared with the end of the first quarter, the order book grew by 3%. Of the order book, the Machines business accounted for EUR 32.9 (31.3) million and the Services business for EUR 4.3 (4.8) million.

Order book, MEUR	30.6.2018	restated 30.6.2017	restated 31.12.2017
Machines	32.9	31.3	30.6
Services	4.3	4.8	3.5
Total	**37.3**	**36.1**	**34.1**

Net sales

Glaston's April-June net sales were 12% down on the corresponding period of the previous year and totalled EUR 25.6 (28.9) million. The decline in net sales was 8% when the sold pre-processing business is eliminated from the comparison year's data. The net sales of the Machines business declined by 6% to EUR 17.3 (18.4) million. The development of net sales was impacted by a smaller number of delivery projects and a lower average value. The comparison period was positively affected by the extremely good order intake of the final quarter of 2016. The net sales of the Services business declined (16%) and totalled EUR 9.0 (10.8) million. When the sold pre-processing business is taken into account, the decline was 8%. Net sales decreased particularly due to a low number of modernisation projects and a decline in tools sales and the volume of the remaining pre-processing business.

January-June net sales totalled EUR 50.3 (55.5) million. In the first half of the year, the net sales of the Machines business totalled EUR 33.6 (34.4) million, while the net sales of the Services business totalled EUR 17.7 (21.9) million.

The EMEA area further strengthened its position as Glaston's biggest market area. The EMEA's share of consolidated net sales rose to 54% and was EUR 27.3 (26.4) million. The pick-up in the Asia market area continued. Second-quarter net sales totalled EUR 12.0 (7.6) million, up 59% compared with the corresponding period of the previous year. Net sales for the Americas area were impacted by the low order intake of several previous quarters in North America, the weakening of the US dollar and a downturn in the South American market. The net sales of the Americas area fell by a total of 49% compared with the corresponding period of the previous year and were EUR 11.1 (21.5) million.

Net sales, MEUR	4–6/2018	restated 4–6/2017	1–6/2018	restated 1–6/2017	restated 1–12/2017
Machines	17.3	18.4	33.6	34.4	68.8
Services	9.0	10.8	17.7	21.9	42.8
Other and internal sales	-0.7	-0.3	-1.0	-0.9	-2.0
Total	**25.6**	**28.9**	**50.3**	**55.5**	**109.7**

Operating result and profitability

Glaston's comparable operating profit in April–June was EUR 0.8 (1.5) million, i.e. EUR 3.1 (5.1)% of net sales. The decline in operating profit is explained mainly by lower net sales and a lower project margin in the Machines business. The profitability of heat treatment machine services improved and fixed costs fell. In the reporting period, no items affecting comparability were recognised. Items affecting comparability totalling EUR 0.2 million were recognised in April–June 2017.

The operating profit in April–June was EUR 0.8 (1.3) million, i.e. 3.1 (4.5)% of net sales. The result before taxes was EUR 0.7 (1.1) million. The second-quarter result was a profit of EUR 0.5 (0.9) million. April-June earnings per share were EUR 0.003 (0.005)

Comparable operating profit, MEUR	4–6/2018	restated 4–6/2017	1–6/2018	restated 1–6/2017	restated 2017
EBIT	0.8	1.3	1.6	2.4	4.6
Items affecting comparability	0.0	0.2	0.2	0.2	0.4
Comparable operating profit	**0.8**	**1.5**	**1.8**	**2.6**	**5.0**

Glaston's comparable operating profit in January-June was EUR 1.8 (2.6) million, i.e. 3.6 (4.6)% of net sales.

The operating profit in January–June was EUR 1.6 (2.4) million. The result before taxes was EUR 1.2 (1.8) million. The result for the review period was EUR 0.8 (1.5) million. January–June earnings per share were EUR 0.004 (0.008).

Financial position, cash flow and financing

Glaston's cash flow from operating activities, before the change in working capital, was EUR 1.5 (0.6) million in January–June. Cash flow from the change in working capital was EUR 1.9 million positive in April–June. In January–June, EUR 6.1 (6.6) million was committed to working capital. Cash flow from investments was EUR -0.9 (-0.8) million and cash flow from financing activities was EUR -1.1 (-2.4) million. A return of capital amounting to EUR 1.9 million was paid in April, and it was financed by raising additional short-term funding.

At the end of the reporting period, the Group's cash and cash equivalents totalled EUR 5.8 (8.0) million. Interest-bearing net debt totalled EUR 8.2 (5.9) million and net gearing was 22.9 (16.3)%.

At the end of June, the consolidated asset total was EUR 94.1 (94.1) million. The equity attributable to the owners of the parent was EUR 35.8 (36.1) million. Equity per share was EUR 0.19 (0.19). Return on equity in the reporting period was 4.3 (8.4)%. The return on capital employed was 6.5 (9.5)%.

Capital expenditure, depreciation and amortisation

Glaston's gross capital expenditure totalled EUR 0.9 (1.0) million. Investments were mainly related to product development.

Depreciation and amortisation on property, plant and equipment, and on intangible assets totalled EUR 1.5 (1.5) million.

Investments in product development, digitalisation and emerging technologies

In line with its growth strategy, Glaston's investments in product development and emerging glass technology continued. At the forefront of product development are new digital and IoT-based products that facilitate the transition to fully automated glass processing.

In the case of digitalisation, development progressed at a good pace. In the second quarter, a positive decision was reached on Glaston's participation in the national MIDAS project, which is Finland's first industry-oriented machine-learning project, led by the DIMECC innovation platform. The substantial two-year project will accelerate Glaston's development work aimed at utilising digitalisation in its operations. Glaston's research topic is focused on tempering machine artificial intelligence and is aimed at developing a more automated and easier-to-use tempering furnace.

In addition, Glaston is one of the main organisers in the XR Challenge, an international challenge competition for businesses and students in the fields of virtual (VR), augmented (AR) and mixed (MR) reality. The goal of the competition is to show companies how virtual reality can be used to develop new business opportunities. The results of the competition, which started in April, will be announced in September 2018.

With regard to emerging glass technologies, product testing of the Heliotrope prototype line continued and the required durability and ageing tests were carried out on the glass. In addition, testings of a larger glass size were launched. Since the beginning of the year, the development of an electrolytic material has proceeded well. The material has been proved to be effective and in tests it has met the targets set for it to date.

In January–June, research and product development expenditure, excluding depreciation, totalled EUR 2.2 (2.1) million, of which EUR 0.4 (0.6) million was capitalised. Research and product development expenditure amounted to 3.8 (3.7)% of net sales.

Organisation and employees

In the second quarter, Glaston strengthened its production organisations in both China (Tianjin) and Finland (Tampere). In addition, the Future Makers training programme, aimed at training process experts in particular, was launched. Four people are participating in the one-year programme.

On 30 June 2018, Glaston had 382 (413) employees. Of the Group's employees, 48% worked in Finland and 17% elsewhere in the EMEA area, 23% in Asia and 12% in the Americas. The average number of employees was 374 (413).

Flagging notifications

On 4 June 2018, Glaston received a flagging notification according to which Evli Bank Plc owns 4.89% of all of the shares and votes of Glaston Corporation. In the previous flagging notification, the ownership was 5.10%.

Shares and share prices

Glaston Corporation's paid and registered share capital on 30 June 2018 was EUR 12.7 million. In accordance with a decision of the Annual General Meeting, the Board of Directors decided to cancel the Glaston Corporation shares in the joint book-entry account, a total of 75,200 shares. The cancellation of the shares was entered in the Trade Register on 27 April 2018. Following this, Glaston Corporation has a total of 193,633,136 issued and registered shares. The company has one series of share.

At the end of June, the company held 788,582 of the company's own shares (treasury shares), corresponding to 0.41% of the total number of issued and registered shares and votes. The counter book value of the treasury shares is EUR 51,685. Every share that the company does not hold itself entitles its owner to one vote at a General Meeting of Shareholders. The share has no nominal value. The counter book value of each registered share is EUR 0.07.

During the first six months of the year, a total of around 10.1 (51.5) million of the company's shares were traded, i.e. approximately 5.2 (26.7)% of the average number of registered shares. The lowest price paid for a share was EUR 0.39 (0.39) and the highest price EUR 0.51 (0.45). The volume-weighted average price of shares traded in January–June was EUR 0.45 (0.40). The closing price on 30 June 2018 was EUR 0.47 (0.42).

On 30 June 2018, Glaston's market value, excluding treasury shares, was EUR 90.6 (80.8) million.

At the end of the review period, Glaston had 5,977 registered shareholders (30 June 2017: 5,578). At the end of the review period, 19.2% of Glaston's shares were in foreign ownership.

General Meeting of Shareholders

The Annual General Meeting of Glaston Corporation was held in Helsinki on 10 April 2018. The Annual General Meeting adopted the financial statements and consolidated financial statements for the period 1 January – 31 December 2017. The Annual General Meeting discharged the Members of the Board of Directors and the President & CEO from liability for the financial year 1 January–31 December 2017.

In accordance with the proposal of the Board of Directors, Annual General Meeting decided that, based on the balance sheet adopted for financial year 2017, a return of capital of EUR 0.01 per share be paid. Capital was paid from the reserve for invested unrestricted equity to shareholders who were registered in the company's register of shareholders, maintained by Euroclear Finland Ltd, on the record date for payment, 12 April 2018. The return of capital was paid on 26 April 2018.

<u>Composition of the Board of Directors</u>

In accordance with the proposal of the Shareholders' Nomination Board, the number of the members of the Board of Directors was resolved to be seven. The Annual General Meeting decided, in accordance with the proposal of the Shareholders' Nomination Board, to re-elect the current members of the Board of Directors, Teuvo Salminen, Anu Hämäläinen, Sarlotta Narjus, Kai Mäenpää and Tero Telaranta for a term of office ending at the close of the next Annual General Meeting. In addition, it was resolved that Antti Kaunonen and Sebastian Bondestam be elected as new members of the Board of Directors for the same term.

In its organising meeting, held after the Annual General Meeting, the Board of Directors elected Teuvo Salminen as Chairman of the Board and Sebastian Bondestam as Deputy Chairman of the Board.

Remuneration of the members of the Board of Directors

In accordance with the proposal of the Shareholders' Nomination Board, the Annual General Meeting resolved that the annual remuneration payable to the members of the Board of Directors be increased by 15%, and therefore that the Chairman of the Board be paid an annual fee of EUR 46,000, the Deputy Chairman EUR 34,500 and the other members of the Board EUR 23,000.

Auditor

In accordance with the proposal of the Board of Directors, the Annual General Meeting elected Authorised Public Accounting firm Ernst & Young Oy as the company's auditor, with Authorised Public Accountant Kristina Sandin as the main responsible auditor.

Board authorisations

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

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

The Board of Directors is authorised to resolve on all other terms and conditions of the issuance of shares, options and other rights entitling to shares as referred to in Chapter 10 of the Companies Act, including the payment period, grounds for the determination of the subscription price and the subscription price or allocation of shares, options or other rights without payment or that the subscription price may be paid besides in cash also with other assets either partially or entirely. The authorisation is valid until 30 June 2019 and it invalidates earlier authorisations.

Shares in the joint book-entry account and the rights carried by these shares

The Annual General Meeting decided in accordance with Chapter 3, Section 14 a, Subsection 3 of the Finnish Companies Act, that rights to all shares recorded on the joint book-entry account of Glaston Corporation and the rights based on such shares, whose registration had not been requested in accordance with Chapter 6, Section 3 of the Act on the Book-Entry System and Clearance Activity prior to the resolution of the Annual General Meeting, be forfeited. In addition to the shares, all rights based on those shares, such as undrawn dividends, shall also be forfeited. Rules and regulations regarding treasury shares shall be applied to the forfeited shares after the resolution. On 30 January 2018, the number of Glaston Corporation's shares in the joint book-entry account was 75,200. The cancellation of the shares was entered in the Trade Register on 27 April 2018. Following this, the total number of Glaston Corporation shares is 193,633,136.

Uncertainties and risks in the near future

Glaston operates in a global market in which both political and economic instability arise. The company's uncertainties in the near future are to a large extent linked to the development of global investment demand and, in some geographical areas, also to customers' access to financing.

Glaston has taken into account in its forecasts for the near future the development outlook for the global economy and its impact on the development of the sector. If the demand situation of the sector deteriorates substantially, this will affect Glaston's net sales and earnings with a 2–3 month delay.

The Group's net sales are affected most by the level and timing of order intake as well as the geographical and product mix of orders. In terms of earnings, there is also uncertainty in meeting the planned delivery times and costs of customer projects. For Glaston, North America is a significant market, as a result of which a significant weakening of the US dollar would have an impact on the company's net sales, profit and, depending on the market willingness to invest, possibly also on future order intake.

Outlook unchanged

In the first half 2018, activity in the glass processing market was good. Glaston's order intake in the early part of the year exceeded the previous year's level, and the positive market development is expected to continue. The strong growth expectations for the world economy support this view. Customers continue to take time over their investment decisions, which may cause delays in orders and fluctuations in quarterly order intake.

The order intake in the early part of the year and the positive market development create good conditions for profitable growth in 2018. Due to the weighting of the order intake forecast towards the second half of the year, the operating profit for the final quarter of the year is expected to be significantly better than the other quarters. We expect the full-year comparable operating profit to improve from 2017. (Full-year 2017 comparable operating profit was EUR 5.0 million according to the new revenue recognition standard IFRS 15).

Helsinki, 9 August 2018
Glaston Corporation
Board of Directors

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GLASTON CORPORATION
CONDENSED FINANCIAL STATEMENTS AND NOTES 1 JANUARY – 30 JUNE 2018

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

* Glaston is applying the new revenue recognition standard ‘IFRS 15 Revenue from Contracts with Customers’ fully retrospectively from 1 January 2018, and has prepared a restated income statement and balance sheet for 2017.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	30.6.2018	restated* 30.6.2017	restated* 31.12.2017
Assets			
Non-current assets			
Goodwill	30.6	30.6	30.6
Other intangible assets	6.1	6.7	6.5
Property, plant and equipment	8.2	8.6	8.4
Financial assets measured at fair value through other comprehensive income	3.0	3.0	3.0
Loan receivables	1.2	0.6	1.4
Deferred tax assets	0.9	1.7	1.0
Total non-current assets	**50.0**	**51.1**	**50.9**
Current assets			
Inventories	8.6	11.6	11.0
Receivables			
Trade and other receivables	18.8	20.8	20.2
Contract assets	10.9	2.2	-
Assets for current tax	0.1	0.3	0.1
Total receivables	29.8	23.4	20.4
Cash equivalents	5.8	8.0	12.4
Total current assets	**44.1**	**42.9**	**43.7**
Total assets	**94.1**	**94.1**	**94.6**

	30.6.2018	restated* 30.6.2017	restated* 31.12.2017
Equity and liabilities			
Equity			
Share capital	12.7	12.7	12.7
Share premium account	25.3	25.3	25.3
Other restricted equity reserves	0.1	0.1	0.1
Reserve for invested unrestricted equity	39.6	41.6	41.6
Treasury shares	-3.3	-3.3	-3.3
Fair value reserve	0.1	0.1	0.1
Other unrestricted equity reserves	-0.1	0.2	0.1
Retained earnings and exchange differences	-39.5	-42.1	-42.2
Net result attributable to owners of the parent	0.9	1.5	2.6
Equity attributable to owners of the parent	**35.8**	**36.1**	**36.9**
Non-controlling interest	**0.2**	**0.3**	**0.2**
Total equity	**35.9**	**36.3**	**37.1**
Non-current liabilities			
Non-current interest-bearing liabilities	9.4	10.5	10.6
Non-current interest-free liabilities and provisions	1.0	1.3	2.1
Deferred tax liabilities	0.5	0.4	0.3
Total non-current liabilities	**10.9**	**12.2**	**12.9**

Current liabilities			
Current interest-bearing liabilities	4.6	3.4	2.6
Current provisions	1.9	2.6	2.4
Trade and other current interest-free payables	24.0	26.4	26.8
Contract liabilities	16.5	13.1	12.5
Liabilities for current tax	0.2	0.0	0.2
Total current liabilities	**47.3**	**45.5**	**44.6**
Total liabilities	**58.2**	**57.7**	**57.5**
Total equity and liabilities	**94.1**	**94.1**	**94.6**

CONDENSED STATEMENT OF PROFIT OR LOSS

EUR million	4-6/2018	restated* 4-6/2017	1-6/2018	restated* 1-6/2017	restated* 1-12/2017
Net sales	**25.6**	**28.9**	**50.3**	**55.5**	**109.7**
Other operating income	0.9	0.7	1.2	0.9	1.7
Expenses	-24.9	-27.5	-48.4	-52.5	-103.8
Depreciation, amortization and impairment	-0.8	-0.7	-1.5	-1.5	-3.0
Operating profit	**0.8**	**1.3**	**1.6**	**2.4**	**4.6**
Financial items, net	-0.1	-0.2	-0.4	-0.6	-0.9
Result before income taxes	**0.7**	**1.1**	**1.2**	**1.8**	**3.8**
Income taxes	-0.2	-0.2	-0.5	-0.3	-1.2
Profit / loss for the period	**0.5**	**0.9**	**0.8**	**1.5**	**2.6**
Attributable to:					
Owners of the parent	0.5	0.9	0.9	1.5	2.6
Non-controlling interest	-0.0	-0.0	-0.1	-0.0	-0.0
Total	**0.5**	**0.9**	**0.8**	**1.5**	**2.6**
Earnings per share, EUR	0.003	0.005	0.004	0.008	0.014
Earnings per share, EUR, basic and diluted	**0.003**	**0.005**	**0.004**	**0.008**	**0.014**
Operating result, as % of net sales	3.1	4.5	3.2	4.3	4.2
Profit / loss for the period, as % of net sales	1.9	3.0	1.6	2.7	2.4
Items affecting comparability	-0.0	-0.2	-0.2	-0.2	-0.4
Comparable operating result	0.8	1.5	1.8	2.6	5.0
Comparable operating result, as % of net sales	3.1	5.1	3.6	4.6	4.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	4-6/2018	restated* 4-6/2017	1-6/2018	restated* 1-6/2017	restated* 1-12/2017
Profit / loss for the period	**0.5**	**0.9**	**0.8**	**0.9**	**2.0**
Other comprehensive income that will be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	0.2	-0.6	0.1	-0.7	-0.8
Fair value changes of financial assets measured at fair value through profit or loss	0.0	0.0	0.0	0.0	0.0
Cash flow hedges	-0.2	0.1	-0.2	0.2	0.0
Income tax on other comprehensive income	0.0	-0.0	0.0	-0.0	-0.0
Other comprehensive income that will not be reclassified subsequently to profit or loss:					
Exchange differences on actuarial gains and losses arising from defined benefit plans	-0.0	0.0	-0.0	0.0	0.0
Actuarial gains and losses arising from defined benefit plans	-	-	-	-	-0.0
Other comprehensive income for the reporting period, net of tax	**0.1**	**-0.4**	**-0.0**	**-0.5**	**-0.8**
Total comprehensive income for the reporting period	**0.6**	**0.4**	**0.7**	**0.5**	**1.2**
Attributable to:					
Owners of the parent	0.6	0.4	0.8	0.5	1.3
Non-controlling interest	-0.0	-0.0	-0.1	-0.0	-0.1
Total comprehensive income for the reporting period	**0.6**	**0.4**	**0.7**	**0.5**	**1.2**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	1-6/2018	restated* 1-6/2017	restated* 1-12/2017
Cash flows from operating activities			
Cash flow before change in net working capital	1.5	0.6	7.4
Change in net working capital	-6.1	-6.6	-7.3
Net cash flow from operating activities	**-4.6**	**-6.0**	**0.1**
Cash flow from investing activities			
Other purchases of non-current assets	-0.9	-0.9	-2.3
Proceeds from sale of other non-current assets	0.0	0.1	0.2
Net cash flow from investing activities	**-0.9**	**-0.8**	**-2.1**
Cash flow before financing	**-5.5**	**-6.9**	**-1.9**
Cash flow from financing activities			
Increase in non-current liabilities	0.0	-	6.0
Decrease in non-current liabilities	-	-0.0	-0.7
Changes in loan receivables (increase - / decrease +)	0.2	0.2	0.4
Increase in short-term liabilities	4.0	1.0	2.0
Decrease in short-term liabilities	-3.3	-3.5	-10.5
Capital repayment	-1.9	-	-
Net cash flow from financing activities	**-1.1**	**-2.4**	**-2.8**
Effect of exchange rate changes	**-0.0**	**-0.2**	**-0.2**

Net change in cash and cash equivalents	**-6.6**	**-9.4**	**-5.0**
Cash and cash equivalents at the beginning of period	12.4	17.4	17.4
Cash and cash equivalents at the end of period	5.8	8.0	12.4
Net change in cash and cash equivalents	**-6.6**	**-9.4**	**-5.0**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Share capital	Share premium account	Reserve for inv. unrestr. equity	Treasury shares	Fair value and other reserves	Ret. earn-ings	Exch. diff.	Equity attr. to owners of the parent	Non-contr. interest	Total equity
Equity at 1 January, 2017	**12.7**	**25.3**	**41.6**	**-3.3**	**0.2**	**-46.1**	**5.2**	**35.6**	**0.3**	**35.9**
Restate: IFRS 15	-	-	-	-	-	-0.6	-	**-0.6**	-	**-0.6**
Restated equity at 1 January, 2017	**12.7**	**25.3**	**41.6**	**-3.3**	**0.2**	**-46.7**	**5.2**	**35.0**	**0.3**	**35.3**
Total compr. income for the period	-	-	-	-	0.2	1.5	-0.6	**1.1**	-0.0	**1.1**
Equity at 30 June, 2017	**12.7**	**25.3**	**41.6**	**-3.3**	**0.4**	**-45.1**	**4.6**	**36.1**	**0.3**	**36.3**

EUR million	Share capital	Share premium account	Reserve for inv. unrestr. equity	Treasury shares	Fair value and other reserves	Ret. earn-ings	Exch. diff.	Equity attr. to owners of the parent	Non-contr. interest	Total equity
Equity at 1 January, 2018	**12.7**	**25.3**	**41.6**	**-3.3**	**0.3**	**-44.1**	**4.5**	**36.9**	**0.2**	**37.1**
Restate: IFRS 9	-	-	-	-	-	0.0	-	**0.0**	-	**0.0**
Restated equity at 1 January, 2018	**12.7**	**25.3**	**41.6**	**-3.3**	**0.3**	**-44.1**	**4.5**	**36.9**	**0.2**	**37.1**
Total compr. income for the period	-	-	-	-	-0.1	0.9	0.1	**0.8**	-0.1	**0.7**
Capital repayment	-	-	-1.9	-	-	-	-	**-1.9**	-	**-1.9**
Equity at 30 June, 2018	**12.7**	**25.3**	**39.6**	**-3.3**	**0.1**	**-43.2**	**4.6**	**35.8**	**0.2**	**35.9**

KEY RATIOS

	30.6.2018	restated* 30.6.2017	restated* 31.12.2017
EBITDA, as % of net sales (1	6.2	7.0	6.9
Operating profit (EBIT), as % of net sales	3.2	4.3	4.2
Profit / loss for the period, as % of net sales	1.6	2.7	2.4
Gross capital expenditure, EUR million	0.9	1.0	2.3
Gross capital expenditure, as % of net sales	1.7	1.8	2.1
Equity ratio, %	46.8	45.4	44.7
Gearing, %	39.0	38.2	35.7
Net gearing, %	22.9	16.3	2.3
Net interest-bearing debt, EUR million	8.2	5.9	0.9
Capital employed, end of period, EUR million	49.9	50.2	50.4
Return on equity, %, annualized	4.3	8.4	7.1
Return on capital employed, %, annualized	6.5	9.5	9.2
Number of personnel, average	374	413	409
Number of personnel, end of period	382	413	402

PER SHARE DATA	30.6.2018	restated* 30.6.2017	restated* 31.12.2017
Number of registered shares, end of period, treasury shares excluded (1.000)	192 845	192 920	192 920
Number of shares, average, adjusted with share issue, treasury shares excluded (1.000)	192 845	192 920	192 920
EPS, total, basic and diluted, adjusted with share issue, EUR	0.004	0.008	0.014
Adjusted equity attributable to owners of the parent per share, EUR	0.19	0.19	0.19
Capital repayment per share, EUR	-	-	0.01
Capital repayment ratio, %	-	-	73.1
Capital repayment yield	-	-	2.1
Price per adjusted earnings per share (P/E) ratio	104.5	52.8	34.2
Price per adjusted equity attributable to owners of the parent per share	2.53	2.24	2.45
Market capitalization of registered shares, EUR million	90.6	80.8	90.3
Share turnover, % (number of shares traded, % of the average registered number of shares)	5.2	26.7	31.5
Number of shares traded, (1.000)	10 077	51 493	60 779
Closing price of the share, EUR	0.47	0.42	0.47
Highest quoted price, EUR	0.51	0.45	0.56
Lowest quoted price, EUR	0.39	0.39	0.39
Volume-weighted average quoted price, EUR	0.45	0.40	0.42

SEGMENT INFORMATION

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

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

NET SALES

		restated*		restated*	restated*
EUR million	**4-6/2018**	**4-6/2017**	**1-6/2018**	**1-6/2017**	**1-12/2017**
Machines	17.3	18.4	33.6	34.4	68.8
Services	9.0	10.8	17.7	21.9	42.8
Other and intersegment sales	-0.7	-0.3	-1.0	-0.9	-2.0
Net sales Glaston Group total	**25.6**	**28.9**	**50.3**	**55.5**	**109.7**
Comparable EBIT	**0.8**	**1.5**	**1.8**	**2.6**	**5.0**
Comparable EBIT-%	3.1	5.1	3.6	4.6	4.6
Items affecting comparability	-0.0	-0.2	-0.2	-0.2	-0.4
EBIT	**0.8**	**1.3**	**1.6**	**2.4**	**4.6**
EBIT-%	3.1	4.5	3.2	4.3	4.2

Order intake			
EUR million	**1-6/2018**	**1-6/2017**	**1-12/2017**
Machines	34.3	27.0	63.8
Services	17.6	21.1	39.9
Total Glaston Group	**52.0**	**48.1**	**103.7**

Net sales by geographical areas		restated*	restated*
EUR million	**1-6/2018**	**1-6/2017**	**1-12/2017**
EMEA	27.3	26.4	51.5
Asia	12.0	7.6	16.5
America	11.1	21.5	41.6
Total	**50.3**	**55.5**	**109.7**

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

Net sales			restated*	restated*	restated*	restated*
EUR million	**4-6/2018**	**1-3/2018**	**10-12/2017**	**7-9/2017**	**4-6/2017**	**1-3/2017**
Machines	17.3	16.3	19.2	15.2	18.4	16.0
Services	9.0	8.7	11.1	9.8	10.8	11.2
Other and intersegment sales	-0.7	-0.3	-0.6	-0.5	-0.3	-0.6
Net sales Glaston Group total	**25.6**	**24.8**	**29.7**	**24.5**	**28.9**	**26.6**
Comparable EBIT	**0.8**	**1.0**	**1.4**	**1.0**	**1.5**	**1.1**
Comparable EBIT-%	3.1	4.0	4.8	4.1	5.1	4.1
Items affecting comparability	-0.0	-0.2	-0.2	-0.0	-0.2	-
EBIT	**0.8**	**0.8**	**1.2**	**1.0**	**1.3**	**1.1**
EBIT-%	3.1	3.3	4.1	4.1	4.5	4.1

Order book			restated*	restated*	restated*	restated*
	30.6.2018	**31.3.2018**	**31.12.2017**	**30.9.2017**	**30.6.2017**	**31.3.2017**
Machines	32.9	32.0	30.6	32.3	31.3	35.5
Services	4.3	4.0	3.5	5.2	4.8	4.3
Total Glaston Group	**37.3**	**36.0**	**34.1**	**37.5**	**36.1**	**39.8**

Order intake						
EUR million	**4-6/2018**	**1-3/2018**	**10-12/2017**	**7-9/2017**	**4-6/2017**	**1-3/2017**
Machines	16.4	18.0	19.6	17.2	15.1	12.0
Services	9.1	8.6	9.2	9.6	11.5	9.6
Total Glaston Group	**25.4**	**26.5**	**28.8**	**26.8**	**26.6**	**21.6**

COMPARABLE OPERATING PROFIT

Items affecting comparability					
EUR million	**4-6/2018**	**4-6/2017**	**1-6/2018**	**1-6/2017**	**1-12/2017**
Restucturings and disposals of property, plant and equipment	-0.0	-0.2	-0.2	-0.2	-0.4
Items affecting comparability	**-0.0**	**-0.2**	**-0.2**	**-0.2**	**-0.4**

		restated*		restated*	restated*
Comparable EBITDA	**4-6/2018**	**4-6/2017**	**1-6/2018**	**1-6/2017**	**1-12/2017**
Operating profit	0.8	1.3	1.6	2.4	4.6
Less					
Depreciation and amortization	0.8	0.7	1.5	1.5	3.0
Adjustment: Items affecting comparability	0.0	0.2	0.2	0.2	0.4
Comparable EBITDA	**1.6**	**2.2**	**3.3**	**4.1**	**8.0**
% of net sales	6.1	7.7	6.6	7.3	7.3

		restated*		restated*	restated*
Comparable EBIT	**4-6/2018**	**4-6/2017**	**1-6/2018**	**1-6/2017**	**1-12/2017**
Operating profit	0.8	1.3	1.6	2.4	4.6
Less					
Adjustment: Items affecting comparability	0.0	0.2	0.2	0.2	0.4
Comparable EBIT	**0.8**	**1.5**	**1.8**	**2.6**	**5.0**
% of net sales	3.1	5.1	3.6	4.6	4.6

COMPARISON BETWEEN RESTATED AND REPORTED FIGURES (IFRS15)

	Restated*	Reported	Restated*	Reported
EUR million	**1-6/2017**	**1-6/2017**	**1-12/2017**	**1-12/2017**
Machines	34.4	30.8	68.8	69.3
Services	21.9	22.1	42.8	43.1
Other and intersegment sales	-0.9	-0.9	-2.0	-2.0
Net sales Glaston Group total	**55.5**	**52.0**	**109.7**	**110.4**
Comparable EBIT	**2.6**	**1.5**	**5.0**	**5.4**
Comparable EBIT-%	4.6	2.8	4.6	4.8
Items affecting comparability	-0.2	-0.2	-0.4	-0.4
EBIT	**2.4**	**1.3**	**4.6**	**5.0**
EBIT-%	4.3	2.5	4.2	4.5

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

EUR million			
Changes in property, plant and equipment	**1-6/2018**	**1-6/2017**	**1-12/2017**
Carrying amount at beginning of the period	8.4	9.2	9.2
Additions	0.4	0.3	0.7
Disposals	-0.0	-0.0	-0.0
Depreciation and amortization	-0.6	-0.6	-1.1
Exchange differences	0.0	-0.3	-0.3
Carrying amount at end of the period	8.2	8.6	8.4

At the end of June 2018 and 2017 Glaston had not contractual commitments for the acquisition of property, plant and equipment.

INTANGIBLE ASSETS

EUR million			
Changes in property, plant and equipment	**1-6/2018**	**1-6/2017**	**1-12/2017**
Carrying amount at beginning of the period	37.1	37.4	37.4
Additions	0.5	0.7	1.6
Disposals	-	-	-0.1
Depreciation and amortization	-0.9	-0.9	-1.8
Exchange differences	0.0	-0.0	-0.0
Carrying amount at end of the period	36.6	37.2	37.1

CONTINGENT LIABILITIES

EUR million	30.6.2018	30.6.2017	31.12.2017
Mortgages and pledges			
On own behalf	166.9	166.9	166.9
Guarantees			
On own behalf	10.3	9.9	10.0
On behalf of others	0.2	0.3	0.2
Lease obligations	12.3	13.8	12.8
Repurchase obligations	-	0.4	-

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

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

DERIVATIVE INSTRUMENTS

EUR million	30.6.2018		30.6.2017		31.12.2017	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Fair value
Currency forwards						
Currency forward contracts	8.1	-0.1	0.2	0.2	4.9	0.0

Since 2017, Glaston has hedged foreign currency-denominated sales and cash flows of binding orders received with currency forwards. In fulfilling the conditions of hedge accounting, cash flow hedge accounting under IAS 39 is applied with respect to currency derivatives.

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

FINANCIAL INSTRUMENTS AT FAIR VALUE

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

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

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

Fair value measurement hierarchy:

Level 1 = quoted prices in active markets

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

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

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

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

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

EUR million	2018	2017
1 January	2.8	3.1
Additions	-	-
Disposals	-	-0.2
Impairment losses	-	-
Reclassification	-	-
30 June	2.8	2.8

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

Fair value hierarchy, fair values

EUR million

	30.6.2018				30.6.2017				31.12.2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets												
Available-for-sale shares	0.2	-	0.0	**0.2**	0.2	-	0.0	**0.2**	0.2	-	0.0	**0.2**
Other long-term investments	-	-	2.8	**2.8**	-	-	2.8	**2.8**	-	-	2.8	**2.8**
Currency forward contracts	-	-	-	**-**	-	0.2	-	**0.2**	-	0.0	-	**0.0**
Total	**0.2**	**-**	**2.8**	**3.0**	**0.2**	**0.2**	**2.8**	**3.2**	**0.2**	**0.0**	**2.8**	**3.0**
Liabilities												
Currency forward contracts	-	-0.1	-	**-0.1**	-	-	-	-	-	-	-	-
Total	**-**	**-0.1**	**-**	**-0.1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

SHAREHOLDER INFORMATION

20 largerst shareholders 30 June, 2018

	Shareholder	Number of shares	% of shares and votes
1	Ac Invest Eight B.V.	33 931 442	17.52
2	Hymy Lahtinen Oy	23 400 000	12.08
3	OP-Finland Small Firms Fund	14 154 400	7.31
4	Ilmarinen Mutual Pension Insurance Company	13 843 878	7.15
5	Varma Mutual Pension Insurance Company	12 786 643	6.60
6	Evli Finnish Small Cap Fund	8 673 393	4.48
7	Hulkko Juha Olavi	4 200 000	2.17
8	Päivikki and Sakari Sohlberg Foundation	3 965 600	2.05
9	Oy Investsum Ab	3 358 000	1.73
10	Kirkon Eläkerahasto	3 089 406	1.60
11	Sijoitusrahasto Taaleritehdas Mikro Markka	2 375 600	1.23
12	Säästöpankki Pienyhtiöt	2 307 860	1.19
13	Sumelius Birgitta Christina	1 944 734	1.00
14	Sumelius Bjarne Henning	1 801 504	0.93
15	Metsänen Arto Juhani	1 750 000	0.90
16	Von Christierson Charlie	1 600 000	0.83
17	Oy Nissala Ab	1 500 000	0.77
18	Sumelius Christer	1 243 076	0.64
19	Sumelius-Koljonen Barbro	1 235 988	0.64
20	Lahtinen Jeppe Juhani Urponpoika	1 200 001	0.62
	20 largest shareholders total	138 361 525	71.43
	Nominee registered shareholders	1 832 368	0.95
	Other shares	53 439 243	27.63
	Total	193 633 136	

DEFINITIONS OF KEY RATIOS

Per share data

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

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

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

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

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

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

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

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

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

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

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

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

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

*The definition is also applied with return of capital

Financial ratios

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

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

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

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

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

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

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

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

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

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

Alternative performance measures

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

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

Items affecting comparability:

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

Accounting principles

The consolidated interim financial statements of Glaston Group are prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting as approved by the European Union.
They do not include all of the information required for full annual financial statements.
The accounting principles applied in these interim financial statements are the same as those applied by Glaston in its consolidated financial statements, with the exception the following new or revised or amended standards and interpretations have been applied from 1 January, 2018.

IFRS 15 Revenue from Contracts with Customers

Glaston is applying the new revenue recognition standard 'IFRS 15 Revenue from Contracts with Customers' fully retrospectively from 1 January 2018, and has prepared a restated income statement and balance sheet for 2017.

IFRS 15 establishes a five-step model for the recognition of sales revenue arising from contracts with customers. Revenue is recognised in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods delivered or services rendered. The disclosure requirements are extended.

When the terms of revenue recognition over time are satisfied in accordance with the new standard, Glaston recognises the revenue from tailor-made glass processing machine deliveries over time. As a recognition practice, Glaston applies the cost-to-cost method, i.e. the share of accumulated project costs compared to total estimated costs is used as the percentage of completion. Revenue recognition takes place over time as costs accumulate and are recognised for the project.

When using revenue recognition over time according to degree of completion, the start of revenue recognition is brought forward and revenue recognition is distributed over the entire period of a project more evenly than at present. The amount of revenue recognised at the time of delivery is smaller than before. Revenue recognition in accordance with IFRS 15 evens out slightly the quarterly fluctuation in the revenue of projects recognised over time, because revenue recognition is no longer linked to time of delivery. In tailored-made glass processing machine deliveries where the terms of revenue recognition are not fulfilled, revenue recognition takes place when a machine is taken into use by the customer. In 2017 there were no such projects.

In the balance sheet, the change to revenue recognition in accordance with IFRS 15 will reduce the amount of work in progress in inventories, but will increase accrued income. The change has no impact on cash flow. The order backlog will be lower compared with the previous reporting practice, because orders begin to accumulate revenue earlier. For this reason, changes in the amount of new orders will affect revenue more quickly than before, typically in around 2-3 months.

Glaston is applying the new revenue recognition standard fully retrospectively and has prepared a restated income statement and balance sheet for 2017.
As a cumulative impact from the restatement, EUR 0.6 million, is recognised as an adjustment to the opening balance of retained earnings. The opening balance of short-term receivables increased by EUR 1.0 million, deferred tax liabilities increased by EUR -0.1 million.

IFRS 9 Financial Instruments

Glaston is applying the new standard from 1 January 2018. IFRS 9 includes new guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment on financial assets as well as new general hedge accounting requirements.

The amendment of the standard changes the calculation of impairment on the Group’s current receivables and the amount of credit loss provision, but the change has no significant impact on the consolidated financial statements. The impact of applying the new standard on the opening balance of retained earnings is EUR 0,0 million.