



glaston

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Financial Statements bulletin

Good fourth quarter – orders received grew and comparable operating profit improved

Fourth quarter 2018 in brief

- Orders received grew by 18% and totaled EUR 33.9 (28.8) million.
- Net sales totaled EUR 27.8 (29.7) million.
- Comparable EBITDA was EUR 3.2 (2.2) million, 11.5 (7.3)% of net sales.
- The operating profit was EUR 1.1 (1.2) million, 4.1 (4.1)% of net sales.
- The comparable operating profit improved to EUR 2.5 (1.4) million, 8.8 (4.8)% of net sales.
- Earnings per share were EUR 0.005 (0.003).
- The comparable earnings per share were EUR 0.012 (0.005).
- Cash flow from business operations was EUR 5.2 (7.3) million.

January–December 2018 in brief

- Orders received totaled EUR 107.6 (103.7) million.
- The order book on 31 December 2018 was EUR 38.2 (34.1) million.
- Net sales totaled EUR 101.1 (109.7, taking into account sold business operations 106.7*) million.
- Comparable EBITDA was EUR 8.2 (8.0) million, 8.1 (7.3)% of net sales.
- The operating profit was EUR 3.4 (4.6) million, 3.4 (4.2)% of net sales.
- The comparable operating profit improved to EUR 5.2 (5.0) million, 5.2 (4.6)% of net sales.
- Return on capital employed (ROCE) was 6.8 (9.2)%.
- Comparable ROCE was 10.5 (10.0)%.
- Earnings per share were EUR 0.011 (0.014).
- The comparable earnings per share were EUR 0.021 (0.016).
- Cash flow from business operations was EUR 0.0 (0.1) million.
- Net interest-bearing debt totaled EUR 4.9 (0.9) million.
- Research and development expenditure, excluding depreciation, totaled EUR 3.7 (4.0) million, i.e. 3.7 (3.6)% of net sales.
- The Board of Directors proposes, subject to decision by the Extraordinary General Meeting, that a return of capital of EUR 0.006 per share be paid before the reverse share split to be approved by the Extraordinary General Meeting to be held on 26 February, which is equivalent to approximately EUR 0.03 per share after the reverse share split proposed by the Board of Directors.

Glaston has applied the new revenue recognition standard IFRS 15 fully retrospectively from 1 January 2018, and therefore the financial statements 1 January – 31 December 2018 are reported in accordance with the new standard for 2018 actual data and 2017 comparison data. Adjusted comparison figures presented in the tables of the review refer to IFRS 15 adjustments.

* In May 2017, Glaston sold its pre-processing business in the USA and Canada, and in December 2018 its Tools business in Italy and the USA.

Glaston's outlook for 2019

The company's business is seasonal and, historically, the first quarter of the year is generally the weakest and the fourth quarter the strongest. Net sales and comparable operating profit are expected to be low for the first quarter of 2019, due to the low number of new orders received in the third quarter and the beginning of the fourth quarter of last year.

Deviating from Glaston's disclosure policy and due to the timetable of the Bystronic glass acquisition, Glaston will disclose information on its outlook for the whole of 2019 at a later stage.

Factors and uncertainties affecting the company's short-term development are outlined in more detail in the section 'Uncertainties and factors affecting development in the near future'.

President & CEO Arto Metsänen:

“Glaston’s development in the final quarter of 2018 was good. The Glasstec fair was strongly reflected in the development of the fourth quarter, and indeed of the whole autumn. The fair was a success for Glaston, and our fourth quarter order intake grew 18% from the comparison period. We received a number of large orders from different parts of the world, and the pick-up in the North American market was particularly positive. Net sales for the quarter fell slightly compared to the corresponding period last year.

I am particularly satisfied with our profitability development in the final quarter. Our comparable operating profit improved significantly, and the comparable operating profit margin was a record 8.8%.

Overall, 2018, despite a couple of weak quarters, was good. Our order intake grew 4% and our order book 12% from the previous year, which created a good basis for 2019 development and at the same time also for future changes. While our net sales declined slightly, our comparable operating profit improved to EUR 5.2 million from the previous year’s EUR 5.0 million.

At the end of November, we divested our Tools business in accordance with our strategy. The sale of the business had a slightly positive impact on the Group’s comparable operating profit. The divestment supports our goal of further improving our profitability.

In our strategy, updated in autumn 2018, we announced our goal to be at the forefront of market development while creating added value for our customers through new technologies and business models. An indication of this was our announcement on 25 January 2019 of the acquisition of the Swiss-German company Bystronic glass. Bystronic glass is a globally operating high-end machinery, systems, software and services provider, whose product offering and services is highly complementary to Glaston’s offering.

The acquisition, the largest in the sector for two decades, is our response to the market’s growing efficiency requirements, changes in glass demand and growing maintenance service needs. It supports our goal of further strengthening our position in the glass processing value chain and diversifying our offering to the architectural market as well as complementing offering to the automotive market. The combination of the companies creates for us a unique opportunity to develop for our customers’ benefit a comprehensive range of products and services that in the future will cover the entire value chain. I am looking forward to our cooperation and believe strongly in our success.”

Glaston’s markets and market development

Glaston is a frontrunner in glass industry technologies and services, responding globally to the glass processing needs of the architectural, solar, appliance and automotive industries. Demand for Glaston’s products and services is dependent on demand for glass and glass processors’ capacity. Demand for glass is expected to grow by around 3–5% annually in the coming years. Demand for smart glass is expected to grow by 12–15 %.

Use of glass in construction is increasing through urbanization. Special requirements for glass are growing due to changing environmental factors, increasing safety regulations and energy-efficiency demands. In the automotive industry, the relative proportion of glass in vehicles is growing and use of thin glass, in particular, is increasing. The solar energy, smart glass as well as energy efficient glass package growth is being supported by increasing environmental awareness and investments in renewable energy. Most, i.e. around 80%, of glass produced with Glaston’s technology is supplied to the building industry, around 10% to the automotive industry, and the remaining 10% to the solar and appliance industries.

Glaston operates in a global market, and the company’s business is to a large extent linked to trends in global investment demand.

EMEA

Euro area growth weakened slightly towards the end of 2018. Trade policy tensions and the long-running and confusing Brexit situation further increased uncertainty. In Central Europe, and particularly in Germany and Austria, glass processing investment activity continued to be good, however. Tightening of Finland’s operational safety regulations for glass structures increased demand and investment. The situation in Turkey remained unchanged, and no change is expected before the 2019 local elections.

The European Commission forecasts that euro area growth will continue but will decline slightly in 2019. Growth is supported, in particular, by Austria, Germany and Netherlands. Construction in Germany is projected to grow and the planned tightening of safety glass regulations will increase demand for safety glass and laminated glass in particular. Glass processing investment activity in Eastern Europe is expected to remain good, particularly in Poland.

Americas

Confidence in the US economic outlook continued to be strong in the fourth quarter, and GDP development continued to be good. Demand in Glaston's market and customers' willingness to invest clearly picked up in the review period. In Glaston's assessment, tightening building regulations and higher quality requirements for glass supported demand for Glaston's products. In addition, a tax reform that entered into effect in the USA at the beginning of last year, which will accelerate tax write-offs on investments, is expected to have a positive impact on customers' willingness to investment.

Challenges continued in the Mexico, Central America and South America markets.

Asia-Pacific

The Asia-Pacific area is expected to be the fastest growing market area for glass processing in the coming years. The Chinese glass industry market is the largest in the Asia-Pacific area. Price competition is intense and local operators have a significant competitive advantage in a cost-conscious market. Glaston has developed a competitive product for the Chinese market, which the company began to market at the beginning of 2019.

In the fourth quarter, the markets in South-East Asia developed positively and, particularly in the Philippines, Indonesia, Thailand and Vietnam, interest in energy-efficient glass solutions was good. In India and its neighboring markets, development was steady. Market activity and demand, both for new glass processing machines and modernizations, were good in Australia and New Zealand during the review period.

Emerging Technologies

Emerging glass technologies and value-adding glass products, such as intelligent glass, are making a strong entry into the market. Glaston's Emerging Technologies unit is continually looking for new business opportunities, and it provides engineering and consultant services in the field of emerging glass technologies.

In the reporting period, negotiations progressed on new special projects for the needs of the automotive, solar energy and aviation industries. A long-running project under preparation with one customer received final approval at the end of the year and was confirmed as an order in January 2019.

Delivery plans for a GlastonAir™ tempering machine ordered in autumn 2017, which is particularly suited to the manufacture of thin solar panels, were confirmed as the customer's factory investment progressed, and the machine was delivered to China during autumn 2018. Installation at the customer's factory has begun and is expected to be completed by the end of the third quarter.

The nanotechnology company Heliotrope Technologies is developing a new glass technology for the market, and Glaston's role in the project is production line developer, manufacturer and global distributor. Heliotrope's intelligent glass technology was presented in October at Glaston's stand at the Glasstec fair, and it aroused much interest among customers.

Glaston has the exclusive right to sell Heliotrope glass production lines globally. Testing of the final phase of the Heliotrope project is under way, and Heliotrope as well as Glaston expect that the first line will be ordered during 2019. Heliotrope lines include Glaston's and external manufacturers' equipment.

Glaston's acquisition of Bystronic glass, implemented in 2019, strengthens the company's position in intelligent glass and other integrated line solutions, enabling higher overall margins for deliveries.

Order intake and order book

October-December 2018

Glaston's order intake for the final quarter of 2018 was a record high of (EUR) 33.9 (28.8) million. Growth from the corresponding period of the previous year was 18%. The strong order activity was a direct result of the Glasstec fair, the industry's largest trade fair, which was held in October. In the EMEA area, demand for machines remained high. Development in North America picked up significantly in the fourth quarter after several subdued quarters. Order activity in the Asia-Pacific market area was good.

Machines

In October-December, the order intake of the Machines business grew by 35% to EUR 26.6 (19.6) million. The largest orders were received from the USA, Poland, the United Arab Emirates, Australia and New

Zealand. As a result of stricter operational safety regulations for glass structures, Glaston received a number of orders from various operators in Finland.

In many countries, there was a shortage of tempered glass capacity, and there was demand in all tempered product segments. Glaston's customers are increasingly looking for solutions with a higher level of automation, which was reflected in growth of demand for various line integrations and automated line solutions. At the Glasstec fair, we launched a new upgrade for the Assistant Pro process automation solution. The solution automatically adjusts the tempering process based on the loading pattern of the glass loaded into the machine. The Assistant Pro feature as well as the company's strong line integration capability increased the competitiveness of the FC series' tempering machine, particularly in developed markets. In addition, various digital services based on data collected from machines were launched at the end of 2018. These are Glaston's first productized digital services, which will generate a continuous cash flow for Glaston. With the service, customers have the opportunity to monitor and reduce process waste.

The growth in the average glass size continued and this was reflected in demand for tempering and laminating machines. Glaston launched a new Jumbo series machine at Glasstec. The Jumbo series further strengthens Glaston's already strong competitiveness in the large machines segment.

In the autumn, Glaston also launched a revamped FC series annual model, one key feature of which is new Vortex Pro convection. With Vortex Pro, Glaston's customers can run their lines at a higher loading rate while increasing the machine's automation level. The first new generation FC series machines were sold in the fourth quarter.

Services

In October–December, the order intake of the Services business was EUR 7.3 (9.2) million. Demand for heat treatment machine maintenance services was lower than in previous quarters, with customers concentrating on new equipment purchases at the Glasstec fair. The order intake for modernization products was clearly lower than in the previous strong quarters. Demand for continuous maintenance remained strong, however.

Glaston's installed and operating machine stock comprises over 2,000 machines. The company has invested significantly in its modernization services and responds comprehensively to customers' needs by offering over 100 different upgrade options. The introduction of digital maintenance services advanced, and Glaston received a number of iControl modernization orders for different types of machine.

January-December 2018

Glaston's order intake in January-December grew 4% compared to the previous year and totaled EUR 107.6 (103.7, taking into account sold business operations 102.4) million. Taking into account the sale of the pre-processing and tools businesses, order intake grew 5%.

Glaston's order book at the end of 2018 stood at EUR 38.2 (34.1) million, up 12% compared with corresponding period of the previous year. The Machines business order book grew by 16% to EUR 35.5 (30.6) million. The Services business order book fell by 23% to EUR 2.7 (3.5) million.

Order intake, M€	10–12/18	10–12/17	Change	1–12/18	1–12/17	Change
Machines	26.2	19.6	35%	73.6	63.8	15%
Services	7.3	9.2	-20%	34.0	39.9	-15%
Total	33.9	28.8	18%	107.6	103.7	4%

Order intake, M€ (comparison figure excluding sold pre-processing and tools businesses)	1–12/18	1–12/17	Change
Machines	73.6	63.8	15%
Services	34.0	38.4	-11%
Total	107.6	102.2	5%

Order book, M€	31.12.2018	restated 31.12.2017
Machines	35.5	30.6
Services	2.7	3.5
Total	38.2	34.1

Net sales

October-December 2018

Glaston's October–December net sales totaled EUR 27.8 (29.7) million, down 6% on the corresponding period of the previous year. The net sales of the Machines business fell by 10% to EUR 17.3 (19.2) million. The decline in net sales was primarily due to the low order intake of the previous month, which preceded the Glasstec fair. It is also worth noting that, due to the project-oriented nature of its business, the company's net sales and profitability might fluctuate significantly from quarter to quarter. The net sales of the Services business were approximately at the level of the corresponding period of the previous year, EUR 11.0 (11.1, taking sold business operations in account 10.8) million, down 1% from the previous year. The sale of the Tools business, implemented at the end of November, reduced the net sales of the Services business in the fourth quarter. Comparable net sales grew 1%.

January-December 2018

January–December net sales declined by 8% and totaled EUR 101.1 (109.7, taking into account sold business operations 106.7) million. Taking into account the divestment of the pre-processing business in 2017 and the Tools business last year, the decline was 5%. The net sales of the Machines business totaled EUR 65.2 (68.8) million. Net sales of the Services business declined by 12% and totaled EUR 37.6 (42.8, taking into account sold business operations 39.8) million. In January 2018, Glaston made the decision to discontinue the production operations of its Chinese joint venture Glaston Tools (Sanhe) Co., Ltd. Glaston owned 70% of the joint venture. The company's net sales were EUR 0.7 million in 2017.

In the review period, January–December 2018, net sales of the EMEA area grew by 5% and totaled EUR 54.3 (51.5) million. The pick-up in the Asian market area also continued, and net sales grew by 16% to EUR 19.2 (16.5) million. The development of net sales in the Americas area was affected by the sale of the company's North American pre-processing business, implemented in spring 2017, and lower demand in the early part of the year. The net sales of the Americas area totaled EUR 27.7 (41.6) million, down 34% compared with the corresponding period of the previous year. Taking into account the sale of the pre-processing business, the decline was 29%.

As Glaston's largest market area, the EMEA area remained strong, and it accounted for 54% of the Group's net sales. Asia accounted for 19% of net sales and the Americas for 27%.

Net sales, M€	10–12/18	restated 10–12/17	Change	1–12/18	restated 1–12/17	Change
Machines	17.3	19.2	-10%	65.2	68.8	-5%
Services	11.0	11.1	-1%	37.6	42.8	-12%
Other and internal sales	-0.4	-0.6		-1.7	-2.0	
Total	27.8	29.7	-6%	101.1	109.7	-8%

Net sales, M€ (comparison figure excluding sold pre-processing and tools businesses)	1–12/18	restated 1–12/17	Change
Machines	65.2	68.8	-5%
Services	37.6	39.8	-6%
Other and internal sales	-1.7	-1.9	-10%
Total	101.1	106.7	-5%

Sales by geographical area, M€	10-12/18	restated 10-12/17	Change	1–12/18	restated 1–12/17	Change
EMEA	14.1	13.8	2%	54.3	51.5	5%
Asia-Pacific	4.1	3.8	10%	19.2	16.5	16%
Americas	9.6	12.1	-20%	27.7	41.6	-34%
Total	27.8	29.7	-6%	101.1	109.7	-8%

Operating result and profitability

October–December 2018

Glaston's comparable operating profit for October–December 2018 increased by 73% to EUR 2.5 (1.4) million, i.e. 8.8 (4.8)% of net sales. The profitability of heat treatment machine maintenance services was significantly better than in the previous year. The implementation of the divestment of the Tools business at the end of November had a small positive impact on the Group's net sales.

The operating profit for October–December was EUR 1.1 (1.2) million. In the final quarter of 2018, the company recognized items impacting comparability totaling EUR 1.3 million related to the divestment of the Tools business. The result before taxes was EUR 1.0 (1.1) million. The fourth-quarter result was EUR 0.9 (0.7) million. October–December earnings per share were EUR 0.005 (0.003) and comparable earnings per share were EUR 0.012 (0.005).

January–December 2018

The comparable operating profit January–December 2018 was EUR 5.2 (5.0) million, i.e. 5.2 (4.6)% of net sales. The lower net sales of the Machines business and the lower volume and profitability on non-core pre-processing and tools business operations had a negative impact on profitability. Despite this, operating profit was better than the previous year, due to good development of the profitability of heat treatment machines and related service business and, to some extent, lower fixed costs. Items affecting comparability recognized during the year totaled EUR 1.8 (0.4) million, which related primarily to the divestment of the company's Tools business and the closure of the production operations of the Chinese joint venture Glaston Tools (Sanhe) Co., Ltd.

Glaston's operating profit in January–December 2018 was EUR 3.4 (4.6) million. Financial income and expenses were EUR -0.7 (-0.9) million. The result before taxes was EUR 2.7 (3.8) million. The result for the review period was EUR 2.0 (2.6) million. January–December earnings per share were EUR 0.011 (0.014) and comparable earnings per share were EUR 0.021 (0.016).

Comparable operating profit, M€	10–12/18	10–12/17	1–12/2018	1–12/2017
EBIT	1.1	1.2	3.4	4.6
Items affecting comparability	1.3	0.2	1.8	0.4
Comparable operating profit	2.5	1.4	5.2	5.0
% net sales	8.8	4.8	5.2	4.6

Cash flow, financial position and financing

Glaston's fourth-quarter cash flow from operating activities, before the change in working capital, was EUR 2.2 (2.1) million. Cash flow from the change in working capital was EUR 3.0 (5.2) million and cash flow from operating activities was EUR 5.2 (7.3) million. Less money was released from working capital than in the previous year, primarily due to changes in contract asset items. Cash flow from investments was EUR -0.3 (0.1) million and cash flow from financing activities was EUR -2.0 (-2.5) million.

Glaston's cash flow from operating activities, before the change in working capital, was EUR 5.0 (7.4) million in January-December. Cash flow from the change in working capital was EUR -5.1 (-7.3) million in January-December. Cash flow from investments was EUR -1.5 (-2.1) million and cash flow from financing activities was EUR -3.0 (-2.8) million. A return of capital totaling EUR 1.9 million was paid in April.

At the end of the reporting period, the Group's cash and cash equivalents totaled EUR 7.9 (12.4) million. Net interest-bearing debt totaled EUR 4.9 (0.9) million and net gearing was 13.1 (2.3)%.

At the end of December, the consolidated asset total was EUR 90.9 (96.7) million. The equity attributable to the owners of the parent was EUR 37.1 (36.9) million. Equity per share was EUR 0.19 (0.19). The comparable return on equity in the reporting period was 10.3 (8.2)%. The comparable return on capital employed was 10.5 (10.0)%. The company's equity ratio was 50.3% (44.7%).

Capital expenditure, depreciation and amortization

Glaston's January-December gross capital expenditure totaled EUR 2.0 (2.3) million. Investments were mainly related to product development. Depreciation and amortization on property, plant and equipment, and on intangible assets totaled EUR 3.0 (3.0) million.

Strategy

Glaston published its revised strategy and goals in November 2018. The company's strategic goal is to be the industry's innovative technology leader, realizing its customers highest ambitions in glass. Glaston's purpose is to build a better tomorrow through safer, smarter, more energy-efficient glass solutions.

The demand for environmentally sustainable and energy-efficient solutions, tightening safety standards as well as growing visual and functional quality requirements increasingly affect the way our customers operate. With our unique portfolio of products and services, Glaston is in a strong position to respond to the demand for innovative solutions. In our strategy, we continue to focus on developing our core heat treatment technologies, while continuously seeking opportunities for new glass processing technologies within new, smarter and safer glass. Our extensive installed base and superior global service network, in combination with innovations within digitalization and automation, puts us in a unique position to fulfill the most demanding needs of our customers while at the same time supporting our profitable growth ambitions.

Supported by our flexible production and supply chain management, we continuously seek new ways to maintain high quality and cost efficiency. High investment in R&D and our focus on innovation and digitalization strengthen our position as the industry's innovative technology leader.

Strategic measures, acquisitions and divestments

In December, Glaston announced an agreement to sell its Tools business (Glaston Tools) to the Italian company Bavelloni S.p.A. in accordance with its updated strategy. The Italian tools company left the Glaston Group at the end of November. In accordance with its strategy, Glaston will focus on heat treatment and emerging glass technologies and related maintenance services. The net sales of the Glaston Tools business totaled around EUR 6 million in 2018 and the company had around 35 employees.

In the fourth quarter, the planning of the acquisition of the Swiss-German Bystronic glass company proceeded. Bystronic glass offers high-quality machines, systems and services for glass processing worldwide, and its offering is well complemented by Glaston's offering. On January 25, Glaston announced that it had signed an agreement to acquire Bystronic Maschinen AG and Bystronic Lenhardt GmbH subsidiaries with a value of EUR 68 million.

Investments in product development, digitalization and emerging technologies

Product development activity in the review period was affected by the timing of new product launches at the industry's most important fair, Glasstec 2018, held at the end of October, where Glaston announced a number of new and further developed products.

Glaston is investing in large-size flat tempering lines, and one of the most important products launched at the fair was the Jumbo series machine, which is designed for the heat treatment of jumbo-size, typically 3300 mm x 12000 mm, architectural glass. The amount of energy required in normal production by the jumbo-size heat treatment line is reduced by Glaston's Fusion option, in which energy is directed only to the areas required by production.

Glaston has continued the development of the Insight Reporting tool, intended for measuring and reporting the quality of flat-tempered and laminated glass. The reporting tool provides immediate information on the success of production and saves it in an easily accessible form. Products have also been added to the iLook product range.

In addition to above product launches, Glaston has continued investing in product development and emerging glass technologies in line with the company's growth strategy. New digital and IoT-based products that facilitate the transition to fully automated glass processing continue to be at the forefront of product development.

In the second quarter of 2018, Glaston received a positive decision on its 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 utilizing digitalization 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 has been one of the main organizers 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 has been to demonstrate how companies can develop their businesses through virtual reality means.

With regard to emerging glass technologies, product testing of the Heliotrope prototype line as well as glass durability and ageing tests were carried out. The material has been proved to be effective and in tests it has met the targets set for it to date.

In January–December, research and product development expenditure, excluding depreciation, totaled EUR 3.7 (4.0) million, of which EUR 1.0 (1.4) million was capitalized. Research and product development expenditure amounted to 3.7 (3.6)% of net sales.

Organization and employees

In 2018, the introduction of an information system covering all of Glaston's personnel and key human resources processes continued. The second phase of the project, which began in 2017, focused on system localizations and the introduction of the recruitment section of the system. In 2018, the system was implemented successfully all countries and for all HR processes.

In 2018, the team-based performance review process was developed further. The aim of the process is to support the implementation of the updated strategy. The process has been refined and, for example, team configurations have been changed to increase cooperation and interaction.

During the year, a number of training events were organized, including Genuine Care Days and Genuine Sales Days as well as process training. In addition, the company organized sales negotiation skills and problem-solving training for its personnel with the aim of developing Glaston's problem-solving culture.

The Pulse survey aims to ascertain employees' satisfaction quickly and easily, even on a monthly basis. In addition to measuring satisfaction, the survey has a monthly question on strategy, leadership or other topical issues.

In December, Glaston signed an agreement on the sale of the Tools business to the Italian company Bavelloni S.p.A. Glaston Tools employed 35 people, who were transferred in connection with the sale to the service of Bavelloni.

Glaston had a total of 357 (402) employees on 31 December 2018. Of the Group's employees, 54% worked in Finland and 8% elsewhere in the EMEA area, 25% in Asia and 13% in the Americas. The average number of employees was 379 (409).

Corporate responsibility

Glaston's purpose is to build a better tomorrow through safer, smarter, more energy-efficient glass solutions. As environmental awareness increases, the demand for more energy-efficient and environmentally sustainable glass solutions is increasing. This is resulting in rapid development of intelligent glass, very thin glass and solar energy glass solutions. As our industry's innovative technology leader, we are strongly involved in this development, and we are continually launching more advanced technology to meet the changing needs of the market.

Responsibility is part of Glaston's day-to-day operations and is based on the Code of Conduct approved by the Board of Directors. The Code of Conduct outlines the company's requirements and expectations for responsible and ethical conduct as well as, for example, how the company requires employees to act in their daily work with colleagues and customers, suppliers and other stakeholders.

Glaston is committed to complying with the relevant national and international laws, provisions and generally excepted operating practices in all of its activities. In its daily operations, the company is committed to combating bribery and corruption.

Glaston's Annual Review 2018, to be published in Week 11, examines the company's corporate responsibility from the perspectives of social, financial and environmental responsibility. The company will develop its corporate responsibility reporting during 2019 with the aim of publishing a more comprehensive corporate responsibility report for 2019.

Shares and shareholders

Glaston Corporation's paid and registered share capital on 31 December 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 December, 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.

In January–December, a total of approximately 16.1 (60.8) million of the company's shares were traded, i.e. around 8.3 (31.5)% of the average number of registered shares.

The Board of Directors has authorized management to study the possibility of reducing the number of the company's shares by combining the shares (so-called reverse split). The objective of combining the shares would be to increase interest in the company's share, to improve conditions for share trading and to increase flexibility in connection with possible dividend payment. The arrangement requires a decision of Glaston's General Meeting of Shareholders, and the Board of Directors in its invitation to an Extraordinary General Meeting, published on 1 February 2019, proposes to the Extraordinary General Meeting that five (5) of the company's shares be combined into one (1).

1 January-31 December 2018			No. of shares and votes	Share turnover, M€
GLA1V			193 633 136	7,1
	Highest	Lowest	Closing	Average price *)
Share price	0.51	0.37	0.39	0.44
			31.12.2018	31.12.2017
Market value			75.2	90.3
Number of shareholders			5 876	5 568
Foreign ownership, %			19.2	19.5

*) trading-weighted average

At the end of the year, Glaston Corporation's largest shareholders were AC Invest Eight B.V. 17.52%, Hymy Lahtinen Oy 12.08%, OP-Finland Small Firms Mutual Fund 7.31%, Ilmarinen Mutual Pension Insurance Company 7.15%, and Varma Mutual Pension Insurance Company 6.60%.

At the end of the period, Glaston Corporation had 5,876 shareholders.

Governance

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.

Composition of the Board of Directors

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 organizing 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 Authorized Public Accounting firm Ernst & Young Oy as the company's auditor, with Authorized Public Accountant Kristina Sandin as the main responsible auditor.

Board authorization

The Annual General Meeting authorized 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 authorization covers a maximum of 20,000,000 shares.

The authorization does not exclude the Board of Directors' right to decide on a directed issue. It was proposed that the authorization 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 authorized 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 authorization is valid until 30 June 2019 and it invalidates earlier authorizations.

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.

Composition of the Nomination Board

Based on the ownership situation on 3 September 2018, the following were selected as members of Glaston's Nomination Board: Lasse Heinonen (AC Invest Eight B.V.), Jaakko Kurikka (Hymy Lahtinen Oy), Sami Jormalainen (OP-Finland Small Firms) and Esko Torsti (Ilmarinen Mutual Pension Insurance Company). In its organizing meeting held on 5 October 2018, the Nomination Board elected Lasse Heinonen from among its members to be Chairman.

Teuvo Salminen, Chairman of the Company's Board of Directors, serves as an advisory member of the Nomination Board.

The proposals of the Nomination Board to the Annual General Meeting were published on 28 January 2019 and they are available on the company's website www.glaston.net.

Flagging notifications

2 January 2018: Glaston Corporation received a notification, pursuant to Chapter 9 Section 5 of the Finnish Securities Market Act, that Ilmarinen Mutual Pension Insurance Company's holding of shares and votes in Glaston Corporation had exceeded 5%. Ilmarinen Mutual Pension Insurance Company and Etera Mutual Pension Insurance Company merged on 1 January 2018, as a result of which Ilmarinen Mutual Pension Insurance Company's holding of all shares and votes in Glaston Corporation was 7.15%.

4 June 2018: Glaston Corporation received a notification, pursuant to Chapter 9 Section 5 of the Finnish Securities Market Act, that Evli Bank Plc's holding of shares and votes in Glaston Corporation had fallen below 5% as the result of a sale of shares that took place on 31 May 2018.

Risks, risk management and business uncertainties

Glaston's key risks are divided into strategic, operational and financial risks.

Strategic risks

A survey of strategic risks is part of the Group's strategic planning process. A risk is defined as strategic where, if realized, it can have long-term effects on business.

Business environment risks

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

Glaston's position in a cyclical market is stabilized to a certain extent by a flexible production model based on capacity outsourcing and a business distribution in which a significant share of net sales comes from the Services business. In accordance with its strategy, Glaston is investing in growing its more stable Services business to mitigate the impact of cyclicity in the Machines business. At the same time, the Emerging Technologies business, which operates partly in different cycles, will contribute to the stability of the company's operations in the future.

Competitive situation and price risks

The glass processing technology sector is diversified and there are many small players in the market. Competitors' consolidation projects could, if realized, change the dynamics of the market and the relative market and price negotiation position of operators. Glaston is constantly exploring opportunities for

acquisitions, particularly in the areas of glass processing machines, maintenance services and software, in order to be at the forefront of market development. On 25 January 2019, Glaston announced that it had signed an agreement to purchase the Swiss-German company Bystronic glass. There may be risks associated with acquisition integration and combining the companies.

Competitive positions may also be changed by expansion into new areas by machine manufacturers of a lower segment in terms of price and technology. This risk is greatest in the price-conscious Asian and South American markets. For the Group's long-term growth, its position in the Asian market is particularly significant. In order to strengthen its position in the Asian market, Glaston has developed a product at a lower price and technology level, which will be launched commercially in early 2019.

A long-term strengthening of the euro against other key currencies, particularly the US dollar, may weaken Glaston's position relative to competitors outside the euro area. Intensified competition may lead to a deterioration of order intake, project-specific margins or terms of payment, and thus affect the Group's earnings and cash flow.

Technology risks

One of Glaston's most significant strategic risks is technology risk, namely the entry into the market of a competing machine and glass processing technology, which would result in a reduction of Glaston's currently high market shares and require the company to make considerable product development investments. There is also a technology risk, associated with the entry into the market of competing technologies, in the projects of Glaston Emerging Technologies unit, which focuses on Glaston's new technologies. The unit invests in new, early-stage technologies whose viability on a commercial scale is uncertain. Glaston mitigates these risks by making larger product development investments than other players in the market and by striving to be at the forefront of technology development. The product portfolio of the Emerging Technologies unit will be expanded into many new technologies, which will contribute to reducing the impact of the technology risk associated with any single technology.

Operational risks

Operational risk management is part of the daily work of business areas. Opportunities and risks are identified, assessed and managed on a daily basis; they are reported and assigned to the appropriate level of management. The status of opportunities and threats is regularly assessed, and appropriate measures are taken if necessary.

Glaston's most significant operational risks include management and possible quality problems related to demanding customer projects, availability of components, management of the contractual partner and subcontractor network, product development, succeeding in the protection and efficient production of intellectual property rights as well as the availability and permanence of expert personnel. In some cases, the possible failure of a single project may have significant financial implications if its size or contractual terms and conditions are exceptional.

The Group's resources are in full use, and the successful growth of operations requires successful management and controlled growth of these resources. In addition, digitalization and emerging technologies are bringing requirements for technological and business management expertise. The Group's ability to attract new types of expertise and maintain a high level of job satisfaction among its employees is further emphasized.

Glaston Group includes a few units whose financial performance has been unsatisfactory in recent years, and failure to revitalize these units or a delay in doing so could have had a negative impact on the Group's result and cash flow. In the review period, in line with its strategy, Glaston has divested its non-core Tools business, simultaneously reducing risks associated with profitability development.

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

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

Financial risks

The Group's most significant financial risks are foreign exchange, credit and refinancing risks. Financial risks and their management are described in financial statements item Management of Financial Risks.

The Group's risk management processes are described in the Corporation Governance Statement.

Events after the closing date

On 25 January 2019, Glaston announced that it had signed an agreement to acquire Bystronic Maschinen AG and Bystronic Lenhardt GmbH and subsidiaries ("Bystronic glass") with a value of EUR 68 million. The Swiss-German Bystronic glass provides high quality machinery, systems and services for glass processing worldwide, and its offering is highly complementary to Glaston's. Bystronic glass is currently part of the broadly diversified Swiss Conzzeta Group.

The acquisition supports Glaston's goal of further strengthening its position in the glass processing value chain. It increases Glaston's insulating glass offering in the architectural market as well as its pre-processing offering in the automotive and display industries. As a result of the acquisition, Glaston will have a unique and value-adding offering benefitting its customers. The acquisition provides excellent opportunities for cross-selling of new equipment, for providing services directly from one supplier and for the joint development of integrated production lines. In addition, Bystronic glass supports our future growth targets in emerging glass technologies. As a result of the acquisition, Glaston Corporation will grow substantially, and this will also offer a platform for growth and consolidation in the future. The indicative* combined net sales of Glaston Corporation and Bystronic glass were EUR 214 million in 2018. The acquisition is expected to improve overall financial performance. More information regarding the acquisition can be found in the stock exchange release published on 25 January 2019.

In the Emerging Technologies unit, a long-running project under preparation with one customer received final approval at the end of the year and was confirmed as an order in January 2019. The order is strategic, as it is the Emerging Technologies unit's first order for the automotive industry.

On 1 February 2019, the Board of Directors of Glaston decided to invite the company's shareholders to an Extraordinary General Meeting to be held on Tuesday, 26 February 2019. The meeting will discuss the Board of Directors' proposal, pursuant of the Chapter 15 Section 9 of the Companies Act, to combine shares and for the related redemption of shares in deviation from the proportional shareholdings of the shareholders. In addition, the meeting will discuss decisions required by the above-mentioned corporate acquisition relating to authorizations given to the Board of Directors on the issuance of shares. To finance part of the acquisition, the company has negotiated with certain of its existing shareholders on a directed share issue of approximately EUR 15,000,000 ("Directed Share Issue") and on a share issue of approximately EUR 32,000,000 pursuant to the shareholders' pre-emptive subscription right ("Rights Issue"). The above-mentioned proposals for decision on the matters on the agenda of the Extraordinary General Meeting as well as the invitation to the meeting are available on the Glaston Corporation website at the address www.glaston.net.

Uncertainties and factors affecting development 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 continuously monitors the development outlook of the global economy and its impact on the development of the sector. If the demand situation of the sector deteriorates substantially, this will affect Glaston's net sales and earnings with a 3–6 month delay. Increased economic and political uncertainty as well as various trade policy tensions did not affect Glaston customers' willingness to invest or demand for products, but uncertainty in the market increased slightly towards the end of the year.

The Group's net sales are affected mainly by the level and timing of order intake as well as the geographical and product mix of orders. Glaston's order book at the end of 2018 was strong and it creates a good basis for development in 2019. In 2019, no large-scale sales events, like the Glasstec fair, will be held in the industry.

There is uncertainty associated with the timing of the Bystronic glass acquisition, progress with integration and conversion of financial reporting to suit Glaston's accounting principles, which might have an effect on the company's development in 2019.

* The combined financial information is presented for indicative purposes only. The combined financial information provides a picture of the combined company's net sales assuming that the business operations belonged to the same company from the beginning of the most recent financial period. The combined financial information is based on a hypothetical situation and it should not be considered to be pro

forma financial information, because it does not take into account differences in accounting principles nor the effects of purchase price allocation.

Glaston's outlook for 2019

The company's business is seasonal and, historically, the first quarter of the year is generally the weakest and the fourth quarter the strongest. Net sales and comparable operating profit are expected to be low for the first quarter of 2019, due to the low number of new orders received in the third quarter and the beginning of the fourth quarter of last year.

Deviating from Glaston's disclosure policy and due to the timetable of the Bystronic glass acquisition, Glaston will disclose information on its outlook for the whole of 2019 at a later stage.

Board of Directors' proposal on the distribution of profits

The distributable funds of Glaston Corporation are EUR 14,294,804, of which EUR 24,344 represents the loss for the financial year. The company has no funds available for dividend distribution.

The Board of Directors proposes to the Annual General Meeting to be held on 4 April 2019 that the loss for the financial year be placed in retained earnings and that no dividend be paid.

The Board of Directors proposes to the Annual General Meeting that, subject to the decision by the Extraordinary General Meeting, on the basis of the balance sheet adopted for financial period 2018, a return of capital of a total of EUR 1,157,067 be distributed, i.e. EUR 0.006 per share before the reverse share split to be approved by an Extraordinary General Meeting to be held on 26 February, which is equivalent to approximately EUR 0.03 per share after the reverse share split proposed by the Board of Directors.

The return of capital will be paid from the reserve for invested unrestricted equity to shareholders who are registered in the company's register of shareholders, maintained by Euroclear Finland Ltd, on the record date for payment, 6 April 2019. The Board of Directors proposes to the Annual General Meeting that the return of capital be paid on 25 April 2019.

The number of shares entitled to a return of capital on the date of the proposal on the distribution of profits is 192,844,554, corresponding to a total return of capital of EUR 1,157,067.

EUR 13,137,737 will be left in distributable funds.

No substantial changes in the company's financial position have taken place after the end of the financial year. In the view of the Board of Directors, the proposed distribution of profits does not jeopardize the company's solvency.

Helsinki, 12 February 2019
Glaston Corporation
Board of Directors

GLASTON CORPORATION

CONDENSED FINANCIAL STATEMENTS AND NOTES 1 JANUARY – 31 DECEMBER 2018

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). The Notes to the Financial Statements are also in accordance with the Finnish Accounting Act and Ordinance and the Finnish Companies' Act.

These condensed financial statements are audited. Auditor's report has been given on 12 February, 2019. Quarterly information and interim reports are not audited.

As a result of rounding differences, the figures presented in the tables may not add up to the total.

* 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	<u>31.12.2018</u>	restated* <u>31.12.2017</u>
Assets		
Non-current assets		
Goodwill	30.6	30.6
Other intangible assets	5.8	6.5
Property, plant and equipment	7.7	8.4
Financial assets measured at fair value through other comprehensive income	3.0	3.0
Loan receivables	3.2	1.4
Deferred tax assets	0.6	1.0
Total non-current assets	50.8	50.9
Current assets		
Inventories	5.8	11.0
Receivables		
Trade and other receivables	15.7	22.2
Contract assets	10.3	-
Assets for current tax	0.4	0.1
Total receivables	26.4	22.4
Cash equivalents	7.9	12.4
Total current assets	40.0	45.7
Total assets	90.9	96.7

EUR million	<u>31.12.2018</u>	restated* <u>31.12.2017</u>
Equity and liabilities		
Equity		
Share capital	12.7	12.7
Share premium account	25.3	25.3
Other restricted equity reserves	0.1	0.1
Reserve for invested unrestricted equity	39.6	41.6
Treasury shares	-3.3	-3.3
Fair value reserve	0.1	0.1

Other unrestricted equity reserves	0.0	0.1
Retained earnings and exchange differences	-39.5	-42.2
Net result attributable to owners of the parent	2.2	2.6
Equity attributable to owners of the parent	37.1	36.9
Non-controlling interest	0.1	0.2
Total equity	37.2	37.1
Non-current liabilities		
Non-current interest-bearing liabilities	8.1	10.6
Non-current interest-free liabilities and provisions	0.7	2.1
Deferred tax liabilities	0.4	0.3
Total non-current liabilities	9.2	12.9
Current liabilities		
Current interest-bearing liabilities	4.6	2.6
Current provisions	1.7	2.4
Trade and other current interest-free payables	37.3	39.4
Contract liabilities	0.7	2.0
Liabilities for current tax	0.2	0.2
Total current liabilities	44.5	46.6
Total liabilities	53.7	59.6
Total equity and liabilities	90.9	96.7

CONDENSED STATEMENT OF PROFIT OR LOSS

EUR million	10-12/2018	restated* 10-12/2017	1-12/2018	restated* 1-12/2017
Net sales	27.8	29.7	101.1	109.7
Other operating income	0.7	0.3	2.2	1.7
Expenses	-26.6	-28.0	-97.0	-103.8
Depreciation, amortization and impairment	-0.7	-0.7	-3.0	-3.0
Operating profit	1.1	1.2	3.4	4.6
Financial items, net	-0.2	-0.1	-0.7	-0.9
Result before income taxes	1.0	1.1	2.7	3.8
Income taxes	-0.1	-0.4	-0.7	-1.2
Profit / loss for the period	0.9	0.7	2.0	2.6
Attributable to:				
Owners of the parent	0.9	0.7	2.2	2.6
Non-controlling interest	-0.0	-0.0	-0.2	-0.0
Total	0.9	0.7	2.0	2.6
Earnings per share, EUR	0.005	0.003	0.011	0.014
Earnings per share, EUR, basic and diluted	0.005	0.003	0.011	0.014
Operating result, as % of net sales	4.1	4.1	3.4	4.2
Profit / loss for the period, as % of net sales	3.2	2.2	2.0	2.4
Items affecting comparability	-1.3	-0.2	-1.8	-0.4
Comparable operating result	2.5	1.4	5.2	5.0
Comparable operating result, as % of net sales	8.8	4.8	5.2	4.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	<u>10-12/2018</u>	restated* <u>10-12/2017</u>	<u>1-12/2018</u>	restated* <u>1-12/2017</u>
Profit / loss for the period	0.9	0.7	2.0	2.6
Other comprehensive income that will be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	0.0	-0.0	0.1	-0.8
Fair value changes of financial assets measured at fair value through profit or loss	0.0	-0.0	0.0	0.0
Cash flow hedges	0.1	-0.0	-0.1	0.0
Income tax on other comprehensive income	-0.0	-0.0	-0.0	-0.0
Other comprehensive income that will not be reclassified subsequently to profit or loss:				
Exchange differences on actuarial gains and losses arising from defined benefit plans	-0.0	0.0	-0.0	0.0
Actuarial gains and losses arising from defined benefit plans	0.0	-0.0	0.0	-0.0
Other comprehensive income for the reporting period, net of tax	0.1	-0.1	0.0	-0.8
Total comprehensive income for the reporting period	1.0	0.5	2.0	1.8
Attributable to:				
Owners of the parent	1.0	0.6	2.2	1.9
Non-controlling interest	-0.0	-0.0	-0.2	-0.1
Total comprehensive income for the reporting period	1.0	0.5	2.0	1.8

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	<u>10-12/2018</u>	restated* <u>10-12/2017</u>	<u>1-12/2018</u>	restated* <u>1-12/2017</u>
Cash flows from operating activities				
Cash flow before change in net working capital	2.2	2.1	5.0	7.4
Change in net working capital	3.0	5.2	-5.1	-7.3
Net cash flow from operating activities	5.2	7.3	-0.0	0.1
Cash flow from investing activities	-	-	-	-
Other purchases of non-current assets	-0.6	-0.0	-1.8	-2.3
Proceeds from sale of business	0.1	-	0.1	-
Proceeds from sale of other non-current assets	0.1	0.1	0.2	0.2
Net cash flow from investing activities	-0.3	0.1	-1.5	-2.1
Cash flow before financing	4.9	7.4	-1.5	-1.9
Cash flow from financing activities	-	-	-	-
Increase in non-current liabilities	-	0.5	0.0	6.0
Decrease in non-current liabilities	-	-0.6	-	-0.7
Changes in loan receivables (increase - / decrease +)	-	0.1	-0.5	0.4
Increase in short-term liabilities	4.0	0.0	9.0	2.0

Decrease in short-term liabilities	-6.0	-2.5	-9.6	-10.5
Capital repayment	-	-	-1.9	-
Net cash flow from financing activities	-2.0	-2.5	-3.0	-2.8
	-	-	-	-
Effect of exchange rate changes	0.1	-0.1	0.0	-0.2
	-	-	-	-
Net change in cash and cash equivalents	3.0	4.8	-4.5	-5.0
Cash and cash equivalents at the beginning of period	4.9	7.6	12.4	17.4
Cash and cash equivalents at the end of period	7.9	12.4	7.9	12.4
Net change in cash and cash equivalents	3.0	4.8	-4.5	-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. earnings	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	-	-	-	-	0.0	2.6	-0.8	1.9	-0.1	1.8
Equity at 31 December, 2017	12.7	25.3	41.6	-3.3	0.3	-44.1	4.5	36.9	0.2	37.1

EUR million	Share capital	Share premium account	Reserve for inv. unrestr. equity	Treasury shares	Fair value and other reserves	Ret. earnings	Exch. diff.	Equity attr. to owners of the parent	Non-contr. interest	Total equity
Equity at 1 January, 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	2.2	0.1	2.2	-0.2	2.0
Capital repayment	-	-	-1.9	-	-	-	-	-1.9	-	-1.9
Equity at 31 December, 2018	12.7	25.3	39.6	-3.3	0.2	-41.9	4.5	37.1	0.1	37.2

KEY RATIOS

	31.12.2018	restated* 31.12.2017
EBITDA, as % of net sales ⁽¹⁾	6.3	6.9
Operating profit (EBIT), as % of net sales	3.4	4.2
Profit / loss for the period, as % of net sales	2.0	2.4
Gross capital expenditure, EUR million	2.0	2.3
Gross capital expenditure, as % of net sales	2.0	2.1
Equity ratio, %	50.3	44.7
Gearing, %	34.2	35.7
Net gearing, %	13.1	2.3
Net interest-bearing debt, EUR million	4.9	0.9
Capital employed, end of period, EUR million	49.9	50.4
Return on equity, %	5.4	7.1
Return on capital employed, %	6.8	9.2
Number of personnel, average	379	409
Number of personnel, end of period	357	402

PER SHARE DATA

	31.12.2018	restated* 31.12.2017
Number of registered shares, end of period, treasury shares excluded (1.000)	192 845	192 920
Number of shares, average, adjusted with share issue, treasury shares excluded (1.000)	192 845	192 920
EPS, total, basic and diluted, adjusted with share issue, EUR	0.011	0.014
Adjusted equity attributable to owners of the parent per share, EUR	0.19	0.19
Capital repayment per share, EUR*	0.006	0.010
Capital repayment ratio, %*	53.4	73.1
Capital repayment yield*	1.5	2.1
Price per adjusted earnings per share (P/E) ratio	34.7	34.2
Price per adjusted equity attributable to owners of the parent per share	2.03	2.45
Market capitalization of registered shares, EUR million	75.2	90.3
Share turnover, % (number of shares traded, % of the average registered number of shares)	8.3	31.5
Number of shares traded, (1.000)	16 082	60 779
Closing price of the share, EUR	0.39	0.47
Highest quoted price, EUR	0.51	0.56
Lowest quoted price, EUR	0.37	0.39
Volume-weighted average quoted price, EUR	0.44	0.42

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

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

EUR million	10-12/2018	restated*		restated*	
		10-12/2017	1-12/2018	1-12/2017	
Machines	17.3	19.2	65.2	68.8	
Services	11.0	11.1	37.6	42.8	
Other and intersegment sales	-0.4	-0.6	-1.7	-2.0	
Net sales Glaston Group total	27.8	29.7	101.1	109.7	
Comparable EBIT	2.5	1.4	5.2	5.0	
Comparable EBIT-%	8.8	4.8	5.2	4.6	
Items affecting comparability	-1.3	-0.2	-1.8	-0.4	
EBIT	1.1	1.2	3.4	4.6	
EBIT-%	4.1	4.1	3.4	4.2	

Order intake

EUR million	1-12/2018	1-12/2017
Machines	73.6	63.8
Services	34.0	39.9
Total Glaston Group	107.6	103.7

Net sales by geographical areas

EUR million	restated*	
	1-12/2018	1-12/2017
EMEA	54.3	51.5
Asia	19.2	16.5
America	27.7	41.6
Total	101.1	109.7

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

Net sales	restated*							
	10-12/2018	7-9/2018	4-6/2018	1-3/2018	10-12/2017	7-9/2017	4-6/2017	1-3/2017
EUR million								
Machines	17.3	14.4	17.3	16.3	19.2	15.2	18.4	16.0
Services	11.0	8.9	9.0	8.7	11.1	9.8	10.8	11.2
Other and intersegment sales	-0.4	-0.3	-0.7	-0.3	-0.6	-0.5	-0.3	-0.6
Net sales Glaston Group total	27.8	23.0	25.6	24.8	29.7	24.5	28.9	26.6
Comparable EBIT	2.5	1.0	0.8	1.0	1.4	1.0	1.5	1.1
Comparable EBIT-%	8.8	4.2	3.1	4.0	4.8	4.1	5.1	4.1
Items affecting comparability	-1.3	-0.3	-0.0	-0.2	-0.2	-0.0	-0.2	-
EBIT	1.1	0.6	0.8	0.8	1.2	1.0	1.3	1.1
EBIT-%	4.1	2.8	3.1	3.3	4.1	4.1	4.5	4.1

Order book					restated*	restated*	restated*	restated*
	31.12.2018	30.9.2018	30.6.2018	31.3.2018	31.12.2017	30.9.2017	30.6.2017	31.3.2017
Machines	35.5	30.9	32.9	32.0	30.6	32.3	31.3	35.5
Services	2.7	5.4	4.3	4.0	3.5	5.2	4.8	4.3
Total Glaston Group	38.2	36.3	37.3	36.0	34.1	37.5	36.1	39.8

Order intake								
EUR million	10-12/2018	7-9/2018	4-6/2018	1-3/2018	10-12/2017	7-9/2017	4-6/2017	1-3/2017
Machines	26.6	12.7	16.4	18.0	19.6	17.2	15.1	12.0
Services	7.3	9.0	9.1	8.6	9.2	9.6	11.5	9.6
Total Glaston Group	33.9	21.7	25.4	26.5	28.8	26.8	26.6	21.6

COMPARABLE OPERATING PROFIT

Items affecting comparability				
EUR million	10-12/2018	10-12/2017	1-12/2018	1-12/2017
Restucturings and disposals of property, plant and equipment	-1.3	-0.2	-1.8	-0.4
Items affecting comparability	-1.3	-0.2	-1.8	-0.4

	restated*		restated*	
Comparable EBITDA	10-12/2018	10-12/2017	1-12/2018	1-12/2017
Operating profit	1.1	1.2	3.4	4.6
Less				
Depreciation and amortization	0.7	0.7	3.0	3.0
Adjustment: Items affecting comparability	1.3	0.2	1.8	0.4
Comparable EBITDA	3.2	2.2	8.2	8.0
% of net sales	11.5	7.3	8.1	7.3

	restated*		restated*	
Comparable EBIT	10-12/2018	10-12/2017	1-12/2018	1-12/2017
Operating profit	1.1	1.2	3.4	4.6
Less				
Adjustment: Items affecting comparability	1.3	0.2	1.8	0.4
Comparable EBIT	2.5	1.4	5.2	5.0
% of net sales	8.8	4.8	5.2	4.6

COMPARISON BETWEEN RESTATED AND REPORTED FIGURES (IFRS15)

	restated*	reported
EUR million	1-12/2017	1-12/2017
Machines	68.8	69.3
Services	42.8	43.1
Other and intersegment sales	-2.0	-2.0
Net sales Glaston Group total	109.7	110.4
Comparable EBIT	5.0	5.4

Comparable EBIT-%	4.6	4.8
Items affecting comparability	-0.4	-0.4
EBIT	4.6	5.0
EBIT-%	4.2	4.5

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

EUR million

Changes in property, plant and equipment	1-12/2018	1-12/2017
Carrying amount at beginning of the period	8.4	9.2
Additions	0.9	0.7
Disposals	1.5	-0.0
Depreciation and amortization	-1.1	-1.1
Reclassification and other changes	-1.9	-
Exchange differences	-0.0	-0.3
Carrying amount at end of the period	7.7	8.4

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

EUR million

Changes in property, plant and equipment	1-12/2018	1-12/2017
Carrying amount at beginning of the period	37.1	37.4
Additions	1.1	1.6
Disposals	-	-0.1
Depreciation and amortization	-1.9	-1.8
Reclassification and other changes	0.0	-
Exchange differences	-0.0	-0.0
Carrying amount at end of the period	36.3	37.1

CONTINGENT LIABILITIES

EUR million

	<u>31.12.2018</u>	<u>31.12.2017</u>
Mortgages and pledges		
On own behalf	166.9	166.9
Guarantees		
On own behalf	6.2	10.0
On behalf of others	0.1	0.2
Lease obligations	11.4	12.8
Repurchase obligations	-	-

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

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

DERIVATIVE INSTRUMENTS

EUR million	<u>31.12.2018</u>		<u>31.12.2017</u>	
	<u>Nominal value</u>	<u>Fair value</u>	<u>Nominal value</u>	<u>Fair value</u>
Currency forwards				
Currency forward contracts	11.9	-0.1	4.9	0.0

Glaston hedge 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 IFRS 9 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.

Financial assets measured at fair value through other comprehensive income include 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	-	-
31 December	2.8	2.8

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

	31.12.2018				31.12.2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Listed shares	0.2	-	0.0	0.2	0.2	-	0.0	0.2
Other long-term investments	-	-	2.8	2.8	-	-	2.8	2.8
Currency forward contracts	-	-	-	-	-	0.0	-	0.0
Total	0.2	-	2.8	3.0	0.2	0.0	2.8	3.0
Liabilities								
Currency forward contracts	-	-0.1	-	-0.1	-	-	-	-
Total	-	-0.1	-	-0.1	-	-	-	-

SHAREHOLDER INFORMATION

20 largest shareholders 31 December, 2018

	Shareholder	Number of shares	% of shares and votes
1	Ac Invest Eight B.V.	33 931 442	17.5
2	Hymy Lahtinen Oy	23 400 000	12.1
3	OP-Finland Small Firms Fund	14 154 400	7.3
4	Ilmarinen Mutual Pension Insurance Company	13 843 878	7.1
5	Varma Mutual Pension Insurance Company	12 786 643	6.6
6	Evli Finnish Small Cap Fund	8 419 500	4.3
7	Hulkko Juha Olavi	5 000 000	2.6
8	Päivikki and Sakari Sohlberg Foundation	3 965 600	2.0
9	Oy Investsum Ab	3 358 000	1.7
10	Kirkon Eläkerahasto	3 089 406	1.6
11	Sijoitusrahasto Taaleritehdas Mikro Markka	2 375 600	1.2
12	Säästöpankki Pienyhtiöt	2 307 860	1.2
13	Sumelius Birgitta Christina	1 944 734	1.0
14	Metsänen Arto Juhani	1 750 000	0.9
15	Sumelius Bjarne Henning	1 701 504	0.9
16	Von Christierson Charlie	1 600 000	0.8
17	Oy Nissala Ab	1 500 000	0.8
18	Sumelius-Koljonen Barbro	1 235 988	0.6
19	Lahtinen Jeppe Juhani Urponpoika	1 200 001	0.6
20	Apteekkien Eläkekassa	1 200 000	0.6
	20 largest shareholders total	138 764 556	71.7
	Nominee registered shareholders	2 464 545	1.3
	Other shares	52 404 035	27.1
	Total	193 633 136	100.0
	Treasury shares	-788 582	-0.4
	Total excluding treasury shares	192 844 554	99.6

DEFINITIONS OF KEY RATIOS

Per share data

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 at amortized cost)

Net interest-bearing debt:

Interest-bearing liabilities (includes interest-bearing liabilities at amortized cost) - cash and cash equivalents

Financial expenses:

Interest expenses of financial liabilities + fees of financing arrangements + foreign currency differences of financial liabilities

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.