



Glaston Corporation

1 January – 31 March 2019

Q1 Interim report

Glaston Corporation Q1/2019: Net sales and EBIT declined as expected – the company agreed on historic acquisition

First quarter 2019 in brief

- Orders received totaled EUR 22.9 (26.5, taking into account divested business operations* 25.5) million.
- Net sales totaled EUR 20.8 (24.8, taking into account divested business operations* 23.7) million.
- The operating result was EUR -0.8 (0.9 profit) million.
- The comparable operating result was EUR 0.1 (1.1) million, i.e. 0.4 (4.4)% of net sales.
- Earnings per share were EUR -0.029 (0.009).
- The comparable earnings per share were EUR -0.008 (0.013).
- Cash flow from business operations was EUR 1.8 (-6.6) million.

Highlights during and after the review period

- On 25 January 2019, Glaston signed an agreement to acquire Bystronic glass, a Swiss-German global provider of high quality machinery, systems and services for glass processing, for an enterprise value of EUR 68 million. In 2018, Bystronic glass' net sales totaled EUR 115.5 million and comparable operating result margin was 5.7%**.
- The Extraordinary General Meeting held on 26 February 2019 resolved to reduce the number of the company's shares by combining the shares in a ratio of 5:1 ('reverse split'). Trading with the new number of shares, 38,726,627, began on 1 March 2019.
- At the end of March, Glaston signed a new long-term financing agreement, which will be used for financing the transaction, refinancing Glaston's existing loan facilities as well as the Group's general working capital and guarantee needs.
- Authorized by the Extraordinary Annual General Meeting, the Board of Directors resolved to issue a total of 7,407,405 new shares at a subscription price of EUR 2.025 in a directed share issue to anchor investors. The proceeds of the directed share issue, a total of EUR 15 million, will be used to finance part of the acquisition of Bystronic glass. The new shares were entered in the Trade Register on 9 April 2019.
- In connection with the completion of the acquisition, Glaston made the following changes to the Executive Management Group. As of 1 April 2019, the Executive Management Group consists of CEO Arto Metsänen, COO and integration lead Sasu Koivumäki, Burghard Schneider, who is responsible for the operations of Bystronic glass, and as of 1 May 2019 Juha Liettyä, who will be responsible for Glaston Technologies. Päivi Lindqvist continues in her position as CFO and member of the Executive Management Group.

Glaston's outlook for 2019

Bystronic glass will be consolidated as part of Glaston Corporation from 1 April 2019 and consequently, Glaston will have two reporting segments: Glaston and Bystronic glass. The Company estimates the acquisition to be earnings enhancing, also in terms of comparable earnings per share when compared to the situation excluding the acquisition. As stated in the stock exchange release, published on 12 February 2019, the Company will disclose information regarding its 2019 full-year outlook at a later stage. In addition, Glaston plans to publish Glaston's and Bystronic glass' unaudited combined financial information for 2018 and the first quarter of 2019 at the latest in connection with the planned rights issue, which is expected to begin during the second quarter of 2019.

Some of Glaston's (excluding Bystronic glass) orders received in the latter part of 2018 will be delivered in the second half of the year, which will shift net sales and operating result to later than normal.

Glaston has applied the new IFRS 16 Leases fully retrospectively from 1 January 2019, and therefore the interim report 1 January – 31 March 2019 is reported with respect to 2018 comparison data both in accordance with actual data and the new standard. Restated comparison figures presented in the tables of the review refer to IFRS 16 adjustments.

* In December 2018, Glaston sold its Tools business in Italy and the USA.

** The financial information of Bystronic glass, which consists of Bystronic glass' segment information included in the financial statements of Conzeta AG for the financial year 2018, has been prepared in accordance with the Swiss GAAP FER. The financial information for Bystronic Glass has been converted into euros using the European Central Bank's EUR/CHF average exchange rate for the period 1 January – 31 December 2018 (1.15491).

President & CEO Arto Metsänen:

"The first quarter of 2019 quarter has been historic for Glaston thanks to the acquisition of Bystronic glass. The acquisition complements our offering significantly and we will be able to offer products to our architectural and automotive industry customers on a comprehensive basis. We are shifting into a completely new size class, which will bring us economies of scale and opportunities to develop our operations for our customers' benefit. Customers have responded very well to the acquisition and are looking forward to new, broader practical cooperation opportunities.

As we anticipated in our financial statement 2018 bulletin, first-quarter net sales and comparable operating result were low. This was primarily due to the low number of new orders in the third quarter and early fourth quarter of last year but also to, among other things, the protracted Brexit negotiations and other uncertainties reflected in Europe as a whole, which led to a slightly quieter than expected first quarter. Our sales were down 12% on a comparable basis and the comparable operating result was low. Orders received also declined slightly from the previous year, reflecting the high ordering activity at the end of 2018. In our strategy, we are focusing on our Services business, and I am particularly satisfied with how services for our heat treatment machines developed in the first quarter. Orders received, net sales and profitability of service operations all improved during the review period.

The activity in the Emerging Technologies unit picked up at the beginning of the year and we are in negotiations regarding several interesting projects in both Asia and the US. During the beginning of the year, two small projects in value but strategically important, translated into orders. They are the Emerging Technologies unit's first orders for the automotive and aviation industries.

The formalities of the Bystronic acquisition have been completed, all official permits have been obtained, and we can now start the integration process. In our integration work, we will focus primarily on effectively integrating our sales and service functions, while ensuring that we achieve our cost synergies within the set timeframe. Work on pro forma figures is well under way and we will publish an updated strategy, and financial objectives as soon as possible."

Key figures	restated		restated
	1–3/2019	1–3/2018	1–12/2018
Orders received, EUR million	22.9	26.5	107.6
Order book, EUR million	42.8	36.0	38.2
Net sales, EUR million	20.8	24.8	101.1
EBITDA, comparable, EUR million	1.3	2.3	10.5
EBITDA, comparable, % net sales	6.2	9.3	10.4
Operating result (EBIT), EUR million	-0.8	0.9	3.8
EBIT, comparable, EUR million	0.1	1.1	5.7
EBIT, comparable, % net sales	0.4	4.4	5.6
Profit/loss for the period, EUR million	-1.1	0.3	1.9
Number of registered shares at end of period, excluding treasury shares (1,000)*	38 569	38 569	38 569
Earnings per share, EUR*	-0.029	0.009	0.054
Comparable earnings per share, EUR	-0.008	0.013	0.101
Return of capital/share, EUR	-	-	0.030*
Cash flow from operations, EUR million	1.8	-6.6	-0.0
Return on capital employed, %, annualized	-4.7	6.3	6.5
Comparable return on capital employed, %, annualized	- 3.4	6.6	9.6
Gross capital expenditure, EUR million	0.8	0.3	2.0
Equity ratio, %	55.1	42.9	44.4
Gearing, %	38.6	62.9	59.8

* On 1 March 2019, a reverse share split was carried out. The number of shares and the share price in the comparison period, and the key figures calculated from them have been adjusted accordingly.

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 12–15%.

Most, i.e. around 80%, of glass produced with Glaston's technology is supplied to the construction 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

The European Commission forecasts that euro area growth will continue in 2019 but has slightly lowered it from the growth forecast the Commission made at the end of 2018. According to the latest forecast, euro area GDP is projected to grow by 1.3% in 2019.

It should be noted that Glaston's EMEA area consists of several countries and continents, where economic conditions vary considerably. Brexit confusion, general world trade tensions and the slowdown in China's economic development caused a prolongation of decision-making especially in Central Europe. In Germany in particular, the economic forecasts weakened during the review period. In Turkey, the situation remained uncertain and decision-making slowed down. In Russia, ordering activity and interest improved slightly from the previous year, despite the weak economic situation. In Eastern Europe, glass processing investment activity remained good, and it is also expected to continue to be good in the upcoming quarters.

Americas

Confidence in the US economic outlook continued to be strong in the first quarter, and GDP is expected to grow by nearly 2.5% in 2019. 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. Glaston received a number of significant orders from North America in the first quarter.

Challenges continued in the Mexican, Central American and South American 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 this cost-conscious market. In the first quarter, the Chinese glass processing market showed a slight increase from the low levels of previous years. Glaston has developed a competitive product for the Chinese market, and it will be launched at the China Glass trade fair, to be held in Beijing at the end of May.

The Australia and New Zealand markets quietened down in the first quarter after three lively years. The sale of Australia's leading glass manufacturer and parliamentary elections to be held in May resulted in a slowdown in decision-making. In many other Asian countries, such as Thailand and Indonesia, elections will also be held during the next quarter, which has postponed investment decisions until the post-election period.

Financial development

Order intake and order book

Glaston's order intake in the first quarter of 2019 was EUR 22.9 (26.5, taking into account divested business operations 25.5) million. Ordering activity slowed down significantly from the lively previous quarter, which coincided with Glasstec.

Machines

In January–March, the order intake of the Machines business declined by 21% to EUR 14.1 (18.0) million. The largest orders were received from the USA, Bulgaria, Poland and Qatar.

In the EMEA area, demand for machines remained on a good level, although a slowdown in decision-making was seen. In North America, demand was strong, and the company received a number of significant orders in the area, including a machine order for the revamped FC series, which was launched in the autumn. A key feature of the machine is the new Vortex Pro convection. With Vortex Pro, Glaston's customers can run their lines at a higher loading rate, while at the same time increasing the machine's automation level. In the Asia-Pacific market area, negotiations on new orders continued.

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.

Emerging Technologies

Emerging glass technologies and value-adding glass products, such as smart 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 consulting 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. Emerging Technologies received two strategically significant orders in the review period. Both orders concern mainly design work and are not large in terms of value, but they represent the Emerging Technologies unit's first orders for the automotive and aviation industries.

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, manufacturer and global distributor. 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 and Glaston expect that the first line will be ordered during 2019. Heliotrope lines include both Glaston's and external manufacturers' equipment.

Services

The services market was active in the first quarter and demand was good. In January–March 2019, the order intake of the Services business grew by 17% to EUR 8.8 (7.5) million. Compared with reported order intake for the corresponding period of the previous year, growth was 2% (Services business' reported net sales 1–3/2018 were EUR 8.6 million). Ordering activity for modernization products improved from the low levels of the fourth quarter 2018. Demand for continuous maintenance work and spare parts was also good.

Glaston's installed and operating machine base 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 roll-out of digital maintenance services advanced, and Glaston received a number of iControl modernization orders for different types of machine.

Order intake, M€ (comparison figure excluding divested Tools business)	1–3/2019	1–3/2018	Change
Machines	14.1	18.0	-21%
Services	8.8	7.5	17%
Total	22.9	25.5	-10%

Order intake. M€	1–3/2019	1–3/2018	Change
Machines	14.1	18.0	-21%
Services	8.8	8.6	2%
Total	22.9	26.5	-14%

Order book M€	31.3.2019	31.3.2018	Change
Machines	39.7	32.0	24%
Services	3.1	4.0	-23%
Total	42.8	36.0	19%

Net sales

Glaston's January–March net sales declined by 16% and totaled EUR 20.8 (24.8, taking into account divested business operations 23.7) million. Taking into account the 2018 sale of the Tools business, the decline was 12%. The net sales of the Machines business totaled EUR 12.4 (16.3) million. The decline in net sales was primarily due to weak ordering activity in the third quarter and early fourth quarter of 2018. The net sales of the Services business were approximately at the level of the corresponding period of the previous year, EUR 8.8 (8.7, taking divested business operations in account 7.7) million. Taking into account divested business operations, the net sales of the Services business grew by 14%

In the review period January–March 2019, EMEA net sales totaled EUR 9.4 (12.6, taking into account divested business operations 11.5) million. Net sales of the Asia market area totaled EUR 3.4 (6.1) million. Net sales of the Americas area grew significantly and totaled EUR 8.0 (6.1) million, corresponding to a growth of 30%.

The EMEA area accounted for 45% of the Group's net sales. Asia accounted for 16% and the Americas for 38% of net sales.

Net sales, M€	1–3/2019	1–3/2018	Change
Machines	12.4	16.3	-24%
Services	8.8	8.7	0%
Other and internal sales	-0.4	-0.3	
Total	20.8	24.8	

Net sales M€ (comparison figure excluding Tools businesses)	1–3/19	restated 1–3/18	Change
Machines	12.4	16.3	-24%
Services	8.8	7.7	14%
Other and internal sales	-0.4	-0.3	49%
Total	20.8	23.7	-12%

Sales by geographical area, M€	1–3/2019	1–3/2018	Change
EMEA	9.4	12.6	-25%
Asia-Pacific	3.4	6.1	-44%
Americas	8.0	6.1	30%
Total	20.8	24.8	-16%

Operating result and profitability

Glaston's comparable operating result for January–March 2019 was EUR 0.1 (1.1) million, corresponding to 0.4 (4.4)% of net sales.

The lower operating result is primarily explained by the lower net sales of the Machines business. The impact was eased by growth in net sales of services related to heat treatment machines, improved gross margins for the entire heat treatment business, and the sale of the Tools business at the end of 2018. In addition, there was an increase in fixed costs, mainly personnel expenses.

During the quarter, the company recognized items affecting comparability totaling EUR 0.8 (0.2) million, related to the acquisition of Bystronic glass. Earnings impacting transaction costs for the year 2019, including the first quarter, are expected to be approximately EUR 4 million out of which finance costs will be approximately EUR 1 million.

Glaston's operating result in January–March 2019 was EUR -0.8 (0.9 profit) million. Financial income and expenses were EUR -0.2 (-0.3) million. The result before taxes was EUR -1.1 (0.5) million. The result for the review period was EUR -1.1 (0.3 profit) million. January–March earnings per share were EUR -0.029 (0.009) and comparable earnings per share were EUR -0.008 (0.013).

Comparable operating result, M€	1–3/2019	restated 1–3/2018	reported 1–3/2018
Operating result	-0.8	0.9	0.8
Items affecting comparability*	-0.8	-0.2	-0.2
Comparable operating result	0.1	1.1	1.0
% of net sales	0.4	4.4	4.0

*Items affecting comparability and the calculation thereof, are described in the tables and in the definition of key ratios sections of this report.

Cash flow, financial position and financing

Glaston's first-quarter cash flow from operating activities, before the change in net working capital, was EUR -1.0 (0.8) million. Cash flow from the change in net working capital was EUR 2.7 (-7.4) million, which was due to an increase in advances received while inventories and trade receivables remained at the level of the year-end 2018. As a result, cash flow from operating activities was good, EUR 1.8 (-6.6) million. Cash flow from investment activities was EUR -0.9 (-0.3) million and cash flow from financing activities was EUR 2.5 (-0.4) million. Subscriptions for the directed share issue, amounting to EUR 4.9 million were paid before the end of March. The remaining EUR 10.1 million was paid at the beginning of April.

At the end of the reporting period, the Group's cash and cash equivalents totaled EUR 10.9 (5.3) million. Net interest-bearing debt totaled EUR 8.4 (17.7) million and net gearing was 16.8 (48.5)%. IFRS 16 Leases, adopted at the beginning of 2019, increased the amount of debt by EUR 8.9 million. The comparison figures for 2018 have been restated taking IFRS 16 into account.

At the end of March, the balance sheet total was EUR 113.1 (102.6) million.

In connection with the Bystronic acquisition, Glaston signed a new long-term financing agreement, which will be used for financing the transaction, refinancing Glaston's existing loan facilities as well as general working capital and guarantee needs. The package consists of borrowings by Glaston under senior secured credit facilities in an aggregate amount of EUR 75 million, comprising (i) a term loan amounting to EUR 40 million and (ii) a revolving credit facility amounting to EUR 35 million, each with 3-year maturity from the closing of the acquisition. The arrangers of the financing are Nordea Bank Abp ("Nordea") and OP Corporate Bank plc ("OP"). The financial covenants used in the financing agreement are gearing (net debt/equity) and leverage (net debt/EBITDA). The covenants will be monitored quarterly.

In addition, Nordea and OP have provided bridge financing in an aggregate amount of EUR 32 million with 6-month maturity from the closing of the acquisition (the "bridge facility") for equity financing to be raised through the rights issue of approximately EUR 32 million ("rights issue"). Ahlstrom Capital B.V. has issued a guarantee for the liabilities of the company under the bridge facility on market terms. In addition, Ahlstrom Capital B.V. has agreed to provide necessary financing to refinance the bridge facility, in the event that the Rights Issue is not fully subscribed for.

Capital expenditure, depreciation and amortization

Glaston's January–March 2019 gross capital expenditure totaled EUR 0.8 (0.3) million. Investments were related to product development and property maintenance. Depreciation and amortization of property, plant and equipment, and of intangible assets totaled EUR 0.8 (0.8) million. Depreciation and amortization of right-of-use assets totaled EUR 0.5 (0.5) million.

Strategic measures, acquisitions and divestments

In January, Glaston announced that it had signed an agreement to acquire the Swiss-German globally operating high-end machinery, systems and services provider for glass processing, Bystronic Maschinen AG and Bystronic Lenhardt GmbH and their subsidiaries ("Bystronic glass") for an enterprise value of EUR 68 million. The acquisition is in line with Glaston's strategy and supports Glaston's objective of further strengthening its position in the glass processing value chain, expanding Glaston's offering in terms of insulation glass for the architectural market and in pre-processing for the automotive and display industry markets. Through the acquisition, Glaston has 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 will support the company's 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 acquisition was completed on 1 April 2019.

The combination of Glaston and Bystronic glass is expected to result in significant benefits for stakeholders of the combined company, including creation of significant shareholder value through synergies in services sales and cross-selling new equipment, and estimated annual cost synergies of approximately EUR 4 million by year 2021, mainly in cost of goods sold, sales & marketing and administration. The transaction also provides additional synergy potential relating to product development, procurement, fixed cost leverage and best practice sharing. One-time costs and capital expenditure related to the achievement of synergies are estimated at EUR 7–8 million over the same period. The majority of one-time costs is estimated to occur during the first year of integration.

Investments in product development, digitalization and emerging technologies

In the review period, Glaston 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.

During the first quarter, Glaston's cloud services reached a new milestone when, by the end of the quarter, over 100 tempering machines had been connected to the Insight service, and over 1 million glass processing loads had been registered.

The fully automated tempering machine research and development project continued according to plan. Recently, within the framework of this project, the company's R&D investments have been focused on, among other things, machine vision and data analytics. Moreover, our participation in the DIMECC-led MIDAS project creates for the company opportunities to cooperate with companies such as Nokia Technologies, for example. Glaston intends to present some concrete examples of this R&D work at the Glass Performance Days 2019 (GPD) event, the industry's largest conference, to be held in June.

During the first quarter, Glaston has invested in the development of extended reality (XR). The company has allocated new resources to the work and started cooperating with a company specialized in XR. The company will support Glaston in this rapidly emerging technology environment.

In January–March, research and product development expenditure, excluding depreciation, totaled EUR 1.0 (0.9) million, of which EUR 0.2 (0.1) million was capitalized. Research and product development expenditure amounted to 4.8 (3.8)% of net sales.

Personnel

Glaston's personnel decreased as a result of the sale of the Tools business at the end of 2018, and the company had a total of 350 (372) employees on 31 March 2019. Of the Group's employees, 53% worked in Finland and 8% elsewhere in the EMEA area, 25% in Asia and 14% in the Americas. The average number of employees was 352 (374).

Shares and shareholders

The Extraordinary General Meeting of Glaston Corporation held on 26 February 2019 resolved to combine the company's shares (reverse split) in the ratio 5:1. Following the reverse split, the number of Glaston shares is 38,726,627. Trading in the combined shares began on 1 March 2019 with the new ISIN code FI4000369657. At the end of March, the company held 157,716 of its own shares (treasury shares).

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.

1.1. – 31.03.2019			No. of shares and votes	Share turnover, M€
GLA1V			38,726,627	1.8
	Highest	Lowest	Closing	Average price *)
Share price	2.44	1.93	1.98	2.16

			31.03.2019	31.03.2018
Market value			76.4	83.0
Number of shareholders			5 943	5 876
Foreign ownership, %			19.2	19.2

*) trading-weighted average

At the end of March, Glaston Corporation's largest shareholders were AC Invest Eight B.V. 17.52%, Hymy Lahtinen Oy 12.09%, 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 5,943 shareholders.

Governance

Extraordinary General Meeting

An Extraordinary General Meeting of Glaston Corporation was held in Helsinki on 26 February 2019. In order to implement the acquisition described in Glaston Corporation's stock exchange release published on 25 January 2019, the Extraordinary General Meeting resolved, as proposed by the Board of Directors, to authorize the Board of Directors to resolve on the issuance of shares for the implementation of a directed share issue and rights issue, as further set out below. The Extraordinary General Meeting also resolved to combine the shares and to redeem the shares related to this, as proposed by the Board of Directors.

Board authorization

Authorizing the Board of Directors to decide on the directed share issue

The Extraordinary General Meeting authorized the Board of Directors to resolve on the issuance of new shares or treasury shares held by the company by way of a directed share issue, in derogation from the shareholders' pre-emptive subscription right. The proceeds received by the company as a result of the directed share issue will be used to finance part of the Bystronic glass acquisition, in which case the company has a weighty financial reason to derogate from the shareholders' pre-emptive subscription right.

The issued shares will be offered for subscription to the anchor Investors in accordance with their respective subscription undertakings. Taking into account the reverse share split resolved by the Extraordinary General Meeting pursuant to the proposal of the Board of Directors, the total number of shares issued in the directed share issue may not exceed 7,600,000, which corresponds to approximately 19.6% of all the shares in Glaston immediately after the completion of the reverse share split, and would correspond to approximately 16.4% of all the shares in Glaston following the completion of the directed share issue.

Due to the reverse share split resolved by the Extraordinary General Meeting pursuant to the proposal of the Board of Directors, the subscription price of EUR 0.405 per share in the directed share issue mentioned in the notice to the General Meeting, which corresponds to the volume-weighted average price of the Glaston share on Nasdaq Helsinki Ltd in the trading days immediately preceding the announcement of the acquisition, will be adjusted to reflect the reverse split ratio. The Board of Directors is authorized to decide on all other terms and conditions of the directed share issue. The registration of the new shares issued in the directed share issue is conditional upon the completion of the acquisition.

The authorization is valid until 31 December 2019. The authorization does not revoke the authorization granted to the Board of Directors by the Annual General Meeting on 10 April 2018 on the issuance of shares as amended in the resolution of the Extraordinary General Meeting described above.

Authorizing the Board of Directors to decide on the rights issue

The Extraordinary General Meeting authorized the Board of Directors, conditional upon the completion of the acquisition, to resolve on the issuance of new shares or treasury shares held by the company

pursuant to the shareholders' pre-emptive subscription right in such manner that the shareholders have a primary right to subscribe for new shares pro rata to their existing holding in the company. The proceeds received by the company as a result of the rights issue will be used to finance part of the acquisition.

Taking into account the reverse share split resolved by the Extraordinary General Meeting pursuant to the proposal of the Board of Directors, the total number of shares issued in the rights issue may not exceed 46,000,000.

The authorization includes the right of the Board of Directors to, in a possible secondary subscription, resolve upon the allocation of shares that at the end of the subscription period of the rights issue may remain unsubscribed for pursuant to the shareholders' pre-emptive subscription right to parties determined by the Board of Directors. The Board of Directors shall decide on all other terms and conditions of the rights issue, including the subscription and payment period, the grounds for determining the subscription price, and the subscription price as well as whether the subscription price may also be paid fully or in part with assets other than money.

The authorization is valid until 30 April 2020.

Proposal of the Shareholders' Nomination Board to the Annual General Meeting

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.

Events after the closing date

On 1 April 2019, Glaston Corporation completed the acquisition of the Swiss-German company Bystronic glass. In connection with the completion of the acquisition, Glaston announced that it had made changes to the company's Executive Management Group. As of 1 April 2019, the Executive Management Group consists of CEO Arto Metsänen, COO and integration lead Sasu Koivumäki, Burghard Schneider, who is responsible for the operations of Bystronic glass, and as of 1 May 2019 Juha Liettyä, who will be responsible for Glaston Technologies. Päivi Lindqvist continues in her position as CFO and member of the Executive Management Group.

The Board of Directors of Glaston Corporation decided on a directed share issue of approximately EUR 15 million, based on the authorization granted by Glaston's Extraordinary General Meeting held on 26 February 2019. The proceeds of the directed share issue will be used to finance part of the acquisition of Bystronic glass. In the directed share issue, the Board of Directors resolved to issue a total of 7,407,405 new shares to AC Invest Eight B.V., Hymy Lahtinen Oy, Ilmarinen Mutual Pension Insurance Company and Varma Mutual Pension Insurance Company in deviation from the pre-emptive subscription right of the shareholders. The number of shares represented approximately 19.1% of all the shares in Glaston immediately before the completion of the directed share issue. The subscription price was approximately EUR 2.025 per share and was based on the volume-weighted average closing price of the Glaston share on Nasdaq Helsinki Ltd in the five trading days immediately preceding the announcement of the acquisition on 25 January 2019, adjusted with the reverse share split registered on 1 March 2019. The subscription price for the new shares will be recorded in the reserve for invested unrestricted equity.

Pursuant to an old arrangement between the company and Evli Awards Management Oy ("Evli"), Evli currently holds 157,716 shares, which have been considered, financially and in respect of shareholder rights, as treasury shares held by the company. In accordance with a consent by Evli, the Board of Directors of Glaston has resolved to cancel, pursuant to Chapter 15 Section 12 of the Finnish Limited Liability Companies Act (624/2006, as amended), 157,716 these shares.

A total of 7,407,405 new shares issued and subscribed for in the Directed Share Issue and the cancellation of the 157,716 shares held by Evli Awards were registered with the Finnish Trade Register on 9 April 2019. Following the registration, the new total number of registered shares in the Company is 45,976,316.

In connection with the Bystronic acquisition, Glaston signed a new long-term financing agreement. The package consists of borrowings by Glaston under senior secured credit facilities in an aggregate amount of EUR 75 million. The credits were drawn when the Bystronic glass acquisition was completed in the beginning of April.

Risks and business uncertainties

Glaston's risks and uncertainties are described in detail in the company's financial statements bulletin for 2018 (https://glaston.net/wp-content/uploads/2019/02/SER_PDF_financialstatementbulletin2018.pdf) and in the Report of the Board of Directors. During the quarter, there have been no significant changes in risks.

Glaston's outlook for 2019

Bystronic glass will be consolidated as part of Glaston Corporation from 1 April 2019 and consequently, Glaston will have two reporting segments: Glaston and Bystronic glass. The Company estimates the acquisition to be earnings enhancing, also in terms of comparable earnings per share when compared to the situation excluding the acquisition. As stated in the stock exchange release, published on 12 February 2019, the Company will disclose information regarding its 2019 full-year outlook at a later stage. In addition, Glaston plans to publish Glaston's and Bystronic glass' unaudited combined financial information for 2018 and the first quarter of 2019 at the latest in connection with the planned rights issue, which is expected to begin during the second quarter of 2019.

Some of Glaston's (excluding Bystronic glass) orders received in the latter part of 2018 will be delivered in the second half of the year, which will shift net sales and operating result to later than normal.

Helsinki, 29 April 2019
Glaston Corporation
Board of Directors

GLASTON CORPORATION

CONDENSED FINANCIAL STATEMENTS AND NOTES 1 JANUARY – 31 MARCH 2019

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 leasing standard 'IFRS 16 leases' fully retrospectively from 1 January 2019 and has restated the comparable figures accordingly for 2018.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	<u>31.3.2019</u>	restated* <u>31.3.2018</u>	restated* <u>31.12.2018</u>
Assets			
Non-current assets			
Goodwill	30.6	30.6	30.6
Other intangible assets	5.6	6.2	5.8
Property, plant and equipment	8.2	8.3	7.7
Right-of-use assets	7.8	9.1	8.0
Financial assets measured at fair value through other comprehensive income	3.0	3.0	3.0
Loan receivables	2.9	1.6	3.2
Deferred tax assets	0.6	1.0	0.6
Total non-current assets	58.7	59.8	58.8
Current assets			
Inventories	5.6	8.5	5.8
Receivables			
Trade and other receivables	24.4	20.8	15.7
Contract assets	13.2	8.2	10.3
Assets for current tax	0.3	0.1	0.4
Total receivables	37.9	29.1	26.4
Cash equivalents	10.9	5.3	7.9
Total current assets	54.4	42.9	40.0
Total assets	113.1	102.6	98.9

EUR million	<u>31.3.2019</u>	restated* <u>31.3.2018</u>	restated* <u>31.12.2018</u>
Equity and liabilities			
Equity			
Share capital	12.7	12.7	12.7
share issue	14.9	-	-
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	39.6
Treasury shares	-3.3	-3.3	-3.3
Fair value reserve	0.1	0.1	0.1
Other unrestricted equity reserves	-0.2	0.1	0.0
Retained earnings and exchange differences	-38.1	-40.4	-40.2
Net result attributable to owners of the parent	-1.1	0.4	2.1
Equity attributable to owners of the parent	49.9	36.4	36.3
Non-controlling interest	0.1	0.2	0.1
Total equity	50.0	36.6	36.4

Non-current liabilities

Non-current interest-bearing liabilities	7.8	10.3	8.1
Non-current lease liabilities	7.5	8.0	7.6
Non-current interest-free liabilities and provisions	0.6	1.5	0.7
Deferred tax liabilities	0.2	0.3	0.2

Total non-current liabilities	16.1	20.1	16.5
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Current liabilities

Current interest-bearing liabilities	2.6	2.6	4.6
Current lease liabilities	1.4	2.0	1.5
Current provisions	1.4	2.2	1.7
Trade and other current interest-free payables	41.2	22.8	37.3
Contract liabilities	0.2	16.2	0.7
Liabilities for current tax	0.1	0.2	0.2

Total current liabilities	47.0	46.0	46.0
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Total liabilities	63.0	66.1	62.5
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Total equity and liabilities	113.1	102.6	98.9
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CONDENSED STATEMENT OF PROFIT OR LOSS

EUR million	<u>1-3/2019</u>	restated* <u>1-3/2018</u>	restated* <u>1-12/2018</u>
Net sales	20.8	24.8	101.1
Other operating income	0.3	0.3	2.2
Expenses	-20.7	-22.9	-94.7
Depreciation, amortization and impairment	-0.8	-0.8	-3.0
Depreciation of right-of-use assets	-0.5	-0.5	-1.8
Operating profit	-0.8	0.9	3.8
Financial items, net	-0.2	-0.3	-0.7
Interest expenses on lease liabilities	-0.1	-0.1	-0.5
Result before income taxes	-1.1	0.5	2.6
Income taxes	-0.1	-0.2	-0.7
Profit / loss for the period	-1.1	0.3	1.9

Attributable to:

Owners of the parent	-1.1	0.4	2.1
Non-controlling interest	-0.0	-0.1	-0.2
Total	-1.1	0.3	1.9

Earnings per share, EUR	-0.029	0.009*	0.054*
Earnings per share, EUR, basic and diluted	-0.029	0.009*	0.054*

Operating result, as % of net sales	-3.6	3.8	3.8
Profit / loss for the period, as % of net sales	-5.5	1.1	1.9

Items affecting comparability	-0.8	-0.2	-1.8
Comparable operating result	0.1	1.1	5.7
Comparable operating result, as % of net sales	0.4	4.4	5.6

* Reverse share split was implemented on 1 March 2019. The number of shares and the share price for the comparative period has been restated accordingly.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	<u>1-3/2019</u>	restated* <u>1-3/2018</u>	restated* <u>1-12/2018</u>
Profit / loss for the period	-1.1	0.3	1.9
Other comprehensive income that will be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	-0.0	-0.1	0.1
Fair value changes of financial assets measured at fair value through profit or loss	0.0	0.0	0.0
Cash flow hedges	-0.2	-0.0	-0.1
Income tax on other comprehensive income	-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
Actuarial gains and losses arising from defined benefit plans	-	-	0.0
Other comprehensive income for the reporting period, net of tax	-0.2	-0.1	0.0
Total comprehensive income for the reporting period	-1.3	0.2	1.9
Attributable to:			
Owners of the parent	-1.3	0.2	2.1
Non-controlling interest	0.0	-0.1	-0.2
Total comprehensive income for the reporting period	-1.3	0.2	1.9

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	<u>1-3/2019</u>	restated* <u>1-3/2018</u>	restated* <u>1-12/2018</u>
Cash flows from operating activities			
Cash flow before change in net working capital	-1.0	0.8	5.0
Change in net working capital	2.7	-7.4	-5.1
Net cash flow from operating activities	1.8	-6.6	-0.0
Cash flow from investing activities	-	-	-
Other purchases of non-current assets	-0.9	-0.4	-1.8
Proceeds from sale of business	-	-	0.1
Proceeds from sale of other non-current assets	0.0	0.0	0.2
Net cash flow from investing activities	-0.9	-0.3	-1.5
Cash flow before financing	0.9	-6.9	-1.5
Cash flow from financing activities			
Share issue, net	4.8	-	-
Increase in non-current liabilities	-	-	0.0
Decrease in non-current liabilities	-	-	-
Changes in loan receivables (increase - / decrease +)	-	-0.1	-0.5
Increase in short-term liabilities	1.0	-	9.0

Decrease in short-term liabilities	-3.3	-0.3	-9.6
Capital repayment	-	-	-1.9
Net cash flow from financing activities	2.5	-0.4	-3.0
Effect of exchange rate changes	-0.3	0.2	0.0
Net change in cash and cash equivalents	3.1	-7.1	-4.5
Cash and cash equivalents at the beginning of period	7.9	12.4	12.4
Cash and cash equivalents at the end of period	10.9	5.3	7.9
Net change in cash and cash equivalents	3.1	-7.1	-4.5

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, 2018	12.7	25.3	41.6	-3.3	0.3	-44.1	4.5	36.9	0.2	37.1
Restate: IFRS 16	-	-	-	-	-	-0.1	-0.6	-0.7	-	-0.7
Restated equity at 1 January, 2018	12.7	25.3	41.6	-3.3	0.3	-44.2	3.9	36.2	0.2	36.4
Total compr. income for the period	-	-	-	-	0.0	0.4	-0.1	0.2	-0.1	0.2
Equity at 31 March, 2018	12.7	25.3	41.6	-3.3	0.3	-43.8	3.7	36.4	0.2	36.6

EUR million	Share capital	Share issue	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, 2019	12.7	-	25.3	39.6	-3.3	0.2	-42.1	3.9	36.3	0.1	36.4
Total compr. income for the period	-	-	-	-	-	-0.2	-1.1	-0.0	-1.3	0.0	-1.3
Other changes	-	-	-	-	-	-	0.0	-	0.0	-	0.0
Capital repayment	-	14.9	-	-	-	-	-	-	14.9	-	14.9
Equity at 31 March, 2019	12.7	14.9	25.3	39.6	-3.3	0.0	-43.1	3.9	49.9	0.1	50.0

KEY RATIOS

	31.3.2019	restated* 31.3.2018	restated* 31.12.2018
EBITDA, as % of net sales	2.2	8.7	8.6
Operating profit (EBIT), as % of net sales	-3.6	3.8	3.8
Profit / loss for the period, as % of net sales	-5.5	1.1	1.9
Gross capital expenditure, EUR million	0.8	0.3	2.0
Gross capital expenditure, as % of net sales	4.1	1.4	2.0
Equity ratio, %	55.1	42.9	44.4
Gearing, %	38.6	62.9	59.8
Net gearing, %	16.8	48.5	38.2
Net interest-bearing debt, EUR million	8.4	17.7	13.9
Capital employed, end of period, EUR million	69.3	59.5	58.2
Return on equity, %, annualized	-10.5	3.1	5.3
Return on capital employed, %, annualized	-4.7	6.3	6.5
Number of personnel, average	352	374	379
Number of personnel, end of period	350	372	357

PER SHARE DATA

	31.3.2019	restated* 31.3.2018	restated* 31.12.2018
Number of registered shares, end of period, treasury shares excluded (1.000)	38 569	38 569	38 569
Number of shares, average, adjusted with share issue, treasury shares excluded (1.000)	38 569	38 569	38 569
EPS, total, basic and diluted, adjusted with share issue, EUR	-0.029	0.009	0.054
Adjusted equity attributable to owners of the parent per share, EUR	1.29	0.94	0.94
Capital repayment per share, EUR	-	-	0.03
Capital repayment ratio, %	-	-	55.5
Capital repayment yield	-	-	1.5
Price per adjusted earnings per share (P/E) ratio	-67.4	236.9	36.1
Price per adjusted equity attributable to owners of the parent per share	1.53	2.28	2.07
Market capitalization of registered shares, EUR million	76.4	83.0	75.2
Share turnover, % (number of shares traded, % of the average registered number of shares)	8.8	1.9	8.3
Number of shares traded, (1.000)	3 397	733	3 216
Closing price of the share, EUR	1.98	2.15	1.95
Highest quoted price, EUR*	2.44	2.45	2.55
Lowest quoted price, EUR*	1.93	2.00	1.85
Volume-weighted average quoted price, EUR	2.16	2.24	2.20

* Reverse share split was implemented on 1 March 2019. The number of shares and the share price for the comparative period has been restated accordingly.

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*
EUR million	1-3/2019	1-3/2018	1-12/2018
Machines	12.4	16.3	65.2
Services	8.8	8.7	37.6
Other and intersegment sales	-0.4	-0.3	-1.7
Net sales Glaston Group total	20.8	24.8	101.1
Comparable EBIT	0.1	1.1	5.7
Comparable EBIT-%	0.4	4.4	5.6
Items affecting comparability	-0.8	-0.2	-1.8
EBIT	-0.8	0.9	3.8
EBIT-%	-3.6	3.8	3.8

Order intake

EUR million	1-3/2019	1-3/2018	1-12/2018
Machines	14.1	18.0	73.6
Services	8.8	8.6	34.0
Total Glaston Group	22.9	26.5	107.6

Net sales by geographical areas

EUR million	1-3/2019	1-3/2018	1-12/2018
EMEA	9.4	12.6	54.3
Asia	3.4	6.1	19.2
America	8.0	6.1	27.7
Total	20.8	24.8	101.1

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

Net sales		restated*	restated*	restated*	restated*
EUR million	1-3/2019	10-12/2018	7-9/2018	4-6/2018	1-3/2018
Machines	12.4	17.3	14.4	17.3	16.3
Services	8.8	11.0	8.9	9.0	8.7
Other and intersegment sales	-0.4	-0.4	-0.3	-0.7	-0.3
Net sales Glaston Group total	20.8	27.8	23.0	25.6	24.8
Comparable EBIT	0.1	2.6	1.1	0.9	1.1
Comparable EBIT-%	0.4	9.2	4.7	3.6	4.4
Items affecting comparability	-0.8	-1.3	-0.3	-0.0	-0.2
EBIT	-0.8	1.2	0.7	0.9	0.9
EBIT-%	-3.6	4.5	3.2	3.6	3.8

Order book

	31.3.2019	31.12.2018	30.9.2018	30.6.2018	31.3.2018
Machines	39.7	35.5	30.9	32.9	32.0
Services	3.1	2.7	5.4	4.3	4.0
Total Glaston Group	42.8	38.2	36.3	37.3	36.0

Order intake

EUR million	1-3/2019	10-12/2018	7-9/2018	4-6/2018	1-3/2018
Machines	14.1	26.6	12.7	16.4	18.0
Services	8.8	7.3	9.0	9.1	8.6
Total Glaston Group	22.9	33.9	21.7	25.4	26.5

COMPARABLE OPERATING PROFIT

Items affecting comparability

EUR million	1-3/2019	1-3/2018	1-12/2018
Restucturings and disposals of property, plant and equipment	-0.8	-0.2	-1.8
Items affecting comparability	-0.8	-0.2	-1.8

		restated*	restated*
Comparable EBITDA	1-3/2019	1-3/2018	1-12/2018
Operating profit	-0.8	0.9	3.8
Less			
Depreciation and amortization	1.2	1.2	4.9
Adjustment: Items affecting comparability	0.8	0.2	1.8
Comparable EBITDA	1.3	2.3	10.5
% of net sales	6.2	9.3	10.4

		restated*	restated*
Comparable EBIT	1-3/2019	1-3/2018	1-12/2018
Operating profit	-0.8	0.9	3.8
Less			
Adjustment: Items affecting comparability	0.8	0.2	1.8
Comparable EBIT	0.1	1.1	5.7
% of net sales	0.4	4.4	5.6

COMPARISON BETWEEN RESTATED AND REPORTED FIGURES (IFRS16)

	restated*	reported	restated*	reported
EUR million	1-3/2018	1-3/2018	1-12/2018	1-12/2018
Machines	16.3	16.3	65.2	65.2
Services	8.7	8.7	37.6	37.6
Other and intersegment sales	-0.3	-0.3	-1.7	-1.7
Net sales Glaston Group total	24.8	24.8	101.1	101.1
Comparable EBIT	1.1	1.0	5.7	5.2
Comparable EBIT-%	4.4	4.0	5.6	5.2
Items affecting comparability	-0.2	-0.2	-1.8	-1.8
EBIT	0.9	0.8	3.8	3.4
EBIT-%	3.8	3.3	3.8	3.4

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

EUR million

Changes in property, plant and equipment	1-3/2019	1-3/2018	1-12/2018
Carrying amount at beginning of the period	7.7	8.4	8.4
Additions	0.6	0.2	0.9
Disposals	-0.0	-0.0	-0.4
Depreciation and amortization	-0.3	-0.3	-1.1
Reclassification and other changes	-0.0	-	0.0
Exchange differences	0.2	0.0	-0.0
Carrying amount at end of the period	8.2	8.3	7.7

At the end of March 2019 and 2018 Glaston had not contractual commitments for the acquisition of property, plant and equipment.

INTANGIBLE ASSETS

EUR million

Changes in property, plant and equipment	1-3/2019	1-3/2018	1-12/2018
Carrying amount at beginning of the period	36.3	37.1	37.1
Additions	0.3	0.2	1.1
Disposals	-	-	-
Depreciation and amortization	-0.5	-0.5	-1.9
Reclassification and other changes	-0.0	-	0.0
Exchange differences	0.0	0.0	-0.0
Carrying amount at end of the period	36.1	36.8	36.3

LEASES IN THE BALANCE SHEET

EUR million

Right-of-use assets	1-3/2019	1-3/2018	1-12/2018
Carrying amount at beginning of the period	8.0	9.3	9.3
Additions	0.2	0.2	0.5
Deprication expense	-0.5	-0.5	-1.8
Carrying amount at end of the period	7.8	9.1	8.0

EUR million			
Lease liabilities	1-3/2019	1-3/2018	1-12/2018
Carrying amount at beginning of the period	9.0	10.2	10.2
Additions	0.3	0.2	0.5
Interest expense	0.1	0.1	0.5
Rental payment	-0.5	-0.6	-2.3
Carrying amount at end of the period	8.9	10.0	9.0

LEASES IN THE BALANCE SHEET

EUR million			
	1-3/2019	1-3/2018	1-12/2018
Depreciation of right-of-use assets	-0.5	-0.5	-1.8
Interest expense on lease liabilities	-0.1	-0.1	-0.5
Short-term lease expense	-0.1	-0.1	-0.3
Total amounts recognised in profit or loss	-0.7	-0.7	-2.7

CONTINGENT LIABILITIES

EUR million	31.3.2019	31.3.2018	31.12.2018
Mortgages and pledges			
On own behalf	166.9	166.9	166.9
Guarantees			
On own behalf	5.6	11.6	6.2
On behalf of others	2.8	0.2	0.1
Repurchase obligations	-	-	-

Mortgages and pledges include EUR 23.9 million shares in group companies. Guarantees on behalf of others include EUR 2.7 million guarantee related to the Bystronic acquisition.

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	31.3.2019		31.3.2018		31.12.2018	
	<u>Nominal value</u>	<u>Fair value</u>	<u>Nominal value</u>	<u>Fair value</u>	<u>Nominal value</u>	<u>Fair value</u>
Currency forwards						
Currency forward contracts	10.9	-0.2	5.7	0.0	11.9	-0.1

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.

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	2019	2018
1 January	2.8	2.8
Additions	-	-
Disposals	-	-
Impairment losses	-	-
Reclassification	-	-
31 March	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

	31.3.2019				31.3.2018				31.12.2018			
	Level 1	Level 2	Level 3	Tota	Level 1	Level 2	Level 3	Tota	Level 1	Level 2	Level 3	Tota
Assets												
Listed 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	-	-	-	-	-	0.0	-	0.0	-	-	-	-
Total	0.2	-	2.8	3.0	0.2	0.0	2.8	3.1	0.2	-	2.8	3.0
Liabilities												
Currency forward contracts	-	-0.2	-	-0.2	-	-	-	-	-	-0.1	-	-0.1
Total	-	-0.2	-	-0.2	-	-	-	-	-	-0.1	-	-0.1

SHAREHOLDER INFORMATION

20 largest shareholders 31 March, 2019

	Shareholder	Number of shares	% of shares and votes
1	Ac Invest Eight B.V.	6 786 288	17.52 %
2	Hymy Lahtinen Oy	4 680 000	12.08 %
3	OP-Finland Small Firms Fund	2 830 880	7.31 %
4	Ilmarinen Mutual Pension Insurance Company	2 768 775	7.15 %
5	Varma Mutual Pension Insurance Company	2 557 328	6.60 %
6	Evli Finnish Small Cap Fund	1 683 900	4.35 %
7	Hulkko Juha Olavi	1 000 000	2.58 %
8	Päivikki and Sakari Sohlberg Foundation	793 120	2.05 %
9	Oy Investsum Ab	671 600	1.73 %
10	Kirkon Eläkerahasto	617 881	1.60 %
11	Sijoitusrahasto Taaleritehdas Mikro Markka	475 120	1.23 %
12	Säästöpankki Pienyhtiöt	461 572	1.19 %
13	Sumelius Birgitta Christina	388 946	1.00 %
14	Metsänen Arto Juhani	350 000	0.90 %
15	Von Christierson Charlie	320 000	0.83 %
16	Sumelius Bjarne Henning	305 320	0.79 %
17	Oy Nissala Ab	300 000	0.77 %
18	Sumelius-Koljonen Barbro	247 197	0.64 %
19	Lahtinen Jeppe Juhani Urponpoika	240 000	0.62 %
20	Apteekkien Eläkekassa	240 000	0.62 %
	20 largest shareholders total	27 717 927	71.57 %
	Nominee registered shareholders	513 966	1.33 %
	Other shares	10 494 734	27.10 %
	Total	38 726 627	

EVENTS AFTER THE CLOSING DATE

Bystronic Glass acquisition on 1 April 2019

On 1 April 2019, Glaston Corporation completed the acquisition of the Swiss-German company Bystronic glass for an enterprise value of EUR 68 million.

Glaston Services Ltd Oy acquired 100% of shares of Bystronic Maschinen AG and Bystronic Lenhardt GmbH and their subsidiaries.

Bystronic glass provides globally high-end machinery, systems and services provider for glass processing.

The acquisition is in line with Glaston's strategy and supports Glaston's objective of further strengthening its position in the glass processing value chain, expanding Glaston's offering in terms of insulation glass for the architectural market and in pre-processing for the automotive and display industry markets. Through the acquisition, Glaston has 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 will support the company's 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 purchase price was paid in full on 1 April 2019. The Board of Directors of Glaston Corporation decided on a directed share issue of approximately EUR 15 million, based on the authorization granted by Glaston's Extraordinary General Meeting held on 26 February 2019. The proceeds of the directed share issue will be used to finance part of the acquisition of Bystronic glass. In the directed share issue, the Board of Directors resolved to issue a total of 7,407,405 new shares to AC Invest Eight B.V., Hymy Lahtinen Oy, Ilmarinen Mutual Pension Insurance Company and Varma Mutual Pension Insurance Company in deviation from the pre-emptive subscription right of the shareholders. The number of shares represented approximately 19.1% of all the shares in Glaston immediately before the completion of the directed share issue. The subscription price was approximately EUR 2.025 per share and was based on the volume-weighted average closing price of the Glaston share on Nasdaq Helsinki Ltd in the five trading days immediately preceding the announcement of the acquisition on 25 January 2019, adjusted with the reverse share split registered on 1 March 2019. The subscription price for the new shares will be recorded in the reserve for invested unrestricted equity.

In connection with the Bystronic acquisition, Glaston signed a new long-term financing agreement, which will be used for financing the transaction, refinancing Glaston's existing loan facilities as well as general working capital and guarantee needs. The package consists of borrowings by Glaston under senior secured credit facilities in an aggregate amount of EUR 75 million, comprising (i) a term loan amounting to EUR 40 million and (ii) a revolving credit facility amounting to EUR 35 million, each with 3-year maturity from the closing of the acquisition. The arrangers of the financing are Nordea Bank Abp ("Nordea") and OP Corporate Bank plc ("OP"). The financial covenants used in the financing agreement are gearing (net debt/equity) and leverage (net debt/EBITDA).

Transaction costs arising from the acquisition were recognized as items affecting comparability during the first quarter in 2019 of totaling EUR 0.8 million.

Due to the short time between completion of the acquisition and the interim report, the initial acquisition cost calculation is not ready at the time of publication of the interim report. Therefore, some of the IFRS 3 disclosure information cannot be presented.

DEFINITIONS OF KEY RATIOS

Per share data

Earnings per share (EPS):

Net result attributable to owners of the parent / Adjusted average number of shares

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 before depreciation, amortization and impairment,

Operating result (EBIT):

Profit / loss after depreciation, amortization and impairment

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, %:

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

Gearing, %:

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

Net gearing, %:

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

Return on capital employed, % (ROCE):

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

Return on equity, % (ROE).

$\text{Profit / loss for the reporting period} \times 100 /$

$\text{Equity (Equity attributable to owners of the parent + non-controlling interest), average of 1 January and end of the reporting period}$

Alternative performance measures

Comparable EBIT:

$\text{Profit / loss after depreciation, amortization and impairment, share of associates' results included +/- items affecting comparability}$

Comparable EBITDA:

$\text{Profit / loss before amortization and impairment, share of associates' results included +/- items affecting comparability}$

Comparable return on capital employed, % (Comparable ROCE):

$\text{Profit / loss before taxes + amortization of purchase price allocations +/- items affecting comparability + financial expenses} \times 100 / \text{Equity + interest-bearing liabilities, average of 1 January and end of the reporting period}$

Comparable earnings per share (Comparable EPS):

$\text{Net result attributable to owners of the parent +/- items affecting comparability} / \text{Adjusted average number of shares}$

Items affecting comparability:

Items affecting comparability are adjusted for non-business transactions or changes in valuation items when they arise from restructuring, acquisitions and disposals, related integration and separation costs, sale or impairment of assets. These may include staff reductions, rationalization of the product range, restructuring of the production structure, and reduction of premises.

Impairment losses on goodwill, gains or losses on disposals due to changes in the group structure and exceptionally large gains or losses on tangible and intangible assets are restated as an item affecting comparability.

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, 2019.

IFRS 16 Leases

Glaston is applying the new leases standard 'IFRS 16 leases' fully retrospectively from 1 January 2019, and has prepared a restated income statement and balance sheet for 2018.

Under IFRS 16, all leases over 12 months in length are recognized in the lessee's statement of financial position. The lessee recognizes in the statement of financial position a right-of-use asset item, based on its right to use the said asset, and a lease liability item corresponding to the present value of the asset, based on the obligation to make the lease payments. The lessor's reporting remains unchanged, namely leases are still subdivided into finance leases and other leases. IFRS 16 Leases contains exemptions for leases of 12 months or less and for low-value assets. Glaston applies the exemptions permitted by IFRS 16 for leases of 12 months or less and for low-value assets and continues to treat them as other leases.

IFRS 16 has a significant impact on the statement of profit and loss and the statement of financial position, as well as on some key ratios. The application of IFRS 16 increases significantly EBITDA and comparable EBITDA and slightly improves operating profit and comparable operating profit, when the lease expenditure recognized in the statement of profit and loss is replaced by the amortization of right-of-use assets and interest expenses recognized in financing items. In addition, the change in deferred tax is recognized in income taxes. Assets in the statement of financial position are increased by the right-of-use asset calculated at the inception of each lease, which is amortized over the lease term. The amount of interest-bearing debt significantly increases by the discounted amount of the lease liability.

Under IFRS 16 Leases, the amount of the right-of-use asset and the liability is calculated by discounting future minimum lease payments. The discount rate will primarily be the interest rate implicit in the lease, if available. In leases where the implicit interest rate is not specified, the discount rate used is the lessee's incremental borrowing rate, the components of which are the currency-specific reference rate, the interest margin and any country or currency risk premium. In the case of retrospective application, the lessee's incremental borrowing rate is determined for the inception of the lease and the minimum lease payments are discounted from the commencement date of each lease.

Glaston has leases that, prior to the entry into effective of IFRS 16 Leases, have been classified as other leases and recognized as a lease expenditure in the statement of profit and loss based on the passage of time. Under the new standard that became effective from 1 January 2019, for some of these leases an asset and liability equivalent to the present value of the minimum lease payments at the inception of the lease is recognized in the statement of financial position, thereby significantly increasing the assets and liabilities presented in the statement of financial position. At the end of 2018, Glaston had 12 leased properties with a lease liability of EUR 11.4 million, and also other lease liabilities totaling EUR 0.3 million. Based on IFRS 16 Leases, the content of leases recognized in the statement of financial position differs from the current reporting of lease liability stated in the notes to the statement of financial position with respect to, for example, leases of 12 months or less and low-value assets. Timing-related differences also arise, as lease liabilities reported in notes to the consolidated financial statements also include the nominal amount of liability for leases that will enter into force in the future, while under IFRS 16 Leases, leases are recognized in the balance sheet at the inception of the lease.

In the statement of financial position restated according to IFRS 16, the Group's right-of-use assets amounted to EUR 8.0 million and the corresponding interest-bearing liabilities to EUR 9.0 million. The Group's comparable operating profit increases to EUR 5.7 million (reported 5.2), as operating profit is burdened by depreciation instead of lease payments. The interest expenses on interest-bearing liabilities calculated in accordance with the standard are recognized in the statement of profit and loss, which increases net financial expenses for January-December 2018 to EUR -1.2 million (reported -0.7). The restated profit for 2018 is therefore EUR 1.9 million (reported 2.0). The Group's interest-bearing net debt grows to a total of EUR 13.9 million (reported 4.9) and gearing to 38.2% (reported 13.1). The Group's equity ratio falls to 44.4% (reported 50.3).

