glaston

Annual Review 2014

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Glaston A glass Technology Pioneer

Glaston is an international pioneer in glass processing technology and a supplier of lifecycle solutions for glass processing machines. We provide our customers with the industry's broadest and most advanced range of heat treatment and pre-processing machines, maintenance and upgrade services, tools, and expert services.

Glaston's business is divided into two segments: Machines and Services. Our products and services are mainly directed at the construction, furniture, appliance, automotive, and solar energy industries.

Our operations are based on the high quality, energy efficiency and reliability of our glass processing machines, continual product development, and providing the best customer experience in the industry.

Our leading technological expertise is our most significant competitive edge, and enables our glass processing machines to produce exceptionally high-quality glass. Technology leadership means that we focus on customer-oriented product development and enhancing our operations under all market conditions. This creates a foundation for future growth and increased profitability.

With the industry's most extensive customer service network, we can respond to our customers' needs, both locally and globally. Our customers have access to over 20 service and sales points all across the world. Glaston has production facilities in four countries on three continents.

Our headquarters are located in Helsinki, Finland. The company's share (GLA1V) is quoted on the NASDAQ OMX Helsinki Small Cap List.

Brighter Outlooks Strengthen Glaston

2014 started quietly for Glaston, as is typical in the glass processing industry. However, markets began to show signs of recovery in the latter part of the year and this favourable trend picked up the pace towards the end of the year.

The EMEA area performed well in spite of changes in the operating environment. The UK and Polish markets were particularly brisk. There were, however, challenges stemming from the Ukrainian crisis, which paralysed the Russian market. Although the Middle East experienced a muted start to 2014, there were increasing signs of recovery towards the end of the year.

Market growth fell short of expectations in Asia. In China in particular, growth levelled off after a long upswing and the market was further dampened by overcapacity. However, a brisk Japanese market balanced out the overall situation in Asia.

The South American market remained stable overall. Uncertainty arising from the presidential elections led to stagnation in the Brazilian market, but other markets in the area performed well.

The North American market experienced a strong upswing, and a rise in building permits clearly translated into increased demand. Favourable trends were seen throughout the area, in the USA, Mexico and Canada. The strengthening US dollar supported favourable developments in late 2014.

An improvement in the global market outlook was also reflected in the investments Glaston's long-term customers made in new glass processing machines – and is also evidence of Glaston's successful strategic approach. The growth expectations that the industry long has been subject to were finally realised at Glasstec, the most important trade fair of the year, where business was brisker than it has been in many years.

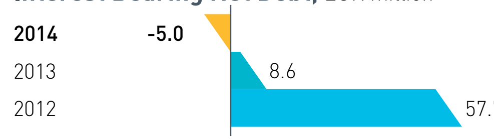
The first GlastonAir™ tempering line with air flotation technology was sold

Net Sales, EUR million

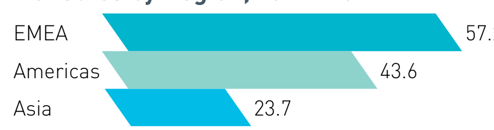
Operating Result before Extraordinary Items, EUR million

Order Book, EUR million

Interest Bearing Net Debt, EUR million



Net Sales by Region, EUR million



in the second half of the year. The first agreements for the FC1000™ tempering line were also signed immediately after its launch at the fair. Sales of other machines and Glaston Genuine Care service contracts were also brisk.

Growth and increased profitability were Glaston's main objectives for 2014. Glaston's net sales totalled EUR 124.5 (122.2) million in 2014. Net sales rose by about 2% during the year. Net sales growth slowed down by the situation in Russia and a lower-than-expected order intake in Asia.

Nevertheless, profitability increased considerably. Profitability was improved by the successful reduction of product costs at all factories, the disciplined implementation of financial efficiency measures, a stronger statement of financial position and an offering that was splendidly able to meet refreshed demand.

The favourable trends seen in the company's operating profit in 2013 continued, and the operating profit before extraordinary items was EUR 4.9 million (EUR 4.3 million after extraordinary items). A change in the competitive situation and the successful implementation of profitability measures had the greatest impact on the operating profit.

A significant event of the review period was the extremely strong cash flow seen at the end of the year, which led to negative net debt. By the end of 2014, gearing had reduced by 19.7 percentage points. The company starts 2015 with a robust statement of financial position.

After a slow first quarter, **the order book** developed steadily throughout the year, ending up 48% higher than at the end of the previous year.

Glaston's **research and development** expenses amounted to EUR 3.9 million in 2014. The acquisition of industrial property rights and patents for Glassrobots products boosted product development.

Compared to previous years there was an increase in **personnel**. Glaston's Continuing Operations employed a total of 592 people at the end of 2014.

Market capitalisation at the end of 2014 amounted to EUR 73.3 million.

Highlights 2014

January

Tools Transferred from the Machines Segment to the Services Segment

Tools sales were transferred from the Machines segment to the Services segment on 1 January 2014. In terms of both sales and logistics, the products of the Tools product line have much in common with the spare parts provided by the Services segment. The transfer has yielded the sought-for synergy benefits.

April

A Major RC350™ Tempering Line Sale

In April, the company closed a deal worth about EUR 2 million for an RC350™ tempering line with a large glass processor in Asia that provides special architectural solutions.

January

Numerous FC500™ Deals During the First Quarter

In January, Glaston announced its first FC500™ flat tempering line sale to China. Glass tempered with FC500™ boasts excellent optical quality. The transaction also included two jumbo-size UC1000™ automatic cutting lines. In addition, the company announced the sale of four FC500™ lines for the UK market in the first quarter.

April

Decision to Expand the Factory in Tianjin

In April, Glaston decided to expand its factory in Tianjin. Construction began in autumn 2014 and is expected to be completed in autumn 2015.

August

Glaston Acquired the Industrial Property Rights to Glassrobots

In August, Glaston announced that it had acquired the industrial property rights to all Glassrobots products. The acquisition strengthened Glaston's position as a global technology leader in glass processing machines and as a provider of the industry's most extensive lifecycle services.

September

GlassBuild America 2014

GlassBuild America 2014, the major North American trade show for the glass processing market, attracted a record number of attendees in Las Vegas. They showed great interest in Glaston's FC1000™ flat tempering line, which was officially launched in October.

October

The first GlastonAir™ Sold to Colombia

In October, Glaston closed a deal valued at over EUR 4 million with the Colombian company Tecnoglass S.A. for tempering machines GlastonAir™ and Glaston ProBend™. The machines will be delivered during the second and third quarters of 2015. The deal also includes an option for two additional GlastonAir™ machines for the next two years.

October

Product Launches at the Glasstec 2014 Fair

At the Glasstec 2014 fair held in Dusseldorf, Germany, Glaston launched the FC1000™ flat tempering line, HE500™ horizontal edging line and GlastonInsight™ real-time heat treatment process optimisation system. Tools and product upgrade launches included the XtraSpeed™, XtraLight™ and SmarTech™ tools series and the Vortex Pro™ convection upgrade, which is available for any Glaston product line.

October

Major Deal Closed with Press Glass SA

In October, Glaston closed a deal valued at over EUR 4 million with Press Glass SA, a leading European glass processor. The deal includes three special models of the Glaston FC500™ flat tempering line. The machines will be delivered to the customer during the second and third quarters of 2015.

November

First FC1000™ Sold to the United States

In November, Glaston closed a deal worth approximately EUR 3.4 million with U.S.-based Cardinal Glass Industries for tempering machines Glaston FC500™ and double chamber FC1000™.

December

Sales of FC500™ Tempering Lines Remained Strong

FC500™ sales in the United Kingdom continued to be exceptionally strong. Thanks to the agreements announced in December, the number of tempering furnaces sold in the UK in 2014 rose to eleven. Two of the machines were sold to the European Glass Group. One of these is the largest FC500™ tempering line ever sold by Glaston.

President & CEO's Review

Glaston Is on the Right Growth Path

Glaston has a strategically and financially successful year behind it. Our long-term efforts to ensure our technological leadership and provide the best customer experience in the industry have proved successful. Our new products have gained a good reputation among our clients and this can be seen in new orders.

At the turn of the year, Glaston was well placed for a successful 2014. Thanks to improved profitability, our result clearly improved on the previous year. Although the first quarter was quiet, the market began to pick up as the year progressed. Companies have long been under pressure to make investments, and the growing volume of orders towards the end of the year showed that many had finally gone ahead.

An increase of more than 130% in our operating profit indicates that we have boosted the efficiency of our processes as planned. We are net debt-free, which gives us financial security and enables strategic manoeuvres, such as acquisitions.

Our strategic priorities have been the optimisation of our processes, analysing new technologies and growth opportunities, and providing the best customer experience in the industry. We made successful progress in all of these areas during 2014.

Technological Leadership Requires Continual Effort

Glaston has worked systematically to retain its technological leadership even under difficult market conditions. The most advanced product range on the market and the industry's best customer experience are the keys to our success.

We must continue to listen carefully to our customers' needs and challenges, so that our machines and services will always be one step ahead of our competitors'. We engage in close cooperation with the world's leading glass processors and other industry players. The best indication of success is our customers' trust, which is manifested in the considerable investments made in Glaston's advanced technology, such as the GlastonAir™ and FC1000™ tempering lines.

Glaston has extremely motivated sales and service personnel whose hard work has enabled us to improve our customer experience and thereby our sales. In addition to continuous development of personnel, we will continue to focus on spreading skills and knowledge more equally between locations.

Knowledge and Efficiency – the Watchwords of the Future

Our product development is currently focusing on harnessing automation and knowledge to boost the efficiency of our customers' production processes. These efforts have, for example, resulted in the GlastonInsight™ production optimisation system, which awakened great interest after its launch in 2014.

Alongside process efficiency, another clear trend is energy efficiency. Glaston's technological leadership is a distinct

advantage in the face of growing demand for demanding low-E surfaces and more intelligent glass.

We also believe that renewable forms of energy will be utilised more extensively in the long term. Solar energy requires very high-performance glass that is thin and of top quality. Glaston already has solutions to meet these future efficiency requirements.

Vast Growth Potential in Asia

Asia has long been one of Glaston's most important focal areas. We see growth potential in China in particular. However, operating in such a financially, politically and culturally distinctive area requires knowledge of local needs, requirements and operating methods.

If we want to realise this growth potential in the future, we must build the foundations now. The decision to expand our factory in Tianjin is part of this process. The expansion is scheduled for completion in August and will increase the factory's production capacity by almost 50%. It is the largest investment in production that we have made in 10 years, and is an indication of how strongly we believe in this market's growth potential.

For these reasons, I decided to relocate to Asia for one and a half years. By increasing my local presence, I will be best able to promote Glaston's growth and ensure that our efforts lead to the intended results.

More Added Value for Customers and Owners

As a whole, 2014 indicated that we have prioritised the right things in a challenging market. The company's market capitalisation has increased fourfold in two years. Glaston should be a pioneer that generates added value for its owners in the form of both dividends and increased profitability.

Glaston has a clear strategy and direction – sustainable and profitable growth. In order to achieve this, we must take sufficient pride in how we have advanced the industry, while retaining enough humility to identify the areas in which we need to improve. For example, there is still plenty to do when it comes to enhancing the profitability and service of our pre-processing machines.

I would like to extend my heartfelt thanks to our shareholders for their long-term faith in the company. And I would also like to thank Glaston personnel for their invaluable work. Thanks are also due to our customers and partners for their trust and cooperation.

It is easiest to understand why Glaston exists in the shadow of the best-known architecture of our time. When gazing up at the world's most famous skyscrapers and landmarks, it's great to know that their glass was probably processed with Glaston technology. It makes you believe in a bright future.

Arto Metsänen
President & CEO

Accelerating Growth in Machines

Glaston's Machines segment specialises in the industry's most advanced glass processing machines, encompassing everything from cutting and drilling, to edge grinding and polishing, tempering, bending, bent tempering and lamination.

2014 started quietly for the Machines segment, as is typical in the glass processing industry. Although the general market situation remained challenging at the turn of the year, favourable developments were seen in the second quarter and continued throughout the year.

The net sales of the Machines segment rose to EUR 87.1 million, representing growth of 3% on 2013. Favourable developments were seen in the order book, which ended the year 47% higher than at the end of the previous year.

EMEA and America Robust, Asia and Russia Challenging

Widespread recovery was seen in the EMEA market. Machine sales were particularly brisk in Eastern Europe, the UK, Germany, the Baltic countries, Greece and Spain. During the first half of the year, the Ukrainian crisis and the weakening rouble were unfavourably reflected in markets in Russia and its surrounding countries. However, there were signs of increased market activity in the Middle East.

Brisk demand continued in North America. One of the area's, and in fact the entire segment's, most significant transactions was an approximately EUR 3.4 million contract for Glaston FC500™ and FC1000™ tempering lines signed with the US company Cardinal Glass Industries.

In South America, demand for machines fell short of expectations in Brazil in particular, but a favourable sign was seen at the end of the year in the form of a more than EUR 4 million GlastonAir™ and Probend™ contract signed with the Colombian company Tecnoglass S.A. The deal also includes an option for two more GlastonAir™ machines over the next two years.

The Asian market was muter than expected. Demand for pre-processing and heat treatment machines was unsatisfactory in both China and the Pacific, and further weakened towards the end of the year.

Net Sales Up, Profitability Improves

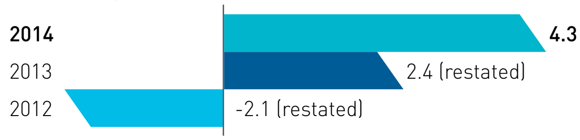
One of the Machines segment's most important objectives for 2014 was improving profitability – and in this we succeeded. Net sales in the Machines segment increased whilst fixed costs remained unchanged, thereby increasing overall profitability. The well-honed, scalable production model that has been working so well in Finland was expanded to Glaston's other factories. Quality and warranty expenses also developed favourably during 2014.

Property expenses were further reduced by optimising the use of space and subletting a significant percentage of the premises in Tampere.

There were no substantial changes

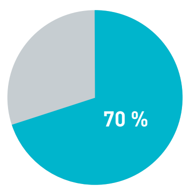
Segment’s Net Sales, EUR million

Operating Result before Extraordinary Items, EUR million



Percentage of Total Net Sales Accounted for by the Segment

(Eliminations and adjustments in group -1.4 %)



Order Book at 31 Dec 2014, EUR million

in personnel during the year. Personnel has stabilised at the correct level and, in line with our strategy, we have invested in competence development to improve our customer experience and boost operational efficiency.

Product Launches Commercially Interesting

The most important product launch was in October – the FC1000™, a flat tempering line offering solutions for buildings with demanding façades. The first contract was signed soon after the machine’s launch.

In late 2014, the first contract for the GlastonAir™, a modern tempering line employing air flotation technology was signed. The machine was launched in 2013 and demand is expected to increase after the first units are delivered.

To support customer’s need for increased production efficiency GlastonInsight™ a real-time heat treatment process optimisation system was launched, which eliminates any operator errors thus enabling a consistent, high-quality finish.

In August, Glaston announced its acquisition of industrial property rights to all Glassrobots products. From now on Glaston can harness the technology used in Glassrobots’ products in product development.

Heat Treatment Still the Most Significant Product Group

Growth was targeted in bent tempering and lamination products by combining existing products for customers into more cost-effective packages. Our focus on the automotive industry was also seen in the increased activity among the customers.

The new features added to the pre-processing machines led to heightened interest. For example, new versions were demonstrated in both the Horizontal Edging and Vertical Edging product groups.

Heat treatment flat tempering lines were once again the most commercially significant product group in 2014.

Market Activation Evident at Trade Fairs

Increased activity at trade fairs during the second half of the year was a sign of recovery in the glass industry. The main event in North America, GlassBuild America 2014, was a success for Glaston. In addition to completed deals, negotiations were launched for several new sales projects.

Germany’s main glass industry event, the biennial Glasstec trade fair, saw successful sales for Glaston. Several brand-new products awakened interest: the FC1000™ flat tempering line, HE500™ horizontal edging line, and GlastonInsight™ optimisation system.

Glass Performance Days conferences were held in China (April) and Brazil (May). The Chinese conference in particular attracted highly interested participants.

Strategic Targets Successfully Achieved

Investments in improving our customer experience by enhancing not only our product portfolio but also our supply chain continued. Transparency was increased in project management in particular. We maintained a high level of service with regard to the reliability, flexibility and reactiveness of our delivery chains.

The Machines segment entered 2015 on a firm footing with a stronger order book and a diverse product portfolio – and standardisation of the latter has also gone according to plan. Continued inter-area differences are expected as markets develop.

Updated Services Better Than Ever

Glaston's Services segment specialises in providing global maintenance, spare parts and modernisation services for glass processing machines, as well as all the tools required for glass working. Services is also able to provide remote monitoring and diagnostics, and training and consultancy to boost process efficiency.

In 2014, the net sales of the Services segment was EUR 39.2 million. Although the growth rate fell short of expectations, we were able to retain our market share thanks to our global service network, high-quality products, and customer-oriented service.

The tools business was transferred to the Services segment as of 1 January 2014. This transfer achieved the expected synergy benefits in logistics and sales. In addition to the Tools product group, the Services segment also encompasses maintenance and spare parts for heat treatment and pre-processing machines.

Brisk Markets in Europe, Growth Falls Short of Expectations in Asia

In North America and the EMEA area, the briskest sales in the Services segment were seen in machine modernisations. As the year progressed, the Middle East also got back on the growth track after a slow start to the year.

The unstable political situation and weakening rouble led to challenges in the Russian market. Weakening currency also brought challenges to the Turkish market. In South America, demand for service products was muted in comparison to what was expected from the existing machine base.

In the Asian market service operations did not increase as expected. The levelling off of China's vigorous growth rate affected the development. However, an upswing in Japan balanced things out.

Glaston's extensive machine base in Asia and South America holds great potential for service and modernisations.

Modernisations Popular, Service Agreements Rising

The Services segment's most significant transactions in 2014 involved heating chamber replacements for heat treatment machines and the modernisation of machine control systems. We were particularly successful in Spain, Poland, the UK and Japan, where our total sales of machine upgrade projects reached almost EUR 2 million in 2014. Plenty of new, long-term service agreements were also signed in 2014.

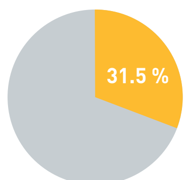
New products based on cutting-edge technology were also added to our service range during 2014. When upgrading machines, the Services segment is now able to offer GlastonAir™ air flotation technology to older lines, either as an additional heating chamber or through a heating chamber replacement.

Segment's Net Sales, EUR million

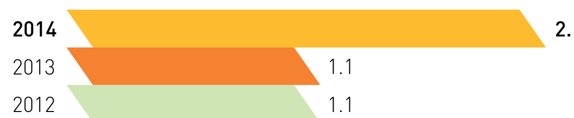
Operating Result before Extraordinary Items, EUR million

Percentage of Total Net Sales Accounted for by the Segment

(Eliminations and adjustments in group -1.4 %)



Order Book at 31 December 2014, EUR million



GlastonInsight™, an intelligent online process assistance system at the most advanced end of the market, was an addition to our modernisation portfolio. Sales of these products are expected to take off during 2015.

In August 2014, we announced the acquisition of industrial rights to Glassrobots, which expanded our machine base for maintenance and paved the way for potential new customers.

Increased Activity and New Products

The Glasstec trade fair, which was held in Germany in October 2014, was financially successful for the Services segment, as it was for the Machines segment. In addition to the signing of new agreements and the launch of negotiations, we exhibited a range of new tools that sparked our customers' interest. The increased activity during the last two quarters was a clear indication of recovery in the market.

New XtraSpeed™ tools were introduced for use in the automotive, solar and architectural industries. We likewise launched XtraLight™ and SmarTech™ tools to meet growing demands for energy efficiency. The XtraLight™'s plastic skeleton reduces the carbon footprint of transport in particular. Instead of buying an entire new tool, the SmarTech™ allows you to replace just the wearable diamond wheel section, thereby reducing material costs and waste.

In addition to new products, the Services segment also launched new service and pricing models that will further increase flexibility and provide an even better customer experience. Our already good delivery times were also further improved.

Market Share Retained, Customer Experience Reaps Praise

The tools and upgrade products launched during 2014 supported Glaston's strategic technological leadership. GlastonAir™ and GlastonInsight™ in particular sparked interest among customers that manufacture high-quality glass.

To ensure that we continue to provide the best customer experience in the market, we offered not only new, flexible service models but also a highly expert service organisation. Customers praised our personnel's high level of expertise, particularly in major modernisation projects.

In 2015, the Services segment will focus on accelerating growth. Growth is expected from increased activity in the industry, as well as from an extensive, ageing machine base in Asia and South America in particular.

Increasing volumes in these regions alongside the robust North American and EMEA areas is the Services segment's most important objective of 2015. The Glaston Genuine Care concept, which encompasses the entire lifecycle of glass processing machines, tools and spare parts, is being further developed with new product groups and even more efficient service and pricing models.

Services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GENUINE CARE
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GENUINE CARE
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GENUINE CARE

Governance

Corporate Governance Statement 2014

Glaston Corporation complies with its Articles of Association, the Finnish Companies Act and the rules of NASDAQ OMX Helsinki Stock Exchange. In addition, Glaston complies with the Finnish Corporate Governance Code for listed companies. The Finnish Corporate Governance Code, was published by the Securities Market Association in 2010, and it is publicly available at the website www.cgfinland.fi.

This report has been prepared in accordance with Chapter 7 Section 7 of the Securities Markets Act and Recommendation 54 of the Finnish Corporate Governance Code. The report has been approved by the Company's Board of Directors and audited by the auditor.

The Corporate Governance Statement is issued as a separate report and is published together with the financial statements, the Report of the Board of Directors and a salaries and remuneration statement on the Company's website http://www.glaston.net/investors/corporate governance. The information is also included in the Annual Review 2014.

Duties and Responsibilities of Governing Bodies

The General Meeting of Shareholders, the Board of Directors and the President & CEO, whose duties are determined mainly in accordance with the Finnish Companies Act, are responsible for the management of Glaston Group.

General Meeting of Shareholders

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

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

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

The President & CEO, the Chairman of the Board and a sufficient number of Members of the Board must attend a General Meeting of Shareholders. In addition, the auditor must be present at the Annual General Meeting.

Extraordinary General Meeting

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

Shareholders' Rights

In accordance with the Finnish Companies Act, a shareholder shall have the right to have a matter falling within the competence of the General Meeting dealt with by the General Meeting, if the shareholder so demands in writing from the Board of Directors well in advance of the meeting, so that the matter can be mentioned in the notice. At a General Meeting, shareholders shall have the right to make proposals and ask questions on the matters being dealt with.

A shareholder shall have the right to participate in a General Meeting if the shareholder is registered in the Company's register of shareholders eight days before a

General Meeting. Owners of nominee-registered shares may be temporarily registered in the Company's list of shareholders for participation in a General Meeting. A shareholder may attend a General Meeting personally or through an authorised representative. A shareholder may also have an assistant at a General Meeting.

Annual General Meeting 2014

Glaston Corporation's Annual General Meeting was held in Helsinki on 2 April 2014.

The meeting was attended by 127 shareholders, representing a total of 67% of the company's voting rights. The Annual General Meeting adopted the financial statements and discharged the President & CEO and the Members of the Board of Directors from liability for financial year 2013. All documents relating to the Annual General Meeting are available on the Company's website.

Nomination Board 2014

Glaston shareholders' Nomination Board consists of the representatives of the four largest shareholders entered in the company's register on the first day of September and, in addition, the Chairman of the company's Board of Directors, who serves as an advisory member of the Nomination Board. The Nomination Board's task is to prepare and present for the next Annual General Meeting and, if necessary, to an Extraordinary General Meeting, proposals concerning the number and identities of the members of the Board of Directors and the remuneration of the Board of Directors. In addition, the task of the Nomination Board is to seek candidates as potential board members.

In accordance with the ownership structure on 1 September 2014, the following were re-elected as members of Glaston's Nomination Board: Jari Puhakka (Etera Mutual Pension Insurance Company), Ari Saarenmaa (Oy G.W. Sohlberg Ab), Mikko Koivusalo (Varma Mutual Pension Insurance Company) and Kimmo Viertola (Finnish Industry Investment Ltd.). Andreas Tallberg, Chairman of Glaston's Board of Directors, served as an advisory member of the Nomination Board. In its organising meeting on 6 October 2014, the Nomination Board elected Ari Saarenmaa from among its members to be Chairman.

The Board met twice during 2014 and the average attendance of members was 100%. No fees were paid to the members of the Nomination Board.

Board of Directors

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

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

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

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

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

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

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

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

A majority of the Members of the Board must be independent of the Company. In addition, at least two of members belong to the aforesaid majority must be independent of the Company's significant shareholders.

Board of Directors in 2014

The Annual General Meeting, held on 2 April 2014, confirmed that the Board of Directors will have six members. Of the present member of the Board of Directors, the Annual General Meeting re-elected Andreas Tallberg, Teuvo Salminen, Claus von Bonsdorff, Pekka Vauramo and Anu Hämäläinen for the term ending at the closing of the next Annual General Meeting. In addition it was decided to elect for the same term Kalle Reponen as a new Member of the Board of Directors to replace Christer Sumelius, who resigned.

After the Annual General Meeting, the Board of Directors elected Andreas Tallberg as Chairman of the Board and Teuvo Salminen as Deputy Chairman.

The personal information of Members of the Board and information on their ownership of Glaston's shares are presented at the end of this statement. According to an independence assessment performed by the Company's Board of Directors, all of the Board's six members are, in principle, independent of the Company. Excluding Andreas Tallberg, the Members of the Board are independent of the Company's significant shareholders. Andreas Tallberg is Managing Director of Oy G.W. Sohlberg Ab (Oy G.W. Sohlberg Ab's ownership was 13.56% on 31 December 2014). The Members of the Board, the President & CEO and the Members of Executive Management Group have no conflicts of interest between the duties they have in the Company and their private interests.

In 2014 Glaston's Board of Directors held 11 meetings, of which 1 was via a telephone conference. The attendance of Members of the Board at the meetings was 95%.

Member of the Board	Attendance at meetings of the Board	Attendance percentage
Andreas Tallberg	11	100
Christer Sumelius *	3	100
Claus von Bonsdorff	11	100
Anu Hämäläinen	11	100
Kalle Reponen **	9	100
Teuvo Salminen	10	90
Pekka Vauramo	8	73

* until 2 April 2014
** from 2 April 2014

Committees of the Board of Directors

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

President & CEO

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

Arto Metsänen has served as President & CEO since 1 September 2009. The personal information of the President & CEO and information on his ownership of Glaston's shares are presented at the end of this statement.

Executive Management Group

The Company's Executive Management Group comprises the President & CEO, the Senior Vice Presidents for the Business Areas, the General Manager, Asia, the General Counsel and the Chief Financial Officer. The Members of the Executive Management Group report to the

President & CEO and assist him in implementing the Company's strategy, operational planning and management, and in reporting the development of business operations. The Executive Management Group meets under the direction of the President & CEO.

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

Executive Management Group in 2014

As of 1 January 2014, Juha Liettyä was appointed SVP, Machines business area, and Roberto Quintero, SVP, Pre-processing and Tools in the Machines business area and member of Glaston's Executive Management Group, resigned from Glaston's service on 28 February 2014.

At the end of 2014 the Executive Management Group had 6 members. The composition of the Executive Management Group, the personal information of its members, and information on their ownership of Glaston's shares are presented at the end of this statement.

The Executive Management Group met 11 times in 2014.

Remuneration of Board of Directors and the Executive Management Group in 2014

Board of Directors' remuneration

The Annual General Meeting 2014 decided on the following fees of the Board of Directors (fee per year, euros):
Chairman of the Board EUR 40,000,
Deputy Chairman of the Board EUR 30,000
Member of the Board EUR 20,000.

In addition, the Chairman of the Board was paid a meeting fee of EUR 800 and the other Members of the Board EUR 500 for those meetings of the Board that they attended. Remuneration for meetings held by telephone was paid on a different basis. The travel expenses of Members of the Board are compensated in accordance with the Company's travel rules. None of the Members of the Board receives from the Company remuneration unconnected with their work on the Board of Directors. The Members of the Board are covered by voluntary pension insurance accrued from their Board of Directors' remuneration. The value of the pension insurance corresponds with the Finnish TyEL pension scheme. Remuneration paid to the Board of Directors is outlined in more detail in Note 30 of the consolidated financial statements and in a separate salaries and bonuses report.

Fees paid to the Members of the Board of Directors in 2014 totalled EUR 182,100.

Remuneration of the President & CEO and the Executive Management Group

The remuneration of the President & CEO and the Members of the Executive Management Group consists of a fixed monthly salary, an annual bonus (variable salary component) and a bonus scheme (variable salary component) based on the development of the share price, which is intended as a long-term reward. The annual bonus is determined on the basis of Glaston's financial performance. The indicators used are the Group's result and return on investment. The maximum amount of the President & CEO's annual bonus is 42% of annual salary. For the other members of the Executive Management Group, the maximum amount of annual bonus is 34% of annual salary.

The President & CEO's period of notice is three months. In addition, the President & CEO is paid a compensation corresponding to 12 months' salary if he is dismissed by the Company. If more than 50% of the Company's shares are transferred to a new owner in connection with a merger or acquisition, the President & CEO shall have the right to terminate his employment contract with 1 month's notice, in which case he shall be paid one-off severance pay of EUR 200,000.

The President & CEO has the opportunity to retire at 63 years of age. The President & CEO and one member of the Executive Management Group are entitled

Remuneration of the President & CEO
and the Executive Management Group

EUR	2014	2013
President & CEO Arto Metsänen		
Paid salary	**393,885**	374,319
Bonuses paid	**65,131**	-
Share bonus	**201,940**	-
Total salary	**660,956**	374,319
Fringe benefits	**16,583**	18,722
Total	**677,539**	**393,041**
Statutory pension contributions (TyEL or similar scheme)	**117,553**	70,747
Voluntary pension contributions	**56,774**	45,429
Other Executive Management Group, total		
Paid salaries	**925,898**	1,008,509
Severance pay	**83,479**	-
Performance bonuses	**115,546**	165,700
Share bonus	**378,676**	-
Total salaries	**1,503,599**	1,174,209
Fringe benefits	**38,054**	28,494
Total	**1,541,653**	**1,202,703**
Statutory pension contributions (TyEL or similar scheme)	**198,438**	146,661
Voluntary pension contributions	**26,701**	27,804

to a supplementary pension that exceeds the statutory scheme. The retirement age of other members of the Executive Management Group is in accordance with normal local legislation.

The table on page 21 presents the total remuneration of the President & CEO and the Members of the Executive Management Group in 2014.

Incentive Plans

On 12 December 2011, Glaston's Board of Directors decided on a new share-based incentive plan for the Group's key personnel. The share bonus plan had three performance periods, namely the calendar years 2012, 2013 and 2014. The company's Board of Directors decided on the plan's performance criteria and the targets set for them at the beginning of each performance period. The possible bonuses payable on the basis of the plan corresponded during three years to a maximum of 4.8 million Glaston Corporation shares. The share bonus plan's target group consisted of around 25 people. In January 2014, Glaston's Board of Directors decided that the plan will be withdrawn. No rewards were paid under the plan during its period of validity.

On 7 February 2013, Glaston's Board of Directors decided on a new share-based incentive plan for key personnel. The new share bonus plan had one performance period, which began on 15 March 2013 and ended on 15 March 2014. Participation in the plan and receipt of rewards for the performance period required that a key employee subscribe for the company's shares in the share issue organised in spring 2013. The rewards from the plan were paid in April 2014 as cash instead of shares in accordance with a decision of the Board of Directors, provided that the key employee's employment or service with the Group was in force and that he or she still owned the shares subscribed for in the share issue.

On 21 February 2014, Glaston Corporation's Board of Directors decided on a new incentive plan for the Group's key personnel as part of a long-term incentive and commitment plan for the senior management of the Group and its subsidiaries. The incentive plan is tied to the development of Glaston's share price. The plan launched in 2014 covers the period 2014–2016. Any rewards from the plan will be paid in spring 2017. The incentive plan launched in 2014 covers 34 key Glaston personnel.

The share ownerships of the Executive Management Group are presented at the end of this statement.

Auditing

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

At the 2014 Annual General Meeting, the accounting firm Ernst & Young Oy was elected as the Company's auditor. The responsible auditor was Harri Pärssinen APA. Auditing units representing Ernst & Young have mainly served as the auditors of the Company's subsidiaries in each country. In 2014 the Group's auditing costs totalled EUR 344,000, of which Ernst & Young received EUR 320,000. Ernst & Young Oy's auditing expenses for the audit for financial year 2014 totalled EUR 282,000. In addition, auditing units belonging to Ernst & Young have provided other advice to Group companies to a value of EUR 3,000.

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

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

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

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

Group's reporting principles, which are determined and centrally administered by the Group's Financial Management organisation. The principles are applied consistently throughout the Group and a consistent Group reporting system is in place.

Risk Management

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

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

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

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

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

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

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

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

The Group's risks are covered in more detail in the the Board of Directors' Review on page 28. The management and organisation of the Group's financial risks are presented in more detail in Note 3 of the consolidated financial statements on page 54.

Insider Administration

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

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

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

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

Board of Directors \ 1 January 2015

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

Andreas Tallberg b. 1963, M.Sc.(Econ.)

Chairman of the Board, since 2007
Independent of the Company. CEO of Oy G.W. Sohlberg Ab, a significant shareholder
Share ownership on 31.12.2014: 1,500,000 shares
Main occupation: Oy G.W. Sohlberg Ab, CEO

Primary work experience: EQT, Senior Partner, 1997–2006, MacAndrews & Forbes International, President, 1992–1995, Amer Group, Director, Business Development, 1987–1991.

Key positions of trust: Detection Technology Oy, Chairman of the Board since 2007, Svenska Handelsbanken AB (publ), Finnish branch, Member of the Board since 2008, StaffPoint Holding Oy, Deputy Chairman of the Board since 2013, Wulff Group Plc, Chairman of the Board, since 2012, Nissala Oy, Chairman of the Board since 1999, Toolmasters Oy, Chairman of the Board since 2011, TG Granit Oy, Chairman of the Board since 2013.

Teuvo Salminen b. 1954, M.Sc.(Econ.), APA

Member of the Board, since 2010, Deputy Chairman of the Board, since 2014
Independent of the Company and of significant shareholders
Share ownership on 31.12.2014: 300,000 shares
Main occupation: Professional Board Member

Primary work experience: Pöyry Plc 1985–2010: Senior Advisor 2010, Group Executive Vice President, Deputy to the CEO 1999–2009, Head of Infrastructure & Environment Business Group 1998–2000, Head of Construction Services Business Group 1997–1998, Chief Financial Officer 1988–1999.

Key positions of trust: Holiday Club Resorts Oy, Chairman of the Board since 2008, Havator Oy, Chairman of the Board since 2010, Cargotec Plc, Member of the Board since 2010, Evli Bank Plc, Member of the Board since 2010, Tieto Corporation, Member of the Board since 2010, YIT Oy, Member of the Board since 2014, 3Stepit Oy, Member of the Board since 2011, Kasarmin Kulma Oy, Member of the Board since 2013, As TREV-2 Grupp, Member of the Supervisory Board since 2013.

Claus von Bonsdorff b. 1967, M.Sc.(Eng.), M.Sc.(Econ.)

Member of the Board, since 2006
Independent of the Company and of significant shareholders
Share ownership on 31.12.2014: 172,600 shares
Main occupation: Nokia Networks, Head of Customer Operations, Strategy, Business Development and Marketing, since 2007

Primary work experience: Nokia Plc, Expert and management positions, 1994–2007

Key positions of trust: –

Pekka Vauramo b. 1957, M.Sc.(Mining)

Member of the Board, since 2011
Independent of the Company and of significant shareholders
Share ownership on 31.12.2014: 250,000 shares
Main occupation: Finnair Plc , President & CEO since 2013

Primary work experience: Cargotec Corporation 2007–2013: MacGregor, Chief Operating Officer 2012–2013, Cargotec Corporation, Chief Operating Officer, Deputy to CEO 2007–2012, Employed by Sandvik 1985–2007: President of the Underground Hard Rock Mining Division of Sandvik Mining and Construction (SMC) and Member of the SMC Management Team Sandvik Country Manager in Finland 2005–2007, President of TORO Loaders Division of SMC 2003–2005, President of Drills Division of SMC, 2001–2003.

Key positions of trust: Normet Group Oy, Member of the Board since 2008.

Kalle Reponen b. 1965, M.Sc.(Econ.)

Member of the Board, since 2014
Independent of the Company and of significant shareholders
Share ownership on 31.12.2014: 10,000 shares
Main occupation: Independent Consultant, Professional Board Member

Primary work experience: Metso Corporation, Senior Vice President, Strategy and M&A, Member of Executive Team 2006–2013, MCF Corporate Finance GmbH, Partner 2003–2006, Nordea Corporate Finance, Director 2000–2003, Metra Corporation, Business Development Director 1999–2000, Wärtsilä, various managerial positions 1995–2000: Business Area Controller, Power Plants, Wärtsilä New Sulzer Diesel 1997–1999, Business Development and Finance Manager, Wärtsilä Diesel 1995–1997, Metra Corporation, Finance Manager 1991–1995, Lohja Corporation, Finance Manager 1988–1991.

Key positions of trust: Robit Rocktools Oy, Member of the Board since 2011, Swot Consulting Oy, Advisory Board, Member since 2009, Marketing Clinic Oy, Member of the Board since 2014, Koskitukki Oy, Member of the Board since 2014, Premix Oy, Member of the Board since 2014, Montisera Oy, Chairman of the Board since 2014, Centenary Foundation of the Finnish Society of Crafts and Design, Member of the Board since 2014.

Anu Hämäläinen b. 1965, M.Sc.(Econ.)

Member of the Board, since 2012
Independent of the Company and of significant shareholders
Share ownership on 31.12.2014: 150,000 shares
Main occupation: Wärtsilä Corporation, Vice President, Group Treasury and Financial Services

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

Key positions of trust: –

Executive Management Group ╲ 1 January 2015

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

Arto Metsänen b. 1956, M.Sc.(Eng.)

President & CEO
Employed by the company and Chairman of the Executive Management Group, since 2009
Share ownership on 31.12.2014:
1,500,000 shares

Primary work experience: CPS Colour Group Oy, President & CEO 2005–2009, Consolis Oy, President & CEO 2005, Sandvik Tamrock Oy, President 2003–2005, Sandvik Tamrock, SVP USA and Mexico 2002–2003, Sandvik Tamrock Oy, SVP South Europe and Middle East 1998–2002.

Pekka Huuhka b. 1956, M.Sc.(Eng.)

Senior Vice President, Services Segment since 2012
Employed by the company and Member of the Executive Management Group since 2010
Share ownership on 31.12.2014: 150,000 shares

Primary work experience: Glaston Finland Oy, Senior Vice President, Supply Chain 2010–2012, Swot Consulting Finland Oy, Managing Partner 1998–2010, Tamrock Region Europe, Area Sales Director, Germany 1993–1998, Tamrock Oy, Product Management 1991–1993, Tamrock Oy, Production Management positions 1982–1991.

Sasu Koivumäki b. 1974, M.Sc.(Econ.)

Chief Financial Officer and Deputy to the CEO
Employed by the company since 2002, Member of the Executive Management Group since 2012
Share ownership on 31.12.2014: 300,000 shares

Primary work experience: Glaston America Inc., Sales Director 2010–9/2012, Glaston Corporation, Finance Manager 2007–2010, Tamglass Finton Oy, Managing Director 2005–2007, Tamglass Glass Processing Ltd, Business Controller 2002–2005, Finnforest Oyj, Several financial management positions 1998–2002.

Juha Liettyä b. 1958, B.Sc.(Eng.)

Senior Vice President, Machines Segment, since 2014
Employed by the company since 1986, Member of the Executive Management Group since 2007.
Share ownership on 31.12.2014: 250,000 shares

Primary work experience: Glaston Finland Oy, SVP, Heat Treatment Product Line 2012–2013, Glaston Finland Oy, SVP, Services Segment 2009–2012, Glaston Corporation, SVP, Quality and Business Development 2007–2009, Kyro Corporation, SVP, Technology 2003–2007, Tamglass Engineering Ltd. Oy, Managing Director 1999–2003, Tamglass Ltd. Oy, several management positions 1991–2003, Tamglass Engineering Ltd. Oy, Maintenance Manager 1989–1991, Tamglass Engineering Ltd. Oy, Project Engineer 1986–1989.

Taina Tirkkonen b. 1975, LL.M., M.Sc.(Admin.)

General Counsel and Senior Vice President, Human Resources
Employed by the Company since 2011, Member of the Executive Management Group since 2013
Share ownership on 31.12.2014: 75,000 shares

Primary work experience: Metso Minerals Oy, Legal Counsel 2008–2011, Cargotec Corporation, Legal Counsel 2006–2008.

Frank Chengdong Zhang b. 1968, e-MBA B.Sc. (Power Machinery Engineering)

General Manager, Asia
Employed by the company since 2008, Member of the Executive Management Group since 2010
Share ownership on 31.12.2014: no shares

Primary work experience: GE 2005–2008: GE Motors & Controls, General Manager, Asia 2005–2008, GE Lighting Systems, Product Line Director 2005–2008.

Information for Shareholders

Annual General Meeting

The Annual General Meeting of Glaston Corporation will be held on Thursday 26 March 2015 at 4 p.m. in Kansallissali, Aleksanterinkatu 44, Helsinki, Finland. The reception of persons registered for the meeting will commence at 3 p.m.

The Annual General Meeting may be attended by shareholders who, on the record date of the AGM, 16 March 2015, are registered in the shareholders' register held by Euroclear Finland.

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

Shareholders who wish to attend the AGM should register with the company by 10 a.m. on 23 March 2015 via one of the following options:

- On the Glaston Corporation website at www.glaston.net;
- By e-mail to anna-mari.purola@glaston.net;
- By telephone on +358 (0)10 500 6133;
- In writing to the following address: Glaston Corporation, Yliopistonkatu 7, FI-00100 Helsinki, Finland.

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

Proposal on the Distribution of Profits

The Board of Directors proposes to the Annual General Meeting that, based on the balance sheet to be adopted for 2014, a return of capital of EUR 0.02 per share be paid. Capital is repaid from the reserve for invested unrestricted equity. The capital is repaid to a shareholder who is registered in the Company's shareholders' register maintained by Euroclear Finland Ltd on the record date for payment, 30 March 2015. The Board of Directors proposes to the Annual General Meeting that the return of capital be paid on 28 April 2015.

Glaston Corporation's financial reporting in 2015

- Financial Statements for January 1 - December 31, 2014 on Thursday, February 5, 2015
- Interim Report for January 1 - March 31, 2015 on Thursday, April 23, 2015
- Interim Report for January 1 - June 30, 2015 on Thursday, August 6, 2015
- Interim Report January 1 - September 30, 2015 on Monday, October 26, 2015

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

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

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

Ordering Reports and Stock Exchange Releases

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

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

Changes of Address

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

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

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

Further Information on Glaston

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Glaston Corporation's Board of Directors' Review and Financial Statements \ 2014

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Board of Directors' Review

\ 1 January – 31 December 2014

Operating Environment

Glaston's markets developed favourably in 2014. After a quiet first quarter, positive development began in the second quarter and strengthened as the year progressed. In the EMEA area, a pick-up in the market was evident in a number of countries. The glass processing machine market advanced especially in the UK, eastern Central Europe, Germany, the Baltic countries and Spain. In the North American market, a strong pick-up was perceptible. In South America, steady development continued with large regional differences. In Brazil, demand fell short of expectations, but in other South American countries good results were achieved. In Asia, the market developed more weakly than expected.

Machines

In the Machines segment, the operating environment developed positively as a rule during 2014. Except for Asia, all sales regions developed positively. In North America and the EMEA area, demand strengthened during 2014. In South America, the market remained on a fairly low level. In Asia, demand in the machines business was more subdued than expected.

The glass industry's main event, the Glasstec Fair, was held in Germany in October. At the fair, Glaston presented, among other products, the new FC1000™ flat tempering line, the new HE500™ horizontal edging line and the GlastonInsight™ real-time heat treatment process optimisation system. The fair was successful in terms of sales. In connection with the fair, the first GlastonAir™ deal to Columbia was announced.

In 2014 the Machines segment's most important product launches were the FC1000™ flat tempering line, the Glaston-Insight™ real-time heat treatment optimisation system, and the ProL200™ flat laminating machine. The GlastonFC500™ tempering machine further strengthened its position among customers who value high optical quality.

In 2014, the Machines segment's orders received totalled EUR 106.4 (86.2) million. In January-December, net sales totalled EUR 87.1 (84.3) million and the operating profit was EUR 4.3 (2.4) million. Growth of net sales while maintaining the level of fixed costs, lower property expenses, a scalable production model as well as significantly lower warranty and quality costs had a positive impact on profitability. At the end of 2014, the segment had 354 (343) employees.

Services

In 2014 the positive development of the service market continued in the EMEA area and in North America, with demand being directed at machine upgrade products. In Spain, the UK and Poland, in particular, significant deals were concluded. In the Middle East, growth of demand was evident in the latter part of the year. The sought-after growth in the Asia market was not fulfilled. A fall-off in the growth rate in China particularly contributed to this trend. Despite an extensive installed machine base, demand in South America did not correspond with expectations.

Glaston's market position remained strong, particularly in heat treatment machine service contracts. Competition continued to be aggressive in pre-processing machine spare parts and tools. Despite this, the company was able to increase its market share in certain areas, such as Italy, Mexico and the United States.

At the beginning of 2014, tools became part of the Services segment. The transfer achieved the expected benefits in both sales and logistics. The acquisition of Glass-robots' industrial property rights in August 2014 extended Glaston's potential customer base and machine stock in need of service.

The Glasstec Fair, held in October, was a commercial success for the Services segment. New tools for automotive, architectural and solar products were also presented at the fair. These received a good reception from customers. The quality of customer experience and the flexibility of services were improved by bringing new service and pricing models to the market.

Orders received in the Services segment totalled EUR 38.7 (37.1) million in 2014. In January-December, net sales totalled EUR 39.2 (38.6) million and the operating profit was EUR 5.2 (5.2) million. At the end of 2014, the segment had 226 (227) employees.

New Segments

On 1 January 2014, Glaston transferred sales of tools from the Machines segment to the Services segment. The Machines segment is divided into two product lines: Heat Treatment, which comprises manufacturing and sales of glass tempering, bending and laminating machines, and Pre-processing, which comprises manufacturing and sales of glass pre-processing machines. The Services segment comprises glass processing machine maintenance and service operations, sales of machine upgrades and spare parts, and manufacturing and sales of tools.

Continuing Operations' Orders Received and Order Book

Glaston's order intake in the financial year 2014 grew 18% compared with the previous year and was EUR 145.1 (123.3) million. Of orders received, the Machines segment accounted for 73% and the Services segment for 27%.

Glaston's order book grew 48% compared with December 2013 and stood at a record high of EUR 57.9 (39.1) million on 31 December 2014. Of the order book, the Machines segment accounted for EUR 55.8 (38.0) million and the Services segment for EUR 2.1 (1.1) million. In the final quarter of the year, the following significant orders were entered in the order book: the first GlastonAir™ tempering machine and Glaston ProBend™ machine, suitable for bending and tempering, and the first GlastonFC1000™ tempering line with double chamber. Boosted by the Glasstec Fair, held in October, a number of GlastonFC500™ tempering machines were sold both to Europe and the USA.

Continuing Operations' Net Sales, Operating Result and Result

Glaston's net sales totalled EUR 124.5 (122.2) million in January-December. The Machines segment's net sales in the financial year totalled EUR 87.1 (84.3) million and the Services segment's net sales totalled EUR 39.2 (38.6) million. Net sales in the EMEA area grew 13% and were EUR 57.2 (50.6) million. In the Americas, net sales were at the previous year's level: EUR 43.6 (44.4) million. In Asia, net sales developed more weakly than expected and totalled EUR 23.7 (27.2) million.

The operating profit, excluding non-recurring items, was EUR 4.9 (2.1) million, i.e. 3.9 (1.7) % of net sales. In January-December, the Machines segment's operating profit, excluding non-recurring items, was EUR 4.3 (2.4) million and the Services segment's operating profit, excluding non-recurring items, was EUR 5.2 (5.2) million.

In the second quarter of 2014, a non-recurring item of EUR -0.6 million was recognised from an adjustment to the final selling price of the Software Solutions business. The final selling price, paid on 1 July 2014, was EUR 1.5 million. Of the non-recurring items totalling EUR 3.7 million recognised in 2013, the most significant was the sale of the Tampere property complex.

Group's net financial items in 2014 were EUR -0.7 (-1.0) million.

Income taxes amounted to EUR -2.4 (-3.6) million, of which the change in deferred tax assets was EUR -0.9 million. Of this change, EUR -1.3 million was booked based on the Finnish companies' taxable earnings. The cash flow-based tax was EUR -1.0 million, of which most was paid from the Group's foreign subsidiaries.

Continuing Operations result in January-December was a profit of EUR 1.1 (1.3) million. The result, after the result of Discontinued Operations, was a profit of EUR 1.1 (1.3) million. In January-December, the return on capital employed (ROCE) was 7.9 (9.9)%.

Earnings Per Share

Continuing Operations' earnings per share were EUR 0.01 (0.01). Discontinued Operations' earnings per share were EUR 0.00 on 31 December 2014. Continuing and Discontinued Operations' earnings per share totalled EUR 0.01 (0.01).

Financial Position, Cash Flow and Financing

At the end of the reporting period, the Group's liquid funds totalled EUR 20.0 (16.4) million. Interest-bearing net debt totalled EUR -5.0 (8.6) million and net gearing was -9.8 (16.9)%.

At the end of 2014, the consolidated asset total was EUR 128.7 (125.6) million. The equity attributable to the owners of the parent was EUR 50.5 (50.4) million. The share issue-adjusted equity per share was EUR 0.26 (0.26). Return on equity in January-December was 2.2 (3.2)%.

EUR million **Order book**	**31 December 2014**	**31 December 2013**	**31 December 2012**
Machines	**55.8**	38.0	33.1
Services	**2.1**	1.1	1.1
Total	**57.9**	**39.1**	**34.2**

EUR million **Net sales, Continuing Operations**	**2014**	**2013** restated	**2012** restated
Machines	**87.1**	84.3	75.9
Services	**39.2**	38.6	41.1
Other and internal sales	**-1.8**	-0.6	-1.4
Total	**124.5**	**122.2**	**115.6**

EUR million **EBIT**	**2014**	**2013** restated	**2012** restated
Machines	**4.3**	2.4	-2.1
Services	**5.2**	5.2	5.4
Other and eliminations	**-4.6**	-5.5	-6.7
EBIT, excluding non-recurring items	**4.9**	**2.1**	**-3.4**
Non-recurring items	**-0.6**	3.7	-5.4
EBIT	**4.3**	**5.9**	**-8.8**

	2014	**2013**	**2012** restated
EBIT, EUR million	**4.3**	5.9	-8.8
EBIT, % of net sales	**3.4**	4.8	-7.6
Profit/loss for the year attributable to owners of the parent, EUR million	**1.2**	1.3	-22.4
Profit/loss for the year attributable to owners of the parent, % of net sales	**0.9**	1.1	-19.3

	2014	**2013**	**2012** restated
Return on capital employed (ROCE), %	**7.9**	9.9	-12.6
Return on equity, %	**2.2**	3.2	-53.6

Cash flow from the operating activities of Continuing and Discontinued Operations, before the change in working capital, was EUR 9.2 (6.3) million in January-December. The change in working capital was EUR 7.4 (0.9) million.

Cash flow from investing activities was EUR -2.0 (22.5) million. In 2013 cash flow from investing activities was improved by proceeds from the sales of both the Software Solutions segment and the Tampere factory property, a total of EUR 25.3 million. Cash flow from financing activities in January-December was EUR -11.8 (-23.1) million.

Glaston has a long-term financing agreement, valid until 31 January 2016. The covenants used in the financing agreement are interest cover, net debt/EBITDA, cash and cash equivalents, and gross capital expenditure. The covenants will be monitored, depending on the covenant, monthly, quarterly, semi-annually or annually.

Research and Product Development

In 2014 Glaston's research and product development expenditure totalled EUR 3.9 (4.8) million, i.e. 3.2 (3.9)% of net sales.

In the Machines segment, product development investment was directed on the flat tempering side at developing tempering of thinner glass and on improving the optics and energy efficiency of low-emissivity glass. In oscillating furnaces, a new product, the GlastonFC1000™, was developed and launched. In the FC500™ and RC350™ product families, the product offering was expanded. On the automotive side, the product offering was diversified by combining the features of Glaston and Glassrobots products. An essential part of development work is the continuous improvement of existing technology. In automation technology, continuous development work enabled the launch of the new product, GlastonInsight™, in which the control system measures in real time the quality of the glass and automatically proposes to the operator new setting values to optimise the heat treatment process.

In the Services segment, the product development focus continued to be on replacement of heating chambers for RC and FC product series flat tempering lines and on iControL™ control system upgrades. In the latter part of the year, product development expanded through customer projects from flat tempering machines to bending and tempering machines, where a new bender for the HTBS bending and tempering machine is under development.

EUR	2014	2013	2012 restated
Earnings per share, Continuing Operations, EUR	**0.01**	0.01	-0.16
Earnings per share, Discontinued Operations, EUR	**-**	0.00	-0.04
Earnings per share, undiluted and diluted, total, EUR	**0.01**	0.01	-0.20

	2014	2013	2012 restated
Equity ratio, %	**47.7**	45.4	21.6
Gearing, %	**29.6**	49.3	224.0
Net gearing, %	**-9.8**	16.9	188.4
Interest-bearing net debt, EUR million	**-5.0**	8.6	57.7

EUR million	2014	2013	2012
Research and development expenditure, Continuing Operations	**3.9**	4.8	5.3
Research and development expenditure, Discontinued Operations	**-**	-	2.5
Research and product development expenditure, total	**3.9**	4.8	7.8
Capitalised development expenditure in the financial year, Continuing and Discontinued Operations	**1.2**	1.2	4.4
Research and development expenditure, Continuing Operations, % of Continuing Operations' net sales	**3.2**	3.9	4.6

Environment

For Glaston, environmental responsibility means developing energy-efficient solutions for its customers and minimising the environmental impacts of its own activities.

A machine's entire life cycle, which may be many decades, is taken into account in its design. Glaston's glass processing machines are designed and built to withstand constant use at high production capacities. With preventive and regular maintenance, the lifecycle of machines can be extended. The upgrade products offered by the company also increase machine operating times and enhance energy efficiency in glass processing. The length of a machine's life cycle can also be affected by its correct use, and Glaston offers its customers training in the operation of machines.

Energy efficiency and its development have a key role in product development, in terms of both glass processing machines and end products. Special attention is paid to the recyclability of materials, particularly with respect to components that are susceptible to wear and often changed.

Glaston works actively to promote opportunities to use glass in energy-efficient construction and in utilisation use of solar energy. The Glass Performance Days conference organised by the company is the glass industry's leading expert event, promoting development and networking in these fields.

Capital Expenditure, Depreciation and Amortisation

The gross capital expenditure of Glaston's Continuing and Discontinued Operations totalled EUR 3.6 (2.8) million. The most significant investments in 2014 were in product development.

In 2014, depreciation and amortisation of Continuing Operations on property, plant and equipment and on intangible assets totalled EUR -4.3 (-4.6) million.

Changes in the Company's Management

As of 1 January 2014, Juha Liettyä, member of Glaston's Executive Management Group, was appointed SVP, Machines business area with both the Heat Treatment and Pre-processing product lines as his area of responsibility. Liettyä was previously SVP, Heat Treatment product line in the Machines business area. Roberto Quintero, SVP, Pre-processing and Tools in the Machines business area and member of Glaston's Executive Management Group, resigned from Glaston's service on 28 February 2014.

In December 2014, the appointment of Chief Financial Officer Sasu Koivumäki as Deputy to the CEO was announced. The appointment entered into effect on 1 January 2015.

Employees

No significant changes in personnel took place during the year. Temporary lay-offs at the Italian factory were implemented during the year. At the factory in Finland, a few staff were added as a consequence of new product launches and the Glassrobots deal.

Employees' skills development continued mainly through internal training and sharing of expertise. During the year, training in different product areas was arranged for sales staff. Genuine Care Days, which covered 3E strategy in addition to technical training, were arranged for service personnel. To safeguard Glaston's future skills needs, a key positions' career and succession plan is updated annually and development measures agreed.

Glaston's Continuing Operations had a total of 592 (581) employees on 31 December 2014. Of the Group's employees, 25% worked in Finland and 28% elsewhere in the EMEA area, 32% in Asia and 15% in the Americas. The average number of employees was 592 (590).

Share-based Incentive Plan

On 21 January 2014, Glaston Corporation's Board of Directors decided on a new incentive plan for the Group's key personnel as part of a long-term incentive and commitment plan for the senior management of the Group and its subsidiaries. The incentive plan is tied to the development of Glaston's share price. The plan launched in 2014 covers the period 2014–2016. Any rewards from the plan will be paid in spring 2017. The incentive plan launched in 2014 covers 34 key Glaston personnel.

On 7 February 2013, Glaston's Board of Directors decided on a new share-based incentive plan for key personnel. The new share bonus plan had one performance period, which began on 15 March 2013 and ended on 15 March 2014. Participation in the plan and receipt of rewards for the performance period required that a key employee subscribed for the company's shares in the share issue organised in spring 2013. The rewards from the plan were paid in April 2014 as cash instead of shares in accordance with a decision of the Board of Directors, provided that the key employee's employment or service with the Group was in force and that he or she still owned the shares subscribed for in the share issue.

In January 2014, Glaston's Board of Directors decided to terminate the share-based incentive plan for the Group's key personnel announced in 2011. The share bonus plan had three performance periods, namely the calendar years 2012, 2013 and 2014. The company's Board of Directors decided on the plan's performance criteria and the targets set for them at the beginning of each performance period. No rewards were paid during the plan's period of validity.

Group Structural Changes in 2014

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

Decisions of the Annual General Meeting

Glaston Corporation's Annual General Meeting was held in Helsinki on 2 April 2014.

Financial Statements

The Annual General Meeting adopted the financial statements and consolidated financial statements for the financial year 1 January – 31 December 2013 and discharged the Members of the Board of Directors and the President & CEO from liability for the financial year 1 January – 31 December 2013.

Dividend

Deviating from a proposal of the Board of Directors, the Annual General Meeting resolved, in accordance with a proposal presented by shareholders representing more than 10% of the total number of shares in the company, to distribute EUR 0.01 per share as a minority dividend, a total of around EUR 1.9 million. The record date for the dividend payment was 7 April 2014 and the dividend was paid on 31 July 2014.

Board of Directors

The Annual General Meeting resolved that the number of Members of Board of Directors would be six. The Annual General Meeting decided to re-elect Andreas Tallberg, Teuvo Salminen, Claus von Bonsdorff, Pekka Vauramo and Anu Hämäläinen as Members of the Board of Directors for a term extending to the end of the next

EUR million	2014	2013	2012
Gross capital expenditure, Continuing Operations	**3.6**	2.5	2.5
Gross capital expenditure, Discontinued Operations	**-**	0.3	3.1
Gross capital expenditure, total	**3.6**	2.8	5.6
Gross capital expenditure, Continuing Operations, % Continuing Operations' net sales	**2.9**	2.0	2.2
Depreciation and amortisation, Continuing Operations	**4.3**	4.6	5.4
Impairment losses on asset items, Continuing Operations	**-**	-	3.0

	2014	2013	2012
Salaries and bonuses, Continuing Operations, EUR million	**21.9**	24.3	23.8
Employees at end of year, Continuing Operations	**592**	581	602
Employees at end of year, Discontinued Operations	**-**	-	175
Employees at end of year, total	**592**	581	776
Average number of employees	**592**	590	820

Annual General Meeting. In addition it was decided to elect for the same term Kalle Reponen as a new Member of the Board of Directors to replace Christer Sumelius, who has resigned.

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

After the Annual General Meeting, the Board of Directors held an organising meeting, at which it elected Andreas Tallberg as Chairman of the Board and Teuvo Salminen as Deputy Chairman of the Board.

Auditor

The Annual General Meeting elected as auditor Authorised Public Accountants Ernst & Young Oy, with Authorised Public Accountant Harri Pärssinen as the responsible auditor.

Board Authorisations

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

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

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

The authorisation is valid until 30 June 2015 and it invalidates earlier authorisations.

The Board of Directors had not exercised its authorisation up to 31 December 2014.

Nomination Board

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

In accordance with the ownership structure on 1 September 2014, the following were re-elected as members of Glaston's Nomination Board: Jari Puhakka (Etera Mutual Pension Insurance Company), Ari Saarenmaa (Oy G.W Sohlberg Ab), Mikko Koivusalo (Varma Mutual Pension Insurance Company) and Kimmo Viertola (Finnish Industry Investment Ltd.). Andreas Tallberg, Chairman of Glaston's Board of Directors, served as an advisory member of the Nomination Board. In its organising meeting on 6 October 2014, the Nomination Board elected Ari Saarenmaa from among its members to be Chairman.

Shares and Share Prices

Glaston Corporation's paid and registered share capital on 31 December 2014 was EUR 12.7 million and the number of issued and registered shares totalled 193,708,336. The company has one series of share. At the end of the year, the company held 788,582 of the company's own shares (treasury shares), corresponding to 0.41% of the total number of issued and registered shares and votes. The counter book value of 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.

On 31 December 2014, the market capitalisation of the company's registered shares, treasury shares excluded, was EUR 73.3 (77.2) million. During 2014, approximately 46.1 million of the company's shares were traded, i.e. around 23.9% of the average number of registered shares. The lowest price paid for a share was EUR 0.32 (0.22) and the highest price EUR 0.45 (0.44). The volume-weighted average price of shares traded during January-December was EUR 0.38 (0.35). The closing price on 31 December 2014 was EUR 0.38 (0.40).

The share issue-adjusted equity per share attributable to the owners of the parent was EUR 0.26 (0.26).

Other Events in the Review Period

On 29 April 2014, Canada's Federal Court ordered Shanghai Northglass, Glaston's Chinese competitor, to pay to Glaston damages totalling approximately EUR 1.3 million in a patent infringement case. Glaston will not recognise any compensation before the confirmation of the date of payment.

In March 2013, the sale of the Tampere factory property was completed and the

Share-issue adjusted per share data	2014	2013	2012 restated
Equity per share attributable to owners of the parent, EUR	**0.26**	0.26	0.27
Dividend per share, EUR	**-**	0.01	-
Return of capital/share, EUR*	**0.02**	-	-
Price / earnings (P/E) ratio	**63.7**	53.8	-1.3
Price / equity attributable to owners of the parent per share	**1.45**	1.53	0.97
Share price at end of year, EUR	**0.38**	0.40	0.26
Market capitalisation, end of year, EUR million	**73.3**	77.2	27.2
Share turnover (1,000 shares)	**46,061**	35,594	17,736
Share turnover, % of average number of shares	**23.9**	20.7	16.9
Number of shares at end of the year	**193,708,336**	193,708,336	105,588,636
Average number of shares, excluding treasury shares	**192,919,754**	174,146,044	113,240,777
Average number of shares, including dilution effect of convertible bond and excluding treasury shares	**192,919,754**	175,859,686	120,513,650

* Board of Directors' proposal

company entered into a long-term lease agreement with the new owner of the property. Activities in Tampere have continued unchanged. Use of premises was enhanced, as a result of which a lease agreement on space that became unoccupied was signed in April 2014. The tenants took occupancy of the premises in the latter part of 2014.

The industrial property rights and related documentation of Finnish glass processing machine manufacturer Glassrobots Oy's flat tempering and bending machines as well as its automotive products and other equipment transferred to Glaston in a deal concluded on 8 August 2014. The industrial property rights include, among other things, three significant patents, which Glaston can in future utilise in its own product development. The deal strengthened Glaston's position as a global technology leader in glass processing machines and as a provider of the industry's most extensive lifecycle services.

Shareholders

Glaston Corporation's largest shareholders on 31 December 2014, the distribution of share ownership by number of shares, and the distribution of ownership by shareholder group are presented in Note 4 of the consolidated financial statements. Information on the Glaston Corporation shares owned by Members of the Board of Directors and the President & CEO is presented in Note 30 of the consolidated financial statements.

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

Information Pursuant of Ministry of Finance Ordinance 1020/2012 not Presented in Other Sections of the Financial Statements

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

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

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

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

Related Party Loans

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

Corporate Governance Statement

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

Separate financial statements of the parent company

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

Glaston Corporation's net sales in the financial period were EUR 3.6 (3.3) million and the operating result was a loss of EUR 1.6 (0.7 loss) million. Glaston's net financial expenses were EUR 2.9 (0.6) million. The result for the financial year was a profit of EUR 0.7 (4.2) million.

The parent company had an average of 11 (10) employees in the financial period and 11 (11) employees at the end of the year.

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

Events after the Closing Date

On 27 January 2015, Glaston received a flagging notice stating that Finnish Industry Investment Ltd's holding of Glaston Corporation's total number of shares and votes had fallen below 5%.

At its meeting held on 30 January 2015, the Nomination Board appointed by the Annual General Meeting gave its proposal on the number of the Members of the Board of Directors and on the composition and remuneration of the Board of Directors.

Risks and Risk Management

Glaston operates globally and changes in the development of the world economy directly affect the Group's operations and

Parent company

EUR million	2014	2013	2012
Net sales	**3.6**	3.3	3.7
Operating result	**-1.6**	-0.7	-3.1
Result before taxes and appropriations	**1.3**	6.3	-11.1
Income taxes for the financial year	**-0.7**	-2.1	-0.0
Result for the financial year	**0.7**	4.2	-11.1
Balance sheet total	**120.8**	118.2	113.1
Shareholders' equity	**88.3**	89.6	63.9
Salaries and bonuses paid	**1.4**	1.7	1.5
Average number of employees	**11**	10	12

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

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

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

Uncertainties and risks in the Near Future

The company operates in markets in which political and economic uncertainty arise. This impacts the timing of large machine orders as well as customers' willingness to invest. The sharp weakening of the rouble as well as the Ukraine crisis contribute to increasing instability. These factors have had a negative impact on market activity in Russia and surrounding countries. Glaston has no significant receivables from Russia.

Global economic uncertainty and its impact on the development of the sector have been taken into account in the short-term forecasts. If the recovery of the sector slows, this will have a negative impact on future cash flows.

Glaston performs annual goodwill impairment testing during the final quarter of the year. In addition, goodwill impairment testing is performed if there are indications of impairment. Due to prolonged market uncertainty, it is possible that Glaston's recoverable amounts will be insufficient to cover the carrying amounts of assets, particularly goodwill. If this happens, it will be necessary to recognise an impairment loss, which, when implemented, will weaken the result and equity.

Glaston has on its statement of financial position a total of approximately EUR 3.8 million of unimpaired loan, interest and trade receivables from a counterparty whose financial situation is uncertain. Glaston is continuously monitoring the situation and will recognise an impairment of these receivables, if necessary.

In November 2014, extension agreements were signed for the pre-processing machine production premises in Bregnano. Glaston is continually reviewing different options for developing operations. Non-recurring costs may arise from this.

General business risks and risk management are outlined in more detail in Glaston's 2014 Annual Review and on the company's website www.glaston.net.

Outlook

The company's diverse and competitive product portfolio, strengthened order book and solid financial position, combined with the cautious recovery of the glass processing industry, create good conditions for business growth.

Glaston operates in growing markets. We expect our markets to grow moderately in 2015. Growth is expected particularly in heat treatment machines, but Glaston's extensive installed machine base also creates great potential in service business.

In market development, differences between markets are expected. In the EMEA area and in North America strong development is expected to continue. In South America, the stable development of the market will continue. Gross prospects in Asia's glass processing market remain good, despite a temporary setback. We expect the Asian market to pick up in the second half of the year.

We expect that 2015 net sales and operating profit, excluding non-recurring items, will exceed the level of 2014 (net sales EUR 124.5 million and operating profit, excluding non-recurring items, EUR 4.9 million in 2014).

Board of Directors' Proposal on the Distribution of Profits

The distributable funds of Glaston Corporation are EUR 50,340,334, of which EUR 682,293 represents the net profit for the financial year. The Board of Directors proposes to the Annual General Meeting to be held on 26 March 2015 that the profit for the financial year 2014 be place in retained earnings and that no dividend be paid.

The Board of Directors proposes to the Annual General Meeting that, based on the balance sheet to be adopted for 2014, a return of capital of EUR 0.02 per share be paid. Capital is repaid from the reserve for invested unrestricted equity. The capital is repaid to a shareholder who is registered in the Company's shareholders' register maintained by Euroclear Finland Ltd on the record date for payment, 30 March 2015. The Board of Directors proposes to the Annual General Meeting that the return of capital be paid on 28 April 2015.

On the day the proposal for the distribution of assets was made, the number of shares entitling to dividend was 192,919,754, which means the total amount of the return of capital would be EUR 3,858,395.

Helsinki, 5 February 2015
Glaston Corporation
Board of Directors

Consolidated Financial Statements

\ 2014

Consolidated Financial Statements
Consolidated Statement of Financial Position

EUR thousand	Note	at 31 December 2014	2013
Assets			
Non-current assets			
Goodwill	12,14	**36,843**	36,843
Intangible assets	14	**7,801**	8,738
Property, plant and equipment	15	**7,453**	6,905
Available-for-sale financial assets	17	**357**	341
Loan receivables	19	**1,765**	1,787
Deferred tax assets	11	**2,968**	3,722
Total non-current assets		**57,187**	**58,335**
Current assets			
Inventories	18	**21,832**	19,667
Assets for current tax	11	**344**	712
Trade and other receivables	19	**29,258**	30,512
Cash and cash equivalents			
Cash		**20,040**	16,376
Total current assets		**71,474**	**67,268**
Total assets		**128,662**	**125,603**
Equity and liabilities			
Equity			
Share capital		**12,696**	12,696
Share premium account		**25,270**	25,270
Other restricted equity reserves		**73**	66
Reserve for invested unrestricted equity		**47,341**	47,341
Treasury shares	4	**-3,308**	-3,308
Fair value reserve		**71**	59
Other unrestricted equity reserves		**53**	53
Retained earnings and exchange differences		**-32,828**	-33,086
Net result attributable to owners of the parent		**1,150**	1,294
Attributable to owners of the parent		**50,517**	**50,384**
Non-controlling interest		**313**	294
Total equity		**50,830**	**50,678**
Non-current liabilities			
Non-current interest-bearing liabilities	22	**7,462**	11,565
Non-current interest-free liabilities	24	**-**	531
Non-current provisions	23	**1,241**	815
Deferred tax liabilities	11	**1,066**	975
Defined benefit pension and other defined long-term employee benefit liabilities	21	**1,613**	1,382
Total non-current liabilities		**11,382**	**15,268**
Current liabilities			
Current interest-bearing liabilities	22	**7,603**	13,399
Current provisions	23	**3,262**	2,596
Trade payables and other current interest-free liabilities	24	**55,099**	43,290
Liabilities for current tax	11	**486**	372
Total current liabilities		**66,450**	**59,658**
Total liabilities		**77,832**	**74,926**
Total equity and liabilities		**128,662**	**125,603**

Consolidated Statement of Profit or Loss

EUR thousand	Note	1 January - 31 December 2014	2013
Net sales	5	124,529	**122,218**
Other operating income	7	888	4,423
Changes in inventories of finished goods and work in process	18	1,340	-1,501
Own work capitalized		84	11
Materials	8	-53,877	-50,507
Personnel expenses	9	-28,586	-31,215
Other operating expenses	8	-35,807	-32,950
Depreciation, amortization and impairment charges	12	-4,298	-4,608
Operating result, continuing operations		4,273	**5,871**
Financial income	10	327	3,602
Financial expenses	10	-1,027	-4,560
Net financial expenses		-700	-957
Profit / loss before income taxes, continuing operations		3,573	**4,913**
Income tax expense	11	-2,433	-3,636
Profit / loss for the year, continuing operations		1,140	**1,277**
Profit / loss after tax for the period, discontinued operations	13	-	**18**
Profit / loss for the year		1,140	**1,295**
Attributable to non-controlling interest		-10	1
Attributable to owners of the parent		1,150	**1,294**
Total		1,140	**1,295**
Earnings per share, EUR, continuing operations		0.01	0.01
Earnings per share, EUR, discontinued operations		-	0.00
Earnings per share, EUR, basic and diluted*		0.01	**0.01**
Net result attributable to owners of the parent, EUR thousand		1,150	1,294
Average number of shares (1,000 shares)*		192,920	174,146
Earnings per share (EPS), EUR, basic and diluted		0.01	**0.01**

* Share-issue adjusted

Consolidated Statement of Comprehensive Income

EUR thousand	1 January - 31 December 2014	2013
Profit / loss for the period	**1,140**	**1,295**
Other comprehensive income that will be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**1,152**	566
Fair value changes of available-for-sale assets	**16**	12
Income tax on other comprehensive income	**-4**	-3
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	**-4**	1
Actuarial gains and losses arising from defined benefit plans	**-217**	-43
Other comprehensive income for the reporting period, net of tax	**943**	**534**
Total comprehensive income for the reporting period	**2,083**	**1,829**
Attributable to:		
Owners of the parent	**2,062**	1,832
Non-controlling interest	**21**	-4
Total comprehensive income for the reporting period	**2,083**	**1,829**

Consolidated Statement of Changes in Equity

EUR thousand 2013	Note	Share capital	Share premium account	Reserve for invested unrestricted equity	Treasury shares	Fair value and other reserves	Retained earnings	Cumulative exchange difference	Attributable to owners of the parent	Non-controlling interest	Total equity
Equity 1 January		**12,696**	**25,270**	**26,805**	**-3,308**	**107**	**-31,169**	**-78**	**30,323**	**297**	**30,620**
Total comprehensive income for the year	20	-	-	-	-	9	1,252	571	1,832	-4	1,829
Share issue		-	-	10,000	-	-	-	-	10,000	-	10,000
Share issue, costs		-	-	-900	-	-	-	-	-900	-	-900
Share issue paid with convertible and debenture bonds		-	-	11,436	-	-	-1,906	-	9,530	-	9,530
Result effect of the conversion issue		-	-	-	-	-	-401	-	-401	-	-401
Reclassifications and other changes		-	-	-	-	61	-61	-	-	-	-
Equity 31 December		**12,696**	**25,270**	**47,341**	**-3,308**	**177**	**-32,285**	**493**	**50,384**	**294**	**50,678**

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

Distributable equity of the parent (FAS)

EUR thousand	**2014**	**2013**
Reserve for invested unrestricted equity	**48,772**	48,772
Treasury shares	**-3,308**	-3,308
Retained earnings	**4,195**	1,882
Net profit / loss for the period	**682**	4,242
Total	**50,340**	**51,587**
Dividend per share, EUR	**-**	0.01
Return of capital per share EUR*	**0.02**	-

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

Consolidated Statement of Cash Flows

EUR thousand	1 January - 31 December 2014	2013
Cash flows from operating activities		
Net result attributable to owners of the parent - continued operations	1,150	1,276
Net result attributable to owners of the parent - discontinued operations	-	18
Adjustments to net result attributable to owners of the parent*	5,550	5,560
Depreciation, amortization and impairment	4,298	4,608
Interest received	300	322
Interest paid	-665	-1,599
Dividends received	6	6
Proceeds from disposal of available-for-sale shares	-	-3,746
Other financing items	-444	627
Income taxes paid	-1,030	-789
Cash flows from operating activities before change in net working capital	**9,165**	**6,283**
Change in net working capital		
Change in inventories	-2,783	2,270
Change in current receivables	-1,594	330
Change in interest-free current liabilities	11,813	-1,737
Change in net working capital, total	**7,436**	**863**
Cash flows from operating activities	**16,601**	**7,145**
Cash flows from investing activities		
Capital expenditure in property, plant and equipment and intangible assets	-3,623	-2,806
Other	-1	-
Proceeds from sale of assets held for sale	1,500	12,868
Proceeds from sale of property, plant and equipment and intangible assets	104	35
Proceeds from sale of other available-for-sale investments	-	12,354
Cash flows from investing activities	**-2,021**	**22,451**
Cash flow before financing	**14,580**	**29,596**
Cash flows from financing activities		
Share issue and conversion of convertible bond, net	-	9,100
Draw-down of non-current loans	-	14,750
Repayments of non-current loans	-4,151	-43,512
Change in current loan receivables (decrease +, increase -)	21	105
Draw-down of current loans	30,005	44,381
Repayments of current loans	-35,755	-47,875
Dividends paid	-1,929	-
Cash flows from financing activities	**-11,809**	**-23,051**
Effect of exchange rate fluctuations	**893**	**-1,049**
Net increase (- decrease) in cash and cash equivalents	**3,664**	**5,495**
Cash and cash equivalents at end of period	20,040	16,376
Cash and cash equivalents at beginning of period	16,376	10,880
Net increase (- decrease) in cash and cash equivalents	**3,664**	**5,495**

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

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

Supplemental Information for Statement of Cash Flows

EUR thousand	1 January - 31 December 2014	2013
Disposal of subsidiaries		
Purchase consideration received in cash	**1,500**	15,542
Expenses related to the sale, paid during the year	**-**	-1,088
Cash and cash equivalents of divested subsidiaries	**-**	-1,586
Net cash flow	**1,500**	**12,868**

Per Share Data

EUR thousand	2014	2013	2012 Restated
Earnings per share, EUR, continuing operations	**0.01**	0.01	-0.16
Earnings per share, EUR, discontinued operations	**-**	0.00	-0.04
Earnings per share, EUR, basic and diluted	**0.01**	0.01	-0.20
Dividend per share, EUR	**-**	0.01	-
Dividend payout ratio, %	**-**	134.5%	-
Dividend yield	**-**	2.5%	-
Return of capital per share, EUR*	**0.02**	-	-
Return of capital ratio, %*	**335.4%**	-	-
Return of capital yield*	**5.3%**	-	-
Equity attributable to owners of the parent per share, EUR	**0.26**	0.26	0.27
Price per earnings per share (P/E) ratio	**63.7**	53.8	-1.3
Price per equity attributable to owners of the parent per share	**1.45**	1.53	0.97
Dividends paid, EUR million	**-**	1.9	-
Capital repayment, EUR million*	**3,9**	-	-
Number of shares at the end of the year	**193,708,336**	193,708,336	105,588,636
Number of shares at the end of the year, treasury shares excluded	**192,919,754**	192,919,754	104,800,054
Number of shares, average, adjusted with share issue, treasury shares excluded	**192,919,754**	174,146,044	113,240,777
Number of shares, dilution effect of the convertible bond taken into account, average, adjusted with share issue, treasury shares excluded	**192,919,754**	175,859,686	120,513,650

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

Share price and turnover			
Share price, year high, EUR	**0.45**	0.44	0.74
Share price, year low, EUR	**0.32**	0.22	0.23
Share price, volume-weighted year average, EUR	**0.38**	0.35	0.39
Share price, end of year, EUR	**0.38**	0.40	0.26
Number of shares traded (1,000)	**46,061**	35,594	17,736
% of average number of registered shares	**23.9%**	20.7%	16.9%
Market capitalization, end of year, EUR million	**73.3**	77.2	27.2

Financial Ratios

EUR thousand	2014	2013	2012 Restated
Income statement and profitability			
Net sales	**124,529**	122,218	115,637
Operating result	**4,273**	5,871	-8,790
% of net sales	**3.4%**	4.8%	-7.6%
Operating result, non-recurring items excluded	**4,903**	2,126	-3,387
% of net sales	**3.9%**	1.7%	-2.9%
Financial income and expenses (net)	**-700**	-957	-8,637
% of net sales	**0.6%**	0.8%	7.5%
Result of continuing operations before income taxes and non-controlling interests	**3,573**	4,913	-17,427
% of net sales	**2.9%**	4.0%	-15.1%
Income taxes	**-2,433**	-3,636	-821
Result of discontinued operations	**-**	18	-4,163
Net profit / loss attributable to owners of the parent	**1,150**	1,294	-22,364
% of net sales	**0.9%**	1.1%	-19.3%
Return on capital employed (ROCE), %, total of continuing and discontinued operations	**7.9%**	9.9%	-12.6%
Return on equity, %	**2.2%**	3.2%	-53.6%
Research and development expenses, continuing operations	**3,948**	4,809	5,267
% of net sales of continuing operations	**3.2%**	3.9%	4.6%
Research and development expenses, discontinued operations	**-**	-	2,500
Research and development expenses, continuing and discontinuing operations	**3,948**	4,809	7,767
% of net sales of continuing and discontinued operations	**3.2%**	3.9%	5.7%
Gross capital expenditure, continuing operations	**3,623**	2,484	2,493
% of net sales of continuing operations	**2.9%**	2.0%	2.2%
Gross capital expenditure, discontinued operations	**-**	283	3,115
Gross capital expenditure, continuing and discontinued operations	**3,623**	2,768	5,608
% of net sales of continuing and discontinued operations	**2.9%**	2.2%	4.1%
Order book, continuing operations, EUR million	**57.9**	39.1	34.2
Order book, discontinued operations, EUR million	**-**	-	1.4
Order book, EUR million	**57.9**	39.1	35.6
Statement of financial position and solvency			
Property, plant and equipment and intangible assets	**15,254**	15,642	18,028
Goodwill	**36,843**	36,843	36,843
Non-current assets total	**57,187**	58,335	63,765
Equity attributable to owners of the parent	**50,517**	50,384	30,323
Equity (includes non-controlling interest)	**50,830**	50,678	30,620
Liabilities	**77,832**	74,926	127,374
Total assets	**128,662**	125,603	157,994
Capital employed	**65,894**	75,642	99,198
Net interest-bearing debt	**-4,976**	8,588	57,698
Equity ratio, %	**47.7%**	45.4%	21.6%
Gearing, %	**29.6%**	49.3%	224.0%
Net gearing, %	**-9.8%**	16.9%	188.4%
Personnel			
Personnel, average	**592**	590	820
Personnel, continuing operations, at the end of the period	**592**	581	602
Personnel, discontinued operations, at the end of the period	**-**	-	175
Personnel, at the end of the period, total	**592**	581	776
in Finland	**146**	129	140

Definitions of Key Ratios

Per Share Data

Earnings per share (EPS), continuing operations

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

Earnings per share (EPS), discontinued operations

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

Earnings per share (EPS)

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

Diluted earnings per share

$$\frac{\text{Net result attributable to owners of the parent adjusted with the result effect of the convertible bond}}{\text{Adjusted average number of shares, dilution effect of the convertible bond taken into account}}$$

Dividend per share*

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

Dividend payout ratio*

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

Dividend yield*

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

Equity attributable to owners of the parent per share

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

Average trading price

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

Price per earnings per share (P/E)

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

Price per equity attributable to owners of the parent per share

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

Share turnover

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

Market capitalization

Number of shares at end of the period x share price at end of the period

Number of shares at period end

Number of issued shares - treasury shares

Financial Ratios

EBITDA

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

Operating result (EBIT)

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

Operating result (EBIT) excluding non-recurring items

Profit / loss of continuing operations after depreciation, amortization and impairment, share of associates' results included, non-recurring items excluded

Cash and cash equivalents

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

Net interest-bearing debt

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

Financial expenses

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

Equity ratio, %

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

Gearing, %

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

Net gearing, %

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

Return on capital employed, % (ROCE)

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

Return on equity, % (ROE)

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

* Definitions are also applied with return of capital

Notes to the Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies – Consolidated Financial Statements

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

Basic Information

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

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

The Board of Directors of Glaston Corporation has in its meeting on 5 February, 2015, approved these financial statements to be published. According to the Finnish Companies' Act, the shareholders have a possibility to approve or reject or make a decision on altering the financial statements in a General Meeting to be held after the publication of the financial statements.

Basis of Presentation

The consolidated financial statements of Glaston Group are prepared in accordance with International Financial Reporting Standards (IFRS), including International Accounting Standards (IAS) and Interpretations issued by the International Financial Reporting Interpretations Committee (SIC and IFRIC). International Financial Reporting Standards are standards and their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the European Parliament and of the Council. The Notes to the Financial Statements are also in accordance with the Finnish Accounting Act and Ordinance and the Finnish Companies' Act.

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

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

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

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

New Accounting Standards

Glaston has applied the following new or revised or amended standards and interpretations from 1 January, 2014:

IFRS 10 Consolidated Financial Statements

The standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more entities. The standard defines the principles of control and establishes control as the basis for consolidation. The amendment of IFRS 10 does not affect the consolidated financial statements of Glaston.

IFRS 11 Joint Arrangements

The standard outlines the accounting by entities that jointly control an arrangement. Joint control involves the contractual agreed sharing of control and arrangements subject to joint control and is classified as either a joint venture or joint operation. The amendment does not have an impact on the consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities

The standard is a consolidated disclosure standard requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The new standard extends the scope of Group disclosures about its interests in other entities.

IFRS 27 (revised) Separate Financial Statements

The amended IAS 27 outlines the accounting and disclosure requirements for separate financial statements remaining after sections regarding control were included in the new IFRS 10. The amendment does not have a material impact on the consolidated financial statements.

IFRS 28 (revised) Investments in Associates and Joint Ventures

The amended standard outlines how to apply the equity method to investments in associates and joint ventures following the publication of IFRS 11.

The amendment does not have an impact on the consolidated financial statements.

IAS 32 (amended) Financial Instruments: presentation on asset and liability offsetting

The amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.

The amendment does not have a material impact on the consolidated financial statements.

IAS 36 (amended) Impairment of assets on recoverable amount disclosures

The amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Other new or amended standards or interpretations applicable from 1 January, 2014 are not material for Glaston Group.

Glaston will apply the following new or revised or amended standards and interpretations from 1 January, 2015, if EU has approved them:

Annual improvements to IFRS cycles 2010-2012 and 2011-2013

Annual improvements 2012

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

Annual improvements 2013

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

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

IAS 19 (amended) Defined Benefit Plans: Employee Contributions

The amended applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions.

The amendment does not have an impact on the consolidated financial statements.

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

Consolidation Principles

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

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

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

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

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

Foreign Subsidiaries

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

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

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

Transactions in Foreign Currency

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

Financial Assets and Liabilities

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

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

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

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

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

Derivatives are recorded in the statement of financial position at their fair values. Fair values of publicly traded derivatives are calculated based on quoted market rates at the end of the reporting period. All Glaston's derivatives are publicly traded. Fair values of forward contracts are determined using forward exchange market rates at the end of the reporting period. At the end of the reporting periods 2014 and 2013, Glaston had electricity forward contracts.

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

If the hedge accounting criteria are fulfilled, derivatives are reported as cash flow hedges in accordance with IAS 39 hedge accounting principles. Hedge accounting was not applied during the reporting periods 2014 and 2013.

Changes in the fair value of foreign currency derivatives designated as hedges of net investment in foreign entities, and which are effective hedges, are recognized in other comprehensive income net of tax, and included in the equity in cumulative exchange difference. Ineffective part of the hedge is recognized immediately in profit or loss. Glaston had no net investment hedges in foreign entities in 2014 or 2013.

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

Other Assets and Liabilities at Fair Value through Profit or Loss

Other assets and liabilities at fair value through profit or loss can include mainly Glaston's current investments, which are classified as held for trading, i.e. which have been acquired or incurred principally for the purpose of selling them in the near future. Other assets and liabilities at fair value through profit or loss are included in current assets or liabilities in the statement of financial position.

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

Loans and Receivables

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

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

Trade receivables are carried at the original invoice amount less the share of the discounted interest and an estimate made for doubtful receivables. Estimate made for doubtful receivables is based on a periodic review of all outstanding amounts. For example payment defaults or late payments are considered as indications of impairment of the receivable. Impairment losses of trade receivables are recorded in a separate allowance account within trade receivables, and the impairment losses are recognized in profit or loss as other operating expenses. If the impairment loss is final, the trade receivable is derecognized from the allowance account. If a payment is later received from the impaired receivable, the received amount is recognized in profit or loss as a deduction of other operating expenses. If no impairment loss has been recognized in allowance account and the impairment loss of the trade receivable is found to be final, impairment loss is recognized directly as deduction of trade receivables.

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

Available-for-sale Financial Assets

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

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

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

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

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

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

Cash and Cash Equivalents

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

Financial Liabilities Measured at Amortized Cost

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

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

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

At the end of 2014 and 2013 Glaston had no convertible bond. During the first quarter, Glaston repurchased convertible bonds with a nominal value EUR 2 million at a price which was below the nominal value.

Revenue Recognition

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

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

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

Pensions and Other Long-term Employee Benefits

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

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

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

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

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

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

The recognition of defined benefit plans changed starting from 1 January, 2013, as amendments to IAS 19 will be applied. Comparative information has been restated retrospectively during the first quarter of 2013.

According to the new standard Glaston records actuarial gains and losses in other comprehensive income. Only current and past service costs as well as net interest on net defined benefit liability can be recorded in profit or loss. Other changes in net defined benefit liability are recognized in other comprehensive income with no subsequent recycling to profit or loss. The revised IAS 19 standard has been applied retrospectively. As a result of applying the revised IAS 19, Glaston's liabilities from defined benefit plans increased approximately EUR 0.4 million and equity decreased approximately EUR 0.5 million.

Share-based Payments

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

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

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

Current and Deferred Taxes

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

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

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

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

Non-recurring Items

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

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

In addition, exceptionally large gains or losses from disposals of property, plant and equipment and intangible assets as well as capital gains or losses arising from group restructuring are included in non-recurring items.

Intangible Assets

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

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

The estimated useful lives for intangible assets are as follows:

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

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

Borrowing costs are capitalised as part of the acquisition cost of intangible assets if the intangible assets are qualifying assets as defined in IAS 23 Borrowing Costs. In 2014 or 2013 Glaston did not have any qualifying assets.

Goodwill

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

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

In accordance with IFRS 3 Business

Combinations, goodwill is not amortized. The carrying amount of goodwill is tested annually for impairment. The testing is made more frequently if there are indications of impairment of the goodwill. Any possible impairment loss is recognized immediately in profit or loss.

Glaston's goodwill has been allocated to reportable segments. The goodwill allocated to the Machines reportable segment, is allocated further to the operating segments within the Machines reportable segment (Heat Treatment and Pre-processing).

Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. When an asset consists of major components with different useful lives, they are accounted for as separate items. Assets from acquisition of a subsidiary are stated at their fair values at the date of the acquisition.

Depreciation is recorded on a straight-line basis over expected useful lives. Land is not depreciated since it is deemed to have indefinite useful life.

The most common estimated useful lives are as follows:

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

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

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

Borrowing costs are capitalised as part of the acquisition cost of tangible assets if the tangible assets are qualifying assets as defined in IAS 23 Borrowing Costs. In 2014 or 2013 Glaston did not have any qualifying assets.

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

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

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

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

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

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

Impairment of Assets

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

Cash flow projections have been calculated on the basis of reasonable and supportable assumptions. They are based on the most recent financial plans and forecasts that have been approved by management. Estimated cash flows are used for a maximum of five years. Cash flow projections beyond the period covered by the most recent plans and forecasts are estimated by extrapolating the projections. The discount rate is the weighted average cost of capital. It is a pre-tax rate and reflects current market assessments of the time value of money at the time of review and the risks related to the assets. Impairment of assets has been described in more detail in Note 12 to the consolidated financial statements.

Inventories

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

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

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

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

Government Grants

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

Accounting for Leases

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

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

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

The Group has acquired machinery and equipment under finance leases.

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

Provisions

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

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

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

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

Segment Information

The reportable segments of Glaston are Machines and Services. The reportable segments apply Glaston Group's accounting and measurement principles. Glaston follows the same commercial terms in transactions between segments as with third parties.

The reportable segments consist of operating segments, which have been aggregated in accordance with the criteria of IFRS 8.12. Operating segments have been aggregated, when the nature of the products and services is similar, the nature of the production process is similar, as well as the type or class of customers. Also the methods to distribute products or to provide services are similar.

The reportable segments are disclosed in more detail in Note 5 to the consolidated financial statements.

Critical Accounting Estimates and Judgements

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

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

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

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

Dividends

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

The principle applies also to return of capital.

Treasury Shares

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

Earnings per Share

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

Earnings per share arising from

continuing and discontinued operations are presented separately.

Order Book

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

Orders Received

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

Audit

Quarterly information as well as interim reports are not audited.

Note 2

Critical Accounting Estimates and Judgements

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

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

Glaston capitalizes development costs of new products. In addition to other capitalization criteria, management has to estimate the future economic benefits arising from the development cost. If management estimates that there will not be future economic benefits, the development cost is recognized in profit or loss. Whether a development cost is capitalized or recognized immediately in profit or loss can have an effect on the result of the reporting period. At the end of the reporting period of 2014, Glaston's continuing operations had EUR 5.3 (6.3) million of capitalized development expenditure in the statement of financial position.

Measurement of inventories and trade and loan receivables includes some management estimates. Inventories are measured at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Net realisable value is used in testing the recoverable amount of inventories in order to avoid the inventories being carried in excess of amount expected to be realized from their sale or use. If management estimates that carrying amount of a trade or loan receivable exceeds its fair value, an impairment loss is recognized. For example payment defaults or late payments are considered as indications of impairment of the receivable. The carrying amount of continuing operations' inventory was at the end of the reporting period EUR 21.8 (19.7) million, the carrying amount of trade receivables continuing operations was EUR 24.2 (21.0) million and the carrying amount of loan receivables was EUR 2.4 (2.5) million.

Recognition and measurement of deferred tax liabilities and assets include management estimates, especially deferred tax assets arising from confirmed tax losses of group companies or from other temporary differences. Deferred tax assets are recognized for deductible temporary differences and tax losses to the extent that it is probable that taxable profit will be available against which tax credits and deductible temporary differences can be utilized. All tax liabilities and assets are reviewed at the end of the reporting period and changes are recognized in profit or loss. At the end of the reporting period, the carrying amount of deferred tax assets of continuing operations was EUR 3.0 (3.7) million and the carrying amount of deferred tax liabilities of continuing operations was EUR 1.1 (1.0) million.

If Glaston's management has assessed that as a result of a past event Glaston has a legal or constructive obligation, and that it is probable, that an outflow of resources will be required to settle the obligation, the management has estimated the amount of provision recognized from the obligation. The amount of the provision is the management's best estimate of the amount required to settle the obligation at the end of the reporting period. Glaston's most significant provision at the end of the reporting period was warranty provision of continuing operations, EUR 4.0 (3.0) million. The management's estimate of the warranty provision is based on previous experience. The estimate of the restructuring provision is based on the restructuring plan in which the locations and personnel concerned have been identified. If possible, external experts have been used in estimating the amount of the provision. If the management has estimated that it is unlikely, that Glaston has an obligation, a contingent liability is presented in the notes to the consolidated financial statements.

Calculation of defined benefit pensions and other defined long-term employee benefits requires choosing certain assumptions which actuaries use in calculation of the obligations arising from defined benefit plans. These assumptions include, among other things, discount rates used in the measurement of plan assets and liabilities as well as other actuarial assumptions such as future salary increases and mortality rate. The most significant defined benefit plan is the severance plan of Glaston's Italian subsidiary. The carrying amount of the liability of this plan was EUR 1.5 (1.3) million at the end of the reporting period. The revised IAS 19 Employee Benefits, which has been applied from 1 January, 2013, and which was applied retrospectively, changes the recognition of actuarial gains and losses. From 1 January, 2013 on, actuarial gains and losses have been recognized in Other Comprehensive Income and they affect equity.

Note 3

Management of Financial Risks

Financial Risk Management

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

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

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

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

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

Market Risks

Foreign Exchange Risk

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

The main invoicing currency is the euro which is the Group's functional currency. The most significant foreign exchange risk arises from exchange rate fluctuations between the euro and the US dollar, but group has significant exposures of Brazilian Real, Chinese Yuan and English Pound. US dollar accounted for approximately 28 per cent of the net sales of continuing operations in 2014 (in 2013, 23 per cent). Euro and US doller together account for approximately 76 per cent of the invoicing of continuing operations (in 2013, 71 per cent).

The Group did not have major foreign currency denominated loans at 31 December, 2014. The working capital credit facilities of foreign subsidiaries are in their domestic currencies.

The objective for foreign exchange risk management is primarily to secure the results of group companies from unexpected currency fluctuations. Possible hedging of foreign exchange risk is conducted in accordance with the Treasury Policy and the group companies are responsible for reporting their respective currency positions. In 2014, currency hedging was not in use. The Group has not hedged the net investments in foreign entities.

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

For the sensitivity analysis as defined in IFRS 7, a possible +/- 10 per cent change in the main currencies was assessed, with all other factors remaining unchanged. The sensitivity analysis is based on the foreign currency denominated assets and liabilities as of 31 December, 2014. The analysis takes into consideration the impact of foreign exchange derivatives, if such instruments are in use, which offsets the effects of changes in foreign exchange rates.

Interest Rate Risk

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

As a measurement for the management of interest rate risk an average interest fixing term for the Group's interest bearing liabilities has been used. The average interest fixing term at the end of 31 December, 2014 was 3 months in comparison to 4.2 months at the end of the previous year. The current average interest fixing term is clearly lower than the limit set by Board of Directors of Glaston Corporation.

On 31 December, 2014, the Group's interest-bearing net debt consisted of loans agreed with the lenders in the financing agreement made in February

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

		Change in currency rate	
EUR thousand	Gross position	-10 per cent	+ 10 per cent
USD/EUR	-432	39	-48
BRL/EUR	1,984	-180	220
CNY/EUR	-2,463	224	-274
GBP/EUR	194	-18	22
	-717		

2011 (renegotiated in February 2013).

For the sensitivity analysis as defined by IFRS 7, a possible +1 / -0.5 percentage point change in the interest rates was assessed, with all other factors remaining unchanged. The effect of the change on the Group's result before taxes considering the level of debt with flexible interest rates on the 31 December, 2014, is EUR -0.15 / +0.08 (2013, -0.2 / +0.1) million. Due to the low level of short interests in the market the decrease of 0.5 percentage points is not possible.

Credit and Counterparty Risk

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

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

At the end of 2014, 17.8 (30.7) per cent of Group's trade receivables were secured by guarantees. The carrying amounts of trade receivables equal their maximum credit risk.

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

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

Trade receivables

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

The total carrying amount of trade receivables of continuing operations on 31 December, 2014, was EUR 24.2 million (in 2013, EUR 21.0 million).

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

Committed credit facilities

EUR million	In use	Unused	Total
Committed credit facilities 31 December 2014	14.1	3.9	18.0
Committed credit facilities 31 December 2013	15.3	2.7	18.0

Maturity analysis of financial liabilities 31 December, 2014

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

Maturity analysis of financial liabilities 31 December, 2013

EUR thousand **Maturity of financial liabilities**	**Carrying amount**	**Contractual cash flows**	**Maturing in** **< 12 months**	**1-2 years**	**> 2 years**
Financial liabilities					
Credit facilities	10,750	10,910	10,910	-	-
Other interest-bearing loans	14,214	14,951	3,048	2,922	8,981
Trade payables	8,212	8,212	8,187	25	-
Forward contracts					
- inflow	354	354	354	-	-
- outflow	415	415	415	-	-

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

Liquidity Risk

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

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

Group's funding is mainly organized by using the approroximately EUR 44 million financial package renegotiated with the lenders in February 2013.

The Group executed a share issue, renegotiated new long-term financial package as well as negotiations with holders of the convertible and debenture bonds to convert the bonds to equity during the first quarter of 2013.

Management of Capital

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

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

The Group's loan agreements include terms and other commitments which are linked to consolidated key figures. If the covenant terms are not fulfilled, negotiations with the lenders will be initiated. These negotiations may lead to notice of termination of financial agreements. The covenants in use are interest cover, net debt /EBITDA, cash reserves and gross capital expenditure. The covenants are monitored regularly.

The covenant terms of the new loan agreement signed on 7 February, 2013 are mainly the same as in the previous loan agreement, but the levels of the covenant terms are more favourable to Glaston. The new financial arrangement includes restrictions on dividend to be paid. The restrictions applied only to dividends to be paid from the financial years of 2012 and 2013.

EUR thousand	31 December, 2014	31 December, 2013
Interest-bearing net debt		
Non-current interest-bearing liabilities	**7,462**	11,565
Current interest-bearing liabilities	**7,603**	13,399
Cash and cash equivalents, continuing and discontinued operations	**-20,040**	-16,376
Total	**-4,976**	**8,588**
Equity		
Attributable to owners of the parent	**50,517**	50,384
Non-controlling interest	**313**	294
Total	**50,830**	**50,678**
Total assets	**128,662**	125,603
Advances received, continuing and discontinued operations	**-22,074**	-14,019
Total	**106,588**	**111,584**
Equity ratio, %	**47.7%**	45.4%
Net gearing, %	**-9.8%**	16.9%

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

Note 4

Shares and Shareholders

Shares and Voting Rights

Glaston Corporation has one class of shares. The number of outstanding shares is 193,708,336 (treasury shares are included in the number of shares) and each share, with the exception of treasury shares, carries one vote at general meetings of shareholders. There are no limitations to transfer the shares. At the end of 2014 and 2013, Glaston Corporation's share capital amounted to EUR 12,696,000. The share has no nominal value. The share's counter book value is EUR 0.07 per share. Glaston's shares are registered in the book-entry securities system maintained by Euroclear Finland Ltd.

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

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

a) the weighted average price of trading in the share during the last ten (10) trading days on the NASDAQ OMX Helsinki Ltd. before the day when the company received from the Redeeming Shareholder a notification that the shareholding or voting rights limit as set forth above had been reached or exceeded or, should such notification be lacking or fail to be received by the deadline, when the company's Board of Directors otherwise received knowledge of it;
b) the average price, weighted by the number of shares, which the Redeeming Shareholder has paid for the shares which he has purchased or otherwise received during the last twelve (12) months before the day specified in paragraph a) above.

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

Share Trading

During 2014, the highest price of the Glaston share was EUR 0.45 (in 2013 EUR 0.44) and the lowest price EUR 0.32 (0.22). The average volume-weighted share price was EUR 0.38 (0.35). At the end of 2014, the share price stood at EUR 0.38 (0.40). The turnover of the share in NASDAQ OMX Helsinki Ltd. in 2014 was 46,060,964 (35,593,605) shares and in euro-terms EUR 17.4 (12.3) million. Number of shares

	2014	2013
Number of shares and treasury shares		
Number of shares, registered		
Number of shares 1 January	**193,708,336**	105,588,636
Conversion of convertible bond	**-**	38,119,700
Share issue	**-**	50,000,000
Number of shares 31 December	**193,708,336**	193,708,336
Treasury shares 31 December	**-788,582**	-788,582
Number of shares 31 December, excluding treasury shares	**192,919,754**	**192,919,754**
Average share-issue adjusted number of shares 31 December, excluding treasury shares	**192,919,754**	**174,146,044**
Average share-issue adjusted number of shares 31 December, excluding treasury shares, dilution effect of the convertible bond taken into account	**192,919,754**	175,859,686
Acquisition and disposal of treasury shares		
Treasury shares 1 January, shares	**788,582**	788,582
Treasury shares 31 December, shares	**788,582**	**788,582**
Treasury shares 1 January, EUR thousand	**3,308**	3,308
Treasury shares 31 December, EUR thousand	**3,308**	**3,308**

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

traded was 23.9 (20.7) per cent of the average share stock. Market capitalization at the end of 2014 was approximately EUR 73.3 (77.2) million.

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

In 2014 Glaston did not have any notifications as per Section 9 of Chapter 5 of the Securities Market Act.

Restrictions on Dividend Payment

There are no restrictions on dividend payment for the financial year 2014.

The financial arrangement concluded on 7 February, 2013 includes restrictions on dividends to be paid. The restriction does now allow dividends to be paid from the financial years of 2012 and 2013. These restrictions do not applied to statutory dividends.

Authorizations of the Board of Directors

The Annual General Meeting of Glaston Corporation was held on 2 April 2014 in Helsinki. The General Meeting authorised the Board of Directors to decide on the issuance of shares as well as the issuance of options and other rights entitling to shares. The authorisation consists of up to 20,000,000 shares in the aggregate.

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

The Board of Directors is authorised to resolve on all other terms and conditions of the issuance of shares, options and other rights entitling to shares as referred to in Chapter 10 of the Companies Act, including the payment period, grounds for the determination of the subscription price and subscription price or allocation of shares, option or other rights free of charge or that the subscription price may be paid besides in cash also by other assets either partially or entirely.

The authorisation is effective until 30 June 2015. The authorisation supersedes earlier authorisations.

Share-based incentive plan and management's shareholding

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

Equity attributable to owners of the parent per share

	2014	2013
Equity attributable to owners of the parent, EUR thousand	50,517	50,384
Share-issue adjusted number of shares	192,919,754	192,919,754
Equity attributable to owners of the parent per share, EUR	**0.26**	**0.26**

Distribution of profit

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

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

Largest shareholders 31 December, 2014

Shareholder	Number of shares	% of shares and votes
1. Oy G.W.Sohlberg Ab	26,266,100	13.56
2. Etera Mutual Pension Insurance Company	22,593,878	11.66
3. Suomen Teollisuussijoitus Oy	16,601,371	8.57
4. Varma Mutual Pension Insurance Company	13,786,643	7.12
5. Hymy Lahtinen Oy	11,900,000	6.14
6. Mutual Fund Evli Finnish Equity	7,072,772	3.65
7. Yleisradion Eläkesäätiö S.r.	6,987,579	3.61
8. Päivikki and Sakari Sohlberg Foundation	4,465,600	2.31
9. Oy Investsum Ab	3,480,000	1.80
10. Danske Fund Finnish Small Cap	2,744,114	1.42
11. Sumelius Bjarne Henning	2,351,504	1.21
12. Investment Fund Säästöpankki Small Cap	2,307,860	1.19
13. Sijoitusrahasto Taaleritehdas Mikro Markka	2,200,000	1.14
14. Nordea Pro Finland Fund	2,086,000	1.08
15. Sumelius-Fogelholm Birgitta	1,994,734	1.03
16. The Central Church Fund	1,790,205	0.92
17. Fennia Life Insurance Company Ltd	1,612,820	0.83
18. Von Christierson Charlie	1,600,000	0.83
19. Metsänen Arto	1,500,000	0.77
20. Oy Nissala Ab	1,500,000	0.77
20 largest shareholders total	**134,841,180**	**69.61%**
Common accounts	75,200	0.04%
Other shares	58,791,956	30.35%
Total	**193,708,336**	**100%**
Treasury shares	-788,582	0.41%
Total excluding treasury shares	**192,919,754**	

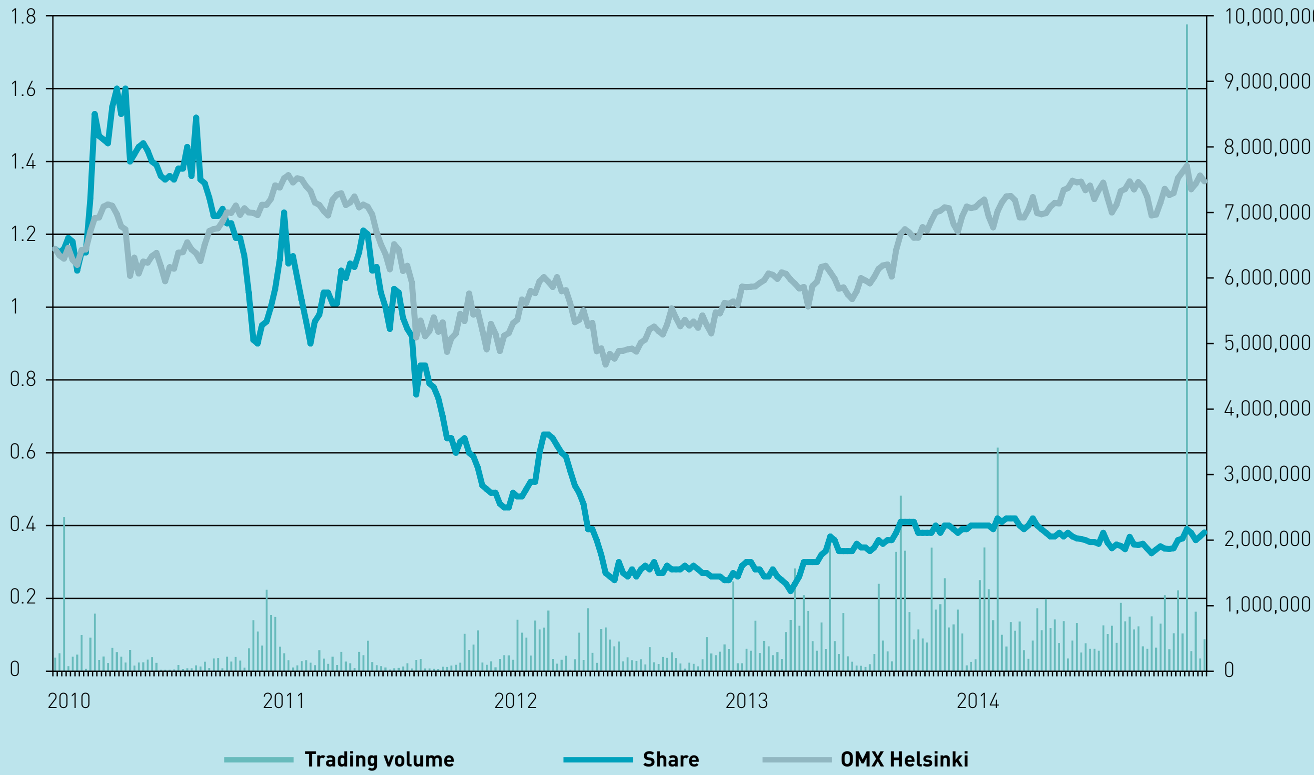
Ownership distribution 31 December, 2014

	Shares total	% of shares and votes
Households	50,958,053	26.3%
Public sector institutions	43,428,100	22.4%
Financial and insurance institutions	15,829,406	8.2%
Corporations	70,840,865	36.6%
Non-profit institutions	6,972,120	3.6%
Foreign countries	4,546,221	2.3%
Total	192,574,765	99.4%
Nominee registered	1,058,371	2.9%
Total	193,633,136	99.96%
Common Accounts	75,200	0.04%
Total	**193,708,336**	**100%**

Shareholders by share ownership 31 December, 2014

Number of shares	Number of shareholders	% of shareholders	Shares total	% of shares and votes
1 - 100	384	6.6%	23,095	0.0%
101 - 1,000	2,229	38.3%	1,255,661	0.6%
1,001 - 10,000	2,468	42.4%	9,463,454	4.9%
10,001 - 100,000	619	10.6%	17,687,704	9.1%
100,001 - 99,999,999	118	2.0%	165,203,222	85.3%
Total	5,818	100%	193,633,136	100%
Common accounts			75,200	0.0%
Number of shares issues			**193,708,336**	**100%**

Share price development and trading volume



Note 5

Segment Information

The reportable segments of Glaston are Machines and Services. Software Solutions segment, which previously belonged to reportable segments is presented as discontinued operations. The reportable segments apply Glaston Group's accounting and measurement principles as described in Note 1 to the consolidated financial statements. Glaston follows the same commercial terms in transactions between segments as with third parties.

The reportable segments consist of operating segments, which have been aggregated in accordance with the criteria of IFRS 8.12. Operating segments have been aggregated, when the nature of the products and services is similar, the nature of the production process is similar, as well as the type or class of customers. Also the methods to distribute products or to provide services are similar.

On 1 January 2014, Glaston transferred sales of tools from the Machines segment to the Services segment.

The Machines segment is divided into two operating segments: Heat Treatment, which comprises manufacturing and sales of glass tempering, bending and laminating machines, and Pre-processing, which comprises manufacturing and sales of glass pre-processing machines.

The Services segment comprises glass processing machine maintenance and service operations, sales of machine upgrades and spare parts, and manufacturing and sales of tools. In 2012 Services segment also included software business in North Asia which previously belonged to Software Solutions segment. This business ended in 2013. Comparable information has been restated.

The unallocated operating result consists of head office operations of the Group.

Glaston's chief operating decision maker is the CEO of Glaston Corporation, with the help of the Group's Executive Management Group. The segment information reported to the the chief operating decision maker includes segment revenue (net sales), operating result, orders received and order book as well as operative net working capital.

Reportable segments

EUR thousand **2014**	**Machines**	**Services**	**Software Solutions (discontinued operations)**	**Total segments**	**Unallocated and eliminations and adjustments**	**Total**
External net sales	87,017	37,455	-	124,473	56	124,529
Internal net sales	65	1,749	-	1,814	-1,814	-
Total net sales	**87,082**	**39,205**	**-**	**126,287**	**-1,758**	**124,529**
Operating result of the segments, non-recurring items excluded	**4,296**	**5,228**	**-**	**9,524**	**-4,621**	**4,903**
Non-recurring items	-	-	-	-	-631	-631
Operating result, non-recurring items included	**4,296**	**5,228**	**-**	**9,524**	**-5,252**	**4,273**
Financial items						-700
Income taxes						-2,433
Profit / loss for the year, discontinued operations						-
Result for the reporting period						**1,140**
Segment assets	60,389	38,880	-	99,269	2,130	101,399
Other assets						27,262
Total assets						**128,662**
Segment liabilities	50,839	9,231	-	60,070	1,142	61,212
Other liabilities						16,620
Total liabilities						**77,832**
Operative net working capital	**9,550**	**29,649**	**-**	**39,199**	**988**	**40,187**

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

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

EUR thousand **2013,** restated	**Machines**	**Services**	**Software Solutions (discontinued operations)**	**Total segments**	**Unallocated and eliminations and adjustments**	**Total**
External net sales	84,225	37,311	1,754	123,290	-1,071	122,218
Internal net sales	30	1,290	-	1,320	-1,320	-
Total net sales	**84,255**	**38,600**	**1,754**	**124,610**	**-2,391**	**122,218**
Operating result of the segments, non-recurring items excluded	**2,442**	**5,187**	**1,610**	**9,239**	**-7,113**	**2,126**
Non-recurring items	-3	2	-	-1	3,746	3,745
Operating result, non-recurring items included	**2,439**	**5,189**	**1,610**	**9,237**	**-3,367**	**5,871**
Financial items						-957
Income taxes						-3,636
Profit / loss for the year, discontinued operations						18
Result for the reporting period						**1,295**
Segment assets	56,088	37,806	0	93,894	4,867	98,761
Other assets						26,842
Total assets						**125,603**
Segment liabilities	38,990	7,673	-	46,664	1,943	48,607
Other liabilities						26,318
Total liabilities						**74,926**
Operative net working capital	**17,098**	**30,132**	**0**	**47,230**	**2,924**	**50,154**

The non-recurring items of 2013, in total EUR 3.7 million positive, consist mainly of the gain from the sale of Tampere real estate.

Non-cash income and expenses included in operating result*

EUR thousand	**2014**	**2013** restated
Machines	**-1,810**	-1,923
Services	**-806**	-783
Segments total	**-2,616**	-2,706
Unallocated	**13**	-334
Total non-cash expenses and income	**-2,603**	**-3,040**

* Excluding impairment.

Non-cash income and expenses in 2014 included the following items: impairment losses of trade receivables EUR -0.1 million, impairment losses of inventory EUR -0.6 million, changes in provisions EUR -1.9 million.

Non-cash income and expenses in 2013 included the following items: impairment losses of trade receivables EUR -1.1 million, impairment losses of inventory EUR -0.5 million, changes in provisions EUR -1.4 million.

	2014	2013 restated

Goodwill, depreciation, amortization and impairment losses by segment

	2014	2013 restated
Goodwill, EUR million		
Machines	**14.3**	14.3
Services	**22.6**	22.6
Total	**36.8**	36.8
Segments total	**36.8**	**36.8**
Depreciation and amortization by segment, EUR thousand		
Machines	**3,004**	3,118
Services	**582**	685
Software Solutions	**-**	186
Total	**3,586**	3,988
Unallocated	**712**	806
Reclassification to discontinued operations	**-**	-186
Total depreciation and amortization	**4,298**	**4,608**
Impairment losses and reversals of impairment losses of property, plant and equipment and intangible assets, net, EUR thousand		
Machines	**-**	1
Services	**-**	0
Segments total	**-**	1
Total impairment losses	**-**	**1**

Orders received and order book by segment

	2014	2013 restated
Orders received, EUR million		
Machines	**106.4**	86.2
Services	**38.7**	37.1
Total	**145.1**	**123.3**
Order book, EUR million		
Machines	**55.8**	38.0
Services	**2.1**	1.1
Total	**57.9**	**39.1**

Personnel

	2014	2013 restated
Number of personnel at the end of the year by segment		
Machines	**354**	343
Services	**226**	227
Parent and other	**13**	12
Total number of personnel	**592**	**581**
Number of personnel at the end of the year by geographical location		
Finland	**146**	129
Other EMEA	**165**	168
Americas	**89**	88
Asia	**192**	196
Total number of personnel	**592**	**581**

EUR thousand	2014	2013

Entity-wide disclosures

Net sales by product groups, continuing operations		
Goods sold	119,912	116,509
Services rendered	4,616	5,709
Total net sales	124,529	122,218

Net sales by country by destination, continuing operations		
Finland	186	310
Other EMEA*	57,063	50,289
Americas*	43,627	44,415
Asia*	23,653	27,204
Total	124,529	122,218

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

Property, plant and equipment and intangible assets by geographical location (goodwill excluded)		
Finland	9,502	10,108
Other EMEA	1,064	1,574
Americas	287	411
Asia	4,400	3,549
Total property, plant and equipment and intangible assets, goodwill excluded	15,254	15,642

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

Note 6

Construction Contracts

EUR thousand	2014	2013
Construction Contracts		
Total revenue from construction contracts included in net sales during the reporting period	**74,740**	69,211
Construction contracts in progress at the end of reporting period: revenue recognized during the reporting period and previous reporting periods	**37,477**	42,033

Gross amounts due from / to customers in 2014

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

Gross amounts due from / to customers in 2013

	Gross amount due from customers as an asset	Gross amount due to customers as a liability	Carrying amount, net
Projects where recognized revenue exceeds advances received	35,646	26,013	9,633
Projects where advances received exceed recognized revenue	6,387	18,458	12,070
Gross amounts due from / to customers	42,033	44,470	

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

Note 7

Other Operating Income

EUR thousand	2014	2013
Other Operating Income		
Capital gains on sale of property, plant and equipment	**49**	1
Rents	**523**	491
Gain on sales of assets held for sale	**-**	3,746
Government grants	**89**	123
Insurance compensation	**80**	49
Compensation from legal case	**116**	-
Other income	**31**	12
Other operating income total	**888**	**4,423**

Government grants are essentially related to regional headquarter compensation.

Note 8

Materials and Other Operating Expenses

EUR thousand	2014	2013
Materials		
Materials and supplies, purchases during the period	**-53,935**	-49,867
Change in inventories of materials and supplies	**58**	-640
Total materials	**-53,877**	**-50,507**
Other operating expenses		
Leases	**-3,948**	-3,774
Losses on sale of property, plant and equipment	**-1**	-131
Losses from sale of investment	**-631**	-
Subcontracting and maintenance	**-7,225**	-6,693
Commissions	**-2,292**	-1,942
Freight expenses	**-2,832**	-2,867
Travel expenses	**-3,555**	-3,366
External services, not production related	**-2,547**	-2,553
IT, internet and phone	**-3,441**	-3,186
Electricity, heating	**-1,349**	-1,373
Marketing expenses	**-1,599**	-1,144
Other expenses	**-6,386**	-5,921
Total other operating expenses	**-35,807**	**-32,950**
Fees for professional services rendered by principal auditors		
Auditing, Ernst & Young	**-317**	-457
Auditing, other auditing companies	**-24**	-27
Other services, EY	**-3**	-40
Total	**-344**	**-524**

The principal auditor of Glaston Group during the financial years of 2014 and 2013 has been Ernst & Young. Auditor fees include fees in both continuing and discontinued operations.

Principal auditor's audit fees of the audit of the financial year		
Ernst & Young	**-282**	-301

Research and development costs, continuing operations		
Recognized in profit or loss	**-1,792**	-2,690
Amortization, impairment losses and reversals of impairment losses of capitalized development costs during the reporting period, net	**-2,157**	-2,119
Total	**-3,948**	**-4,809**
As a percentage of net sales	**3.2%**	3.9%
Capitalized development costs during the reporting period, continuing operations	**1,188**	947
Capitalized development costs during the reporting period, discontinued operations	**-**	230
Capitalized development costs during the reporting period, total	**1,188**	**1,177**

Note 9

Employee Benefits and Number of Personnel

EUR thousand	2014	2013
Employee benefits		
Wages and salaries	21,855	24,291
Pension expenses	4,123	4,229
Other personnel expenses	2,618	2,696
Other post-employment benefits	-11	-1
Total personnel expenses	**28,586**	**31,215**

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

Pension expenses

Defined benefit plans	0	-0
Defined contribution plans	4,123	4,229
Total pension expenses	**4,123**	**4,229**

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

Number of personnel

Number of personnel, average	592	590
Personnel in Finland, end of the period	146	129
Personnel outside Finland, end of the period	446	452
Total	**592**	**581**
Personnel, at the end of the period	592	581

Note 10

Financial Income and Expenses

EUR thousand	2014	2013
Recognized in profit or loss		
Interest income		
Interest income on loans and receivables	320	808
Other interest income	1	1
Total interest income	321	809
Dividend income		
Dividend income on available-for-sale financial assets	6	6
Other financial income		
Conversion issue	-	1,906
Convertible bond repurchase	-	881
Total other financial income	-	2,787
Interest expenses		
Interest expenses on financial liabilities measured at amortized cost	-660	-1,586
Other interest expenses	-19	-15
Total interest expenses	-680	-1,601
Other financial expenses		
On financial liabilities measured at amortized cost	-246	-928
On loans and receivables	-166	-205
Other financial expenses	-73	-122
Total other financial expenses	-485	-1,255
Foreign exchange differences, net		
On financial liabilities measured at amortized cost	-1,074	-1,057
On loans and receivables	1,220	-642
Other foreign exchange gains and losses	-9	-5
Total foreign exchange differences	138	-1,704
Total financial income and expenses in financial items	-700	-957

During the first quarter in 2013, Glaston purchased back convertible bonds with a nominal value of EUR 2 million. The price paid for the bonds was less than the nominal value which resulted in a EUR 0.9 million financial income.

In addition, during the first quarter in 2013, the remaining convertible bonds with accrued interest as well as debenture bond with accrued interest were used as payment in a share issue (conversion issue). As the conversion price was higher than the fair value of the share at the time of conversion, a financial income of EUR 1.9 million was recognized.

EUR thousand	2014	2013
Net foreign exchange differences in operating result		
Net sales	**-31**	45
Purchases	**49**	-188
Other operating expenses	**-83**	-370
Total	**-64**	**-513**

Derivatives recognized in profit or loss

Electricity derivatives, non-hedge accounting		
Realized electricity derivatives recognized in operating expenses	**18**	-32
Unrealized electricity derivatives recognized in operating expenses	**-67**	-61
Total	**-48**	**-93**

Recognized in other comprehensive income

Fair value changes of available-for-sale financial assets	**16**	12
Total in other comprehensive income	**16**	**12**

Borrowing costs were not capitalized in Glaston Group in 2014 or 2013 as Glaston has not had any qualifying assets as defined in IAS 23 Borrowing Costs.

Impairment losses on trade receivables are presented in Note 19.

Impairment losses of loan receivables

In 2013 and 2014, no impairment loss of loan receivables was recognized.

Note 11
Income Taxes

EUR thousand	2014	2013
Income tax charge in income statement		
Current income tax charge	**-721**	-709
Adjustments in respect of current income tax of previous years	**-130**	86
Deferred tax charge	**-921**	-2,646
Other	**-661**	-366
Total income tax charge	**-2,433**	**-3,636**
Income taxes recognized in other comprehensive income and in equity		
Deferred taxes		
Available-for-sale assets, fair value changes recognized in other comprehensive income	**-4**	-3
Total deferred taxes recognized in other comprehensive income and equity	**-4**	-3
Total taxes recognized in other comprehensive income and in equity	**-4**	**-3**

EUR thousand	2014	2013

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

Profit before taxes	**3,573**	4,913
Tax at the tax rate applicable to the parent	**-715**	-1,204
Difference due to different tax rates of foreign subsidiaries	**92**	157
Tax exempt income and non-deductible expenses	**-1,492**	-2,351
Effect of changes in tax rates and tax laws	**-19**	-859
Losses, where no deferred tax benefit is recognized	**-205**	-63
Deferred taxes recognized during the reporting period in respect of previous years' temporary differences	**806**	-70
Withholding taxes and adjustments in respect of current income tax of previous periods	**-791**	-280
Use of losses, where no deferred tax asset was recognized	**-452**	540
Effect of taxes not based on taxable income	**343**	494
Income taxes in the income statement	**-2,433**	**-3,636**
Effective tax rate	**-68.08%**	**-74.00%**

The Group companies have tax losses, totalling EUR 68.1 (75.5) million, which can be applied against future taxable income. A deferred tax asset has not been recognized for all tax losses, due to the uncertainty regarding the extent to which they can be used. When preparing 2014 financial statements, the management has estimated that Glaston is able to utilize the unused tax losses for which deferred tax asset has been recognized. In addition, there are several years before the tax losses expire.

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

Deferred tax liability has not been recognized in 2014 or 2013 of the undistributed earnings of Finnish or foreign subsidiaries as the majority of such earnings can be transferred to the owner without any tax consequences. Deferred tax liability of undistributed earnings of associates has also not been recognized.

EUR thousand	2014	2013

Tax assets and tax liabilities

Deferred tax assets	**2,968**	3,722
Assets for current tax	**344**	712
Deferred tax liabilities	**1,066**	975
Liabilities for current tax	**486**	372

Reconciliation of deferred tax assets and deferred tax liabilities

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

* No deferred tax asset from losses of the reporting period has been recognized during the reporting period.

Other temporary differences consist of expenses which were not tax deductible in the reporting period, but will be tax deductible in future.

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

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

Change in deferred taxes in income statement, continuing operations (- tax expense)	-921
Change in deferred taxes in income statement in result of discontinued operations (- tax expense)	-
Total change in deferred taxes in income statement (- tax expense)	**-921**

EUR thousand Deferred tax assets 2013	1 January	Exchange difference	Charge in income statement (- tax expense)	Recognized in other compre-hensive income	31 December
Unrealized internal profits, inventory	387	-	-81	-	306
Unrealized internal profits, property, plant and equipment and intangible assets	3	-	-3	-	-0
Confirmed tax losses carried forward (*	5,543	-	-2,760	-	2,783
Share-based payments	-0	-	79	-	79
Other temporary differences	814	-25	-235	-	554
Deferred tax assets in statement of financial position	**6,747**	**-25**	**-3,000**	**-**	**3,722**

* No deferred tax asset from losses of the reporting period has been recognized during the reporting period.

Other temporary differences consist of expenses which were not tax deductible in the reporting period, but will be tax deductible in future.

EUR thousand Deferred tax liabilities 2013	1 January	Exchange difference	Charge in income statement (- tax expense)	Recognized in other compre-hensive income	31 December
Untaxed reserves	325	-	-289	-	36
Defined benefit employee benefits	48	-	-1	-	47
Available-for-sale financial assets at fair value	16	-	-	3	19
Share-based payments	-0	-	-	-	-0
Other temporary differences	937	-1	-63	-	873
Deferred tax liabilities in statement of financial position	**1,326**	**-1**	**-353**	**3**	**975**

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

Change in deferred taxes in income statement, continuing operations (- tax expense)	-2,647
Change in deferred taxes in income statement in result of discontinued operations (- tax expense)	-
Total change in deferred taxes in income statement (- tax expense)	**-2,647**

Note 12

Depreciation, Amortization and Impairment of Assets

EUR thousand	2014	2013
Depreciation and amortization		
Intangible assets		
Intangible rights	954	1,183
Capitalized development expenditure	2,157	2,119
Property, plant and equipment		
Buildings and constructions	210	213
Machinery and equipment	910	1,028
Other tangible assets	67	64
Total depreciation and amortization	**4,298**	**4,607**
Impairment losses		
Intangible assets		
Intangible rights	-	1
Property, plant and equipment		
Machinery and equipment	-	0
Total impairment losses	**-**	**1**
Total depreciation, amortization and impairment	**4,298**	**4,608**

Impairment of assets

Goodwill and intangible assets with indefinite useful life are tested for impairment annually in accordance with IAS 36. Glaston does not have other intangible assets than goodwill with indefinite useful life and which are not amortized. Intangible assets not yet in use are also tested during the reporting period for impairment. Impairment testing is performed also always when there is indication that the recoverable amount of an asset or cash generating unit is lower than its carrying amount. During 2014 Glaston has performed impairment testing of goodwill for Pre-processing cash generating unit quarterly.

Glaston's cash generating units consist of reportable segments, generating cash flows, which are largely independent of the cash flows of other reportable segments. The goodwill allocated to the Machines reportable segment has been allocated further to the operating segments within the Machines reportable segment Heat Treatment and Pre-processing.

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

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

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

The assumptions used in impairment calculations are mainly the same as in budgets and estimates. The assumptions, such as for example market development on short term and price development of products, are based on past experience and information gathered from external sources. Assumptions on market development on longer term are based on external sources, such as market studies on development of flat glass consumption, which has a major impact on Machines segment in particular. The new products have received good response from customers and this is expected to give

Glaston a better position on the market compared to competitors. Restructuring measures to improve cost structure have already improved and will further improve profitability.

The discount rate used in arriving in recoverable amount is the pre-tax weighted average cost of capital, which reflects the market assessment of time value of money and risks specified to the assets and the countries where the segments operate. Also the industry's median capital structure has been taken into acccount in determining the discount rate as well as Glaston's cost of debt.

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

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

From the beginning of 2014 the Tools product line is no longer treated as a separate cash-generating unit, but as part of the Services segment. Tools product line is integrated into the Services segment, because in the future the cash flows are dependent on cash flows of Services.

The most significant assumptions used in value in use calculations in 2014	**Machines: Heat Treatment**	**Machines: Pre-processing**	**Services**
Pre-tax discount rate	11.8%	10.6%	11.4%
Long-term growth rate	2.0%	2.0%	2.0%

The most significant assumptions used in value in use calculations in 2013	**Machines: Heat Treatment**	**Machines: Pre-processing**	**Services**
Pre-tax discount rate	13.7%	11.4%	12.3%
Long-term growth rate	2.0%	3.0%	2.0%

	Machines: Tools
Pre-tax discount rate	14.8%
Long-term growth rate	2.0%

Impairment testing of goodwill

Goodwill, EUR million **Segment**	**1 January, 2014**	**Impairment loss**	**31 December, 2014**
Machines			
Heat Treatment	4.1	-	4.1
Pre-processing	10.2	-	10.2
Services	22.6	-	22.6
Total	**36.8**	**-**	**36.8**

Segment	**1 January, 2013**	**Impairment loss**	**31 December, 2013**
Machines			
Heat Treatment	4.1	-	4.1
Pre-processing	10.2	-	10.2
Tools	5.7	-	5.7
Services	16.8	-	16.8
Total	**36.8**	**-**	**36.8**

Sensitivity analysis

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

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

The recoverable amounts of these cash generating units exceed their carrying amounts by 56 per cent in the Services segment, by 91 per cent in the Heat Treatment operating segment and by 5 per cent in the Pre-processing operating segment. As the sensitivity analyses of the Pre-processing operating segment indicate, that there is a possibility for impairment of goodwill in case the cash flows differ from estimated cash flows, Glaston monitors continuosly the performace of this operating segment and performs impairment testing of goodwill immediately, if actual cash flows differ negatively from the estimated cash flows.

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

Post-tax discount rate*	**Value assigned to the assumption**	**Value Change**
Services	8.7%	17.5%
Heat Treatment	9.5%	110.0%
Pre-processing	8.5%	8.8%

Long-term growth rate*	**Value assigned to the assumption**	**Value Change**
Services	2.0%	-14.2%
Heat Treatment**	2.0%	-
Pre-processing	2.0%	1.6%

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

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

The costs of Pre-processing operating segment are estimated to be 95 per cent of the estimated net sales during the testing period. Should the costs be 0.5 percentage points higher in 2019, the recoverable amount, other things being equal, would equal the carrying amount.

The costs of Heat Treatment operating segment are estimated to be 87 per cent of the estimated net sales during the testing period. Should the costs be 9 percentage points higher, the recoverable amount, other things being equal, would equal the carrying amount.

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

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

In 2014 and 2013 Glaston had no impairment losses.

Note 13

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

Glaston announced in October 2012 that it was negotiating the sale of Software Solutions business area. Glaston published in November 2012 that it had signed a binding contract of the sale of the business area. The closing of the sale took place on 4 February, 2013.

Software Solutions business area was earlier presented as one of Glaston's reportable segments, but in the 2012 financial statements the result of Software Solutions was presented as discontinued operations and assets and liabilities related to Software Solutions business area were classified as held for sale. Software business in North Asia, which previously belonged to Software Solutions segment, was transferred to Services segment as Glaston continued this business during 2012. The business ended in 2013.

EUR thousand **Revenue, expenses and result of discontinued operations**	**2014**	**2013**
Revenue	-	1,755
Expenses	-	-1,240
Gross profit	-	**515**
Finance costs, net	-	15
Impairment loss recognized on the remeasurement to fair value less cost to sell	-	-
Profit / loss before tax from discontinued operations	-	**530**
Income tax	-	-87
Loss from disposal of discontinued operations	-	-425
Profit / loss from discontinued operations	-	**18**
Net cash flows of discontinued operations		
Operating	-	984
Investing	-	-283
Financing	-	-49
Net cash flow	-	**651**

Note 14

Intangible Assets

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

EUR thousand 2014	Capitalized development expenditure	Intangible rights	Goodwill	Other capitalized expenditure	Advances paid	Total
Acquisition cost at beginning of year	20,800	8,293	53,401	733	2,455	85,684
Other increases	-	507	-	-	1,668	2,175
Decreases	-183	-2,179	-	-50	-53	-2,465
Reclassifications and other changes	2,514	290	-	-	-2,804	-0
Exchange differences	121	28	-	-	9	158
Acquisition cost at end of year	**23,252**	**6,941**	**53,401**	**682**	**1,275**	**85,552**
Accumulated amortization and impairment at beginning of year	-16,583	-6,230	-16,559	-733	-	-40,104
Accumulated amortization relating to decreases and transfers	183	2,177	-	50	-	2,410
Amortization during the reporting period	-2,157	-954	-	-	-	-3,110
Exchange differences	-87	-17	-	-	-	-105
Accumulated amortization and impairment at end of year	**-18,644**	**-5,024**	**-16,559**	**-682**	**-**	**-40,909**
Carrying amount at end of year	**4,608**	**1,917**	**36,843**	**0**	**1,275**	**44,643**

EUR thousand 2013	Capitalized development expenditure	Intangible rights	Goodwill	Other capitalized expenditure	Advances paid	Total
Acquisition cost at beginning of year	20,276	11,557	53,401	733	1,685	87,653
Other increases	83	131	-	-	1,229	1,443
Decreases	-	-3,320	2	-	-	-3,318
Reclassifications and other changes	453	-	-	-	-453	-
Exchange differences	-11	-75	-2	-	-6	-94
Acquisition cost at end of year	**20,800**	**8,293**	**53,401**	**733**	**2,455**	**85,684**
Accumulated amortization and impairment at beginning of year	-14,477	-8,306	-16,559	-733	-	-40,074
Accumulated amortization relating to decreases and transfers	-	3,189	-	-	-	3,189
Amortization during the reporting period	-2,119	-1,184	-	-	-	-3,303
Exchange differences	13	71	-	-	-	84
Accumulated amortization and impairment at end of year	**-16,583**	**-6,230**	**-16,559**	**-733**	**-**	**-40,104**
Carrying amount at end of year	**4,217**	**2,065**	**36,843**	**0**	**2,455**	**45,580**

Note 15

Property, Plant and Equipment

Glaston has given liens on chattel as security for liabilities. These as well as real estate mortgages provided as security for liabilities are presented in Note 27. In addition, Glaston has pledged property, plant and equipment and intangible assets as security for liabilities. The carrying amount of the pledged assets is EUR 0.1 million, and the majority consists of property, plant and equipment.

At the end of 2014 Glaston have EUR 1.5 million contractual commitments for the acquisition of property, plant and equipment (2013 0.0).

In 2014 or 2013, Glaston did not receive any material third party compensation for items of property, plant and equipment that were impaired, lost or given up.

EUR thousand **2014**	**Land and water areas**	**Buildings and constructions**	**Machinery and equipment**	**Other tangible assets**	**Advances paid and assets under construction**	**Total**
Acquisition cost at beginning of year	474	4,245	8,247	729	831	14,527
Other increases	-	-	414	-	1,034	1,448
Decreases	-	-	-3,321	-882	-	-4,202
Reclassifications and other changes	-	-	714	459	-1,176	-3
Exchange differences	-	393	313	13	-	718
Acquisition cost at end of year	**474**	**4,638**	**6,368**	**319**	**689**	**12,487**
Accumulated depreciation and impairment at beginning of year	-	-1,650	-5,408	-563	-	-7,621
Accumulated depreciation relating to decreases and transfers	-	-	3,320	882	-	4,202
Depreciation during the reporting period	-	-210	-910	-67	-	-1,188
Reclassifications and other changes	-	-	0	-	-	0
Exchange differences	-	-157	-262	-8	-	-427
Accumulated depreciation and impairment at end of year	**-**	**-2,018**	**-3,260**	**244**	**-**	**-5,034**
Carrying amount at end of year	**474**	**2,620**	**3,108**	**563**	**689**	**7,453**

EUR thousand **2013**	**Land and water areas**	**Buildings and constructions**	**Machinery and equipment**	**Other tangible assets**	**Advances paid and assets under construction**	**Total**
Acquisition cost at beginning of year	-	3,694	10,658	1,555	204	16,111
Other increases	-	-	267	56	719	1,042
Decreases	-	-	-1,560	-889	-	-2,449
Reclassifications and other changes	-	41	-869	19	-91	-901
Reclassified to assets held for sale (Note 13)	474	567	-	-	-	1,041
Exchange differences	-	-57	-249	-12	-0	-318
Acquisition cost at end of year	**474**	**4,245**	**8,247**	**729**	**831**	**14,527**
Accumulated depreciation and impairment at beginning of year	-	-1,144	-6,287	-1,388	-	-8,819
Accumulated depreciation relating to decreases and transfers	-	-	1,532	883	-	2,414
Depreciation during the reporting period	-	-213	-1,028	-64	-	-1,305
Impairment losses (Note 12)	-	-	-0	-	-	-0
Reclassifications and other changes	-	-	202	-	-	202
Reclassified to assets held for sale (Note 13)	-	-315	-	-	-	-315
Exchange differences	-	22	173	6	-	201
Accumulated depreciation and impairment at end of year	**-**	**-1,650**	**-5,408**	**-563**	**-**	**-7,621**
Carrying amount at end of year	**474**	**2,595**	**2,838**	**167**	**831**	**6,905**

Carrying amount of machinery and equipment used in production 31 December, 2014	2,355
Carrying amount of machinery and equipment used in production 31 December, 2013	2,011

Note 16

Subsidiary, with material non-controlling interest ownership

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

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

EUR thousand	**2014**	**2013**
Non-current asset	**287**	291
Current assets	**1,010**	912
Long-term liabilites	**1,042**	976
Short-term liabilities	**255**	227
Turnover	**1,096**	1,182
Expenses	**-1,131**	-1,178
Profit / Loss for the period	**-36**	4
Profit / Loss attributable to parent company shareholders	**-25**	3
Profit / Loss attributable to non-controlling interest	**-11**	1
Dividends paid to non-controlling interest	**-**	-
Net cash flow from operating activities	**29.7**	116.7
Net cash flow from investing activities	**-25.4**	-41.8
Net cash flow from financing activities	**-**	-

Note 17

Available-for-sale Financial Assets

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

2013	**Available-for-sale shares**
Carrying amount 1 January	329
Additions	-
Disposals	-
Reclassifications	-
Impairments	-
Fair value changes recognized in other comprehensive income	12
Reclassification to assets held for sale	-
Carrying amount 31 December	**341**

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

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

Note 18

Inventories

EUR thousand	2014	2013
Inventories		
Materials and supplies	**6,608**	6,542
Work in process	**9,365**	8,238
Finished goods	**5,543**	4,543
Advances paid	**316**	345
Total inventories	**21,832**	**19,667**
Impairment losses of inventory during the period, continuing operations	**-699**	-764
Reversals of impairment losses of inventory during the period, continuing operations	**78**	236
Total	**-621**	**-528**

Note 19

Receivables

EUR thousand	2014	2013
Trade receivables	**22,925**	20,400
Trade receivables, falling due after 12 months	**1,313**	634
Total trade receivables	**24,237**	21,034
Prepaid expenses and accrued income	**1,833**	2,579
Prepaid expenses and accrued income, falling due after 12 months	**305**	282
Other receivables	**1,818**	5,552
Other receivables, falling due after 12 months	**393**	393
Current loan receivables	**672**	671
Non-current loan receivables *	**1,765**	1,787
Total receivables	**31,024**	**32,300**

* In non-current assets

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

Receivables falling due after 12 months have been discounted.

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

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

Each loan receivable has been individually analyzed for a possible impairment loss. These analyses are based on the financial position and future cash flows of the debtor. Debtors have no external credit rating. In 2014 and 2013, no impairment losses were recognized. Glaston has recognised a total of approximately EUR 3.8 million of loan, interest and trade receivables from a counterparty whose financial situation is challenging. The balance consists of EUR 1.8 million long term and 2.0 million short term receivables. The receivable will be classified short term to long term.

Trade receivables related to construction contracts in progress, EUR 11.1 (9.6) million, are described in more detail in Note 6.

Pledged receivables are disclosed in Note 27.

Ageing analysis of trade receivables at 31 December

EUR thousand	Carrying amount of trade receivables after recognizing allowance account	Not past due	Past due < 30 days	Past due 31 - 180 days	Past due 181 - 360 days	Past due > 360 days
2014	24,237	19,278	2,447	1,849	663	-
2013	21,034	15,728	2,454	2,246	607	-

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

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

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

Also the trade receivables past due are individually analyzed. If the days past due exceed the time limits set in the Group's credit policy, an impairment loss is recognized of the trade receivable. The gross amount of impaired trade receivables at the end of the reporting period was EUR 4.7 (4.5) million, and an impairment loss of these receivables was EUR 4.0 (4.1) million.

EUR thousand **Impairment losses of trade receivables and changes in allowance account of trade receivables**	
Allowance account 1 January, 2013	**3,691**
Exchange difference	29
Charge for the year	2,170
Utilized	-477
Unused amounts reversed	-1,294
Allowance account 31 December, 2013	**4,119**
Exchange difference	43
Charge for the year	1,161
Utilized	-277
Unused amounts reversed	-1,033
Allowance account 31 December, 2014	**4,014**

Impairment losses of trade receivables recognized in profit or loss, net (- income), continuing operations	
2014	118
2013	1,087

Note 20

Total Comprehensive Income Included in Equity

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

EUR thousand 2013	Other restricted equity reserves	Fair value reserve	Retained earnings	Cumulative exchange difference	Non-controlling interest	Total
Total other comprehensive income						
Total exchange differences on translating foreign operations	-0	-	1	571	-5	567
Change in actuarial gains and losses	-	-	-43	-	-	-43
Available-for-sale financial assets, fair value changes	-	12	-	-	-	12
Income taxes on fair value changes of available-for-sale financial assets	-	-3	-	-	-	-3
Other comprehensive income	**-0**	**9**	**-42**	**571**	**-5**	**534**
Gain			**1,294**		**1**	**1,295**
Total comprehensive income	**-0**	**9**	**1,252**	**571**	**-4**	**1,829**

Note 21

Pensions and Other Defined Long-term Employee Benefits

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

The Group has a defined benefit pension plan in Finland. The Group has also defined contribution pension plans, of which the charge to the income statement was EUR 4.1 (2013 4.2) million.

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

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

EUR thousand	2014	2013
Fair value of plan assets	-	-
Present value of unfunded obligations	15	16
Total deficit of defined benefit pension plans	-	-
Difference	**15**	**16**

Amounts in the statement of financial position		
Liabilities	15	16
Assets	-	-
Net liability (asset -)	**15**	**16**

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

EUR thousand	2014	2013
Fair value of plan assets	-	-
Present value of unfunded obligations	1,598	1,366
Total deficit of defined benefit pension plans	-	-
Difference	**1,598**	**1,366**
Amounts in the statement of financial position		
Liabilities	1,598	1,366
Assets	-	-
Net liability (asset -)	**1,598**	**1,366**

Changes of Finnish defined benefit pension

EUR thousand	Present value of obligation	Fair value on plan assets	Total
1 January, 2013	28	-	28
Current service cost	-	-	-
Interest expense / income	0	-	0
Past service cost	-	-	-
Total	**28**	**-**	**28**
Remeasurements			
Return on plan assets excluding amounts included in interest expence / income	-	-	-
Gain (-) / loss (+) from change in financial assumptions	-8	-	-8
Experience gain (-) / loss (+)	-	-	-
Total	**-8**	**-**	**-8**
Exchange differences	-	-	-
Contributions			
Employers (+)	-	5	5
Plan participants (+)	-	-	-
Benefit payments (-)	-5	-5	-9
31 December, 2013	**16**	**-**	**16**
1 January, 2014	16	-	16
Current service cost	-	-	-
Interest expense / income	0	-	0
Past service cost	-	-	-
Total	**16**	**-**	**16**
Remeasurements			
Return on plan assets excluding amounts included in interest expence / income	-	-	-
Gain (-) / loss (+) from change in financial assumptions	3	-	3
Experience gain (-) / loss (+)	-	-	-
Total	**3**	**-**	**3**
Exchange differences	-	-	-
Contributions			
Employers (+)	-	4	4
Plan participants (+)	-	-	-
Benefit payments (-)	-4	-4	-8
31 December, 2014	**15**	**-**	**15**

Changes of other long-term employee benefit plans

EUR thousand	Present value of obligation	Fair value on plan assets	Total
1 January, 2013	1,353	-	1,353
Current service cost	5	-	5
Interest expense / income	20	-	20
Past service cost	-	-	-
Total	**1,377**	**-**	**1,377**
Remeasurements			
Return on plan assets excluding amounts included in interest expence / income	-	-	-
Gain (-) / loss (+) from change in financial assumptions	51		51
Experience gain (-) / loss (+)	-	-	-
Total	**51**	**-**	**51**
Exchange differences	-2	-	-2
Contributions			
Employers (+)	-	-	-
Plan participants (+)	-	-	-
Benefit payments (-)	-60	-	-60
31 December, 2013	**1,366**	**-**	**1,366**
1 January, 2014	1,366	-	1,366
Current service cost	6	-	6
Interest expense / income	18	-	18
Past service cost	-	-	-
Total	**1,389**	**-**	**1,389**
Remeasurements			
Return on plan assets excluding amounts included in interest expence / income	-	-	-
Gain (-) / loss (+) from change in financial assumptions	219	-	219
Experience gain (-) / loss (+)	-	-	-
Total	**219**	**-**	**219**
Exchange differences	-1	-	-1
Contributions			
Employers (+)	-	-	-
Plan participants (+)	-	-	-
Benefit payments (-)	-9	-	-9
31 December, 2014	**1,598**	**-**	**1,598**

The Group expects to contribute EUR 99.7 thousand to its other long-term employee benefit plans in 2014.

Actuarial assumptions

	2014		2013	
EUR thousand	**Finnish defined pension plans**	**Other plans**	**Finnish defined pension plans**	**Other plans**
Discount rate, %	1.00%	1.66%-6.50%	1.90%	3.55% - 6.00%
Future salary increase, %	-	5.50%	-	5.50%
Future pension increases, %	2.10%	-	2.10%	-
Inflation, %	2.0%	1.5%-4.00%	2.00%	2.00% - 4.00%
Expected remaining service period, years	-	10	-	10

There are no plan assets.

EUR thousand	**2014**	**2013**	**2012**	**2011**	**2010**
Amounts for the current and previous periods, defined benefit pensions					
Defined benefit pension obligation	**15**	16	28	28	39
Plan assets	**-**	-	-	-	-
Surplus / deficit (-)	**-15**	**-16**	**-28**	**-28**	**-39**
Experience adjustments on plan liabilities (gain -)	**3**	-8	3	-7	3
Amounts for the current and previous periods, other long-term employee benefit plans					
Defined benefit obligation	**1,598**	1,366	1,353	1,273	1,700
Plan assets	**-**	-	-	-	-
Surplus / deficit (-)	**-1,598**	**-1,366**	**-1,353**	**-1,273**	**-1,700**
Experience adjustments on plan liabilities (gain -)	**219**	-51	203	-126	-34

Note 22

Interest-bearing Liabilities

EUR thousand	2014	2013
Non-current interest-bearing liabilities		
Loans from financial institutions	7,459	11,559
Other non-current liabilities	3	6
Total non-current interest-bearing liabilities	**7,462**	**11,565**
Maturity of non-current interest-bearing liabilities		
2016 (2015)	7,462	8,960
2017 (2016)	-	-
2018 (2017)	-	-
2019 (2018)	-	-
2020 (2019) or later	-	-
Total	**7,462**	**8,960**
Non-current liabilities by currency		
EUR	7,459	11,559
Other currencies	3	6
Total	**7,462**	**11,565**
Current interest-bearing liabilities		
Loans from financial institutions	7,600	13,350
Other current interest-bearing liabilities	3	49
Total current interest-bearing liabilities	**7,603**	**13,399**
Interest-bearing net liabilities		
Non-current interest-bearing liabilities	7,462	11,565
Current interest-bearing liabilities	7,603	13,399
Cash	-20,040	-16,376
Total	**-4,976**	**8,588**

Glaston's main liquidity reserve is based on loans agreed with the lenders in the financing agreement renegotiated in February 2013 (first negotiated in 2011).

The remaining convertible bonds, issued in 2009 and 2010, a total of EUR 8.2 million were converted into equity in March 2013.

The Board of Directors of Glaston Corporation negotiated also with the holders of the debenture bond on conversion of the bonds into Glaston shares and the conversion was done in March 2013.

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

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

Note 23

Provisions

Non-current provisions

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

2013	Warranty provision	Other provisions	Total
Carrying amount 1 January	1,166	5	1,171
Reclassification	-1,619	-	-1,619
Increase in provisions	1,296	-	1,296
Provisions used during the period	-31	-	-31
Carrying amount 31 December	**811**	**5**	**815**

Current provisions

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

EUR thousand 2013	Warranty provision	Restructuring provision	Other provisions	Total
Carrying amount 1 January	1,351	1,703	465	3,519
Exchange difference	-40	-32	-10	-82
Reclassification	1,619	-	-	1,619
Increase in provisions	917	17	83	1,017
Provisions used during the period	-886	-1,636	-67	-2,588
Provisions released during the period	-783	-15	-91	-889
Carrying amount 31 December	**2,180**	**37**	**379**	**2,596**

Warranty provisions

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

Restructuring provisions

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

Other provisions

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

Note 24

Interest-free Liabilities

EUR thousand	2014	2013
Non-current interest-free liabilities		
Other non-current interest-free liabilities	-	531
Total non-current interest-free liabilities	**-**	**531**
Current interest-free liabilities		
Trade payables	13,038	8,212
Advances received*	22,074	14,019
Accrued expenses and deferred income	17,139	19,230
Other current interest-free liabilities	2,849	1,830
Total current interest-free liabilities	**55,099**	**43,290**

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

* Advances received include EUR 19.9 (12.1) million advances received from construction contracts in progress. These are described in more detail in Note 6.

Note 25

Financial Assets and Liabilities

EUR thousand 31 December, 2014	Note	Assets available-for-sale*	Financial assets and liabilities at fair value through profit and loss*	Loans and receivables	Financial liabilities at amortized cost	Total carrying amounts	Total fair value
Cash	3	-	-	20,040	-	20,040	
Trade receivables	19	-	-	24,237	-	24,237	
Other interest-free receivables	19	-	-	1,818	-	1,818	
Receivables related to financial liabilities		-	-	-	110	110	
Current loan receivables	19	-	-	672	-	672	
Other non-current interest-free receivables	19	-	-	393	-	393	
Non-current loan receivables	19	-	-	1,765	-	1,765	
Available-for-sale shares	17	357	-	-	-	357	
Non-current interest-bearing liabilities	22	-	-	-	-7,462	-7,462	7,225
Convertible bond	22	-	-	-	-	-	
Current interest-bearing liabilities	22	-	-	-	-7,603	-7,603	7,519
Trade payables	24	-	-	-	-13,038	-13,038	
Other current interest-free liabilities	24	-	-	-	-2,849	-2,849	
Derivatives (in liabilities)	26	-	-67	-	-	-67	-67
Total		**357**	**-67**	**48,926**	**-30,841**	**18,376**	**14,677**

EUR thousand 31 December, 2013	Note	Assets available-for-sale*	Financial assets and liabilities at fair value through profit and loss*	Loans and receivables	Financial liabilities at amortized cost	Total carrying amounts	Total fair value
Cash	3	-	-	16,376	-	16,376	
Trade receivables	19	-	-	21,034	-	21,034	
Other interest-free receivables	19	-	-	5,552	-	5,552	
Receivables related to financial liabilities		-	-	-	212	212	
Current loan receivables	19	-	-	671	-	671	
Other non-current interest-free receivables	19	-	-	393	-	393	
Non-current loan receivables	19	-	-	1,787	-	1,787	
Available-for-sale shares	17	341	-	-	-	341	
Non-current interest-bearing liabilities	22	-	-	-	-11,565	-11,565	-10,900
Convertible bond	22	-	-	-	-	-	
Current interest-bearing liabilities	22	-	-	-	-13,399	-13,399	-13,191
Trade payables	24	-	-	-	-8,212	-8,212	
Other current interest-free liabilities	24	-	-	-	-1,830	-1,830	
Derivatives (in receivables)	26	-	-61	-	-	-61	-61
Total		**341**	**-61**	**45,813**	**-34,794**	**11,299**	**-24,152**

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

*Fair value measurement hierarchy

	2014	2013
Financial liabilities		
Level 2	-14,744	-24,091
Available-for-sale shares		
Level 1	109	93
Level 3	248	248
	357	341
Derivatives		
Level 2	-67	-61

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

	2014	2013
1 January	248	248
Impairment losses	-	-
Reclassification	-	-
31 December	**248**	**248**

Fair value measurement hierarchy:
Level 1 = quoted prices in active markets
Level 2 = other than quoted prices included within Level 1 that are observable either directly or indirectly
Level 3 = not based on observable market data, fair value equals cost or cost less impairment

Note 26

Derivative Instruments

The Group had no currency derivatives at the end of 2014 or 2013.

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

Valuation methods of derivative instruments are presented in the Summary of Significant Accounting Policies.

Nominal and fair values of derivative instruments

	2014		2013	
EUR thousand	**Nominal value**	**Fair value**	**Nominal value**	**Fair value**
Electricity derivatives				
Forward contracts	478	-67	415	-61

EUR thousand	**2014**	**2013**
Derivative instruments in the income statement		
Items included in operating expenses	**-48**	-93
Derivative instruments in the statement of financial position, receivables and liabilities		
Accrued expenses and deferred income		
Electricity derivatives *	**67**	61

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

Note 27

Contingencies

EUR thousand	2014	2013
Loans secured with mortgages or pledges		
Loans from financial institutions	**15,059**	24,159
Mortgages given	**21,000**	21,000
Liens on chattel	**143,000**	143,000
Carrying amount of pledged securities	**91,448**	90,690
Carrying amount of pledged receivables and other assets	**48,233**	46,599
Total loans secured with mortgages, liens on chattel and pledged assets	**15,059**	**24,159**
Total mortgages, liens on chattel and pledged assets	**303,682**	**301,289**

Contingent liabilities

EUR thousand	2014	2013
Mortgages		
On behalf of own commitments	**21,000**	21,000
Liens on chattel		
On behalf of own commitments	**143,000**	143,000
Securities pledged*		
On behalf of own commitments	**91,448**	90,690
Receivables and other assets pledged**		
On behalf of own commitments	**48,233**	48,599
On behalf of others	**-**	44
Total	**303,682**	303,334

* Pledged subsidiary shares: The ownership of the shares in Glaston Hong Kong Ltd. (carrying amount EUR 122 thousand) are for technical reasons temporarily transferred to a lender by means of a mortgage agreement. This agreement is valid until the loan has been repaid in accordance with the terms of the loan agreement. Irrespective of the legal form of the procedure Glaston Hong Kong Ltd. has been consolidated as a group company as in accordance with the terms of the mortgage agreement the control remains in Glaston.

** The pledged receivables include EUR 45.7 million intra-group receivables.

EUR thousand	2014	2013
Guarantees		
On behalf of own commitments	**11,002**	4,085
On behalf of others	**41**	2
Repurchase obligation	**690**	-
Total	**11,733**	4,087
Total contingent liabilities	**315,414**	**307,421**

EUR thousand	2014	2013

Operating leases

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

Minimum future payments of operating lease commitments		
Maturity within one year	3,716	3,163
Maturity later than one year and not later than five years	12,624	6,380
Maturity later than five years	7,852	8,935
Total minimum future payments of operating lease commitments	**24,192**	**18,478**

Operating leases as a lessor

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

Minimum future payments of operating leases		
Maturity within one year	649	552
Maturity later than one year and not later than five years	2,414	179
Maturity later than five years	130	-
Total minimum future payments of operating leases	**3,193**	**730**

Other contingent liabilities and litigations

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

Note 28

Shares and Holdings

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

* For the year ending 31 December 2014, Glaston UK Ltd. was entitled to exemption from audit under section 479A of the UK Companies Act 2006.

** The ownership of the shares in Glaston Hong Kong Ltd. are for technical reasons temporarily transferred to a lender by means of a mort gage agreement. This agreement is valid until the loan has been repaid in accordance with the terms of the loan agreement. Irrespective of the legal form of the procedure Glaston Hong Kong Ltd. has been consolidated as a group company as in accordance with the terms of the mortgage agreement the control remains in Glaston.

Changes in subsidiaries in 2014

Bavelloni Tools (Tianjin) Co., Ltd. Was liquidated in April 2014.

Bavelloni UK Ltd. Was merged with Glaston UK Ltd. in November 2014.

Z. Bavelloni South America Ltda changed it's name to Glaston Brasil Ltda in November 2014.

Changes in subsidiaries in 2013

The shares in Albat + Wirsam Software Group were sold in February 2013 to Friedman Corporation. The following companies were included

- Albat+Wirsam Software GmbH
- Albat+Wirsam Polska Sp.z.o.o.
- Albat+Wirsam North America Inc.
- Associated company: Bitec GmbH Büro für Informationstechnik

Glaston Finland Oy's branch in Sweden was liquidated.

Note 29

Share-based Incentive Plans

Share-based incentive plans

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

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

Share-based incentive plan 2012

On 21 January 2014, Glaston's Board of Directors decided that, the share-based incentive plan for 2012–2014, announced on 12 December 2011, is discontinued. No rewards were paid under the plan during its period of validity.

Share-based incentive plan 2013

On 7 February 2013, Glaston's Board of Directors decided on a new share-based incentive plan for the Group's key personnel. The share bonus plan had one performance period, which began on 15 March 2013 and ended on 15 March 2014. Participation in the plan and receipt of rewards for the performance period required that a key employee subscribed for the company's shares in the share issue organized in spring 2013. In accordance with a decision of the Board of Directors, the rewards of the plan were paid in April 2014 as cash instead of shares, provided that the key employee's employment or service with the Group was in force and that he or she still owned the shares subscribed for in the share issue. The share bonus plan's target group consisted of 24 people at 31.12.2013.

Share-based incentive plan 2014

On 21 January 2014, Glaston's Board of Directors decided on a new long-term incentive and commitment plan for the Group's key personnel including senior management of the Group and its subsidiaries.

The incentive plan is based on the development of Glaston's share price. The plan covers the years 2014–2016 and the possible rewards will be paid in spring 2017. The incentive plan for 2014 covers 34 key persons of Glaston.

Basic information of the share-based plans	Share-based incentive plan 2014	Share-based incentive plan 2013
Grant date	21 January, 2014	7 February, 2013
Nature of the plan	Cash	Cash
Target group	Key personnel	Key personnel
Maximum number of shares, settled in shares	-	-
Maximum number of shares, settled in cash (calculated as a number of shares*	-	1,759,333
Maximum amount of cash	2,064,000	-
Performance period begins	1 January, 2014	15 March, 2013
Performance period ends	31 December, 2016	15 March, 2014
End of restriction period/ payment	1 April, 2017	15 March, 2014
Vesting conditions	Share price	Share price
	Service period	Service period
Maximum contractual life, years	3	1
Remaining contractual life, years	2	0
Number of persons involved 31 December	34	20

* When the plan is settled in shares, also a cash settlement is made to cover income taxes and related payments arising from the transaction.

Transactions in 2014 in number of shares	**Performance period 2014**	**Performance period 2013**
Gross number of shares* 1 January, 2014		
Outstanding at the beginning of the period	-	-
Changes during the reporting period		
Granted	-	1,759,333
Forfeited	-	-
Settled in cash	-	1,759,333
Expired	-	-
Gross number of shares* 31 December, 2014		
Outstanding at the end of the period	-	-
Excercisable at the end of the period	-	-

* The number of shares includes the cash-settled part (in shares).

EUR thousand **Effect on the profit or loss for the period and on financial position in 2014**	**Performance period 2014**	**Performance period 2013**
Effect on the result of the 2014 reporting period	**231**	743
Recognized in equity during the reporting period	-	-
Carrying amount of liability 31 December, 2014	-	743

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

Note 30

Related Parties

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

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

Total accrual based remuneration of the Board of Directors and the Executive Management Group was EUR 1,758 (2,408) thousand.

Remuneration of the Executive Management Group, accrual based

EUR	2014	2013
CEO Arto Metsänen		
Salaries	378,569	381,629
Bonuses	-	65,131
Share based benefit	42,488	159,452
Total	421,057	606,212
Fringe benefits	16,583	18,722
Total	**437,640**	**624,934**
Statutory pension payments (Finnish TyEL or similar plan)	161,158	60,443
Voluntary pension payments	56,774	45,429
Other members of the Executive Management Group		
Salaries	901,424	1,029,220
Compensations for termination of employment	83,479	-
Bonuses	2,847	278,399
Share based benefit	112,131	266,545
Total	1,099,881	1,574,164
Fringe benefits	38,054	28,494
Total	**1,137,935**	**1,602,658**
Statutory pension payments (Finnish TyEL or similar plan)	276,346	207,924
Voluntary pension payments	26,701	270,804

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

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

Compensation of the CEO and other members of the Executive Management Group consists of a fixed monthly salary, an annual bonus and a share-based incentive plan intended as a long-term incentive (described in more detail in Note 29). The criteria for bonus payments are consolidated result, result of the business area or business unit as well as functional targets. The maximum annual bonus of the CEO is 42 per cent of the annual salary. The maximum annual bonus of the other members of the Executive Management Group is 34 per cent of the annual salary.

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

Remuneration of the Board of Directors, accrual based

EUR	2014 annual fee	2014 meeting fee	2013 annual fee	2013 meeting fee
Andreas Tallberg, Chairman of the Board of Directors	**40,000**	**8,100**	40,000	7,600
Teuvo Salminen, Deputy Chairman of the Board of Directors	**27,500**	**4,600**	20,000	4,900
Claus von Bonsdorff	**20,000**	**5,100**	20,000	4,400
Pekka Vauramo	**20,000**	**4,100**	20,000	3,900
Anu Hämäläinen	**20,000**	**5,100**	20,000	4,900
Kalle Reponen*	**15,000**	**3,600**	-	-
Christer Sumelius**	**7,500**	**1,500**	30,000	4,900
Total	**150,000**	**32,100**	150,000	30,600

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

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

Glaston shares	31 December 2014	31 December 2013
Board of Directors, share ownership		
Andreas Tallberg, Chairman of the Board of Directors	**1,500,000**	1,500,000
Teuvo Salminen, Deputy Chairman of the Board of Directors	**300,000**	300,000
Claus von Bonsdorff	**172,600**	172,600
Pekka Vauramo	**250,000**	250,000
Anu Hämäläinen	**150,000**	150,000
Kalle Reponen*	**10,000**	-
Christer Sumelius**	**4,878,933**	4,878,933
Executive Management Group, share ownership		
Arto Metsänen, CEO	**1,500,000**	1,500,000
Sasu Koivumäki	**300,000**	300,000
Juha Liettyä	**250,000**	250,000
Pekka Huuhka	**150,000**	150,000
Frank Chengdong Zhang	**-**	-
Taina Tirkkonen	**75,000**	75,000
Roberto Quintero***	**-**	50,000

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

* Member of the Board of Directors from 2 April, 2014
** Member of the Board of Directors until 2 April, 2014
*** Roberto Quintero has left the Executive Management Group during 2014

Note 31

Events after End of the Reporting Period

On 27 January 2015, Glaston recieved flagging note stating that Finnish Industry Investment Ltd's holding of Glaston Corporation's total number of shares and votes had fallen below 5%.

At its meeting held on 30 January 2015, the Nomination Board appointed by the Annual General Meeting gave its proposal on the number of the Members of the Board of Directors and on the composition and remuneration of the Board of Directors.

Parent Company Financial Statements

╲ 2014

Parent Company Financial Statements

Income Statement of the Parent Company (FAS)

EUR thousand	Note	1 January - 31 December 2014	2013
Net sales	2	**3,644**	**3,292**
Other operating income	3	**2,926**	3,925
Personnel expenses	4	**-1,830**	-2,038
Depreciation, amortization and impairment losses	5	**-924**	-1,112
Other operating expenses	6	**-5,421**	-4,791
Operating profit / loss		**-1,605**	**-725**
Net financial items	7	**2,908**	604
Profit / loss before extraordinary items		**1,303**	**-121**
Extraordinary items	8	**28**	6,427
Profit /loss before appropriations and taxes		**1,331**	**6,306**
Appropriations	9	**4**	-92
Income taxes	10	**-653**	-1,972
Profit / loss for the financial year		**682**	**4,242**

Balance Sheet of the Parent Company (FAS)

EUR thousand	Note	at 31 December 2014	2013
Assets			
Non-current assets			
Intangible assets	11	**1,755**	2,086
Tangible assets	11	**370**	274
Investments	12, 13	**46,558**	46,558
Non-current assets, total		**48,683**	**48,918**
Current assets			
Non-current receivables	14	**36**	451
Current receivables	14	**61,127**	59,736
Cash and bank		**10,960**	9,099
Current assets, total		**72,123**	**69,286**
Total assets		**120,806**	**118,204**
Equity and liabilities			
Equity			
Share capital		**12,696**	12,696
Share premium account		**25,270**	25,270
Reserve for invested unrestricted equity		**48,772**	48,772
Treasury shares		**-3,308**	-3,308
Retained earnings		**4,195**	1,882
Profit / loss for the financial year		**682**	4,242
Total equity	15	**88,306**	**89,553**
Accumulated appropriations	16	**88**	**92**
Liabilities			
Non-current liabilities	17	**15**	548
Current liabilities	18	**32,396**	28,011
Total liabilities		**32,411**	**28,559**
Total equity and liabilities		**120,806**	**118,204**

\ Parent Company Cash Flow Statement (FAS)

EUR thousand	1 January - 31 December 2014	2013
Cash flow from operating activities		
Profit / loss for the financial period	682	4,242
Adjustments:		
Deferred taxes	653	1,972
Appropriations	-4	92
Group contribution	-28	-6,427
Financial income and expenses	-2,908	-604
Depreciation, amortization and impairment	924	1,112
Proceeds from disposal of tangible and intangible assets	-	1,475
Proceeds from disposal of investments	691	-
Other adjustments	6	-12
Cash flow before change in net working capital	16	1,851
Change in net working capital		
Change in current interest-free receivables	-3,454	-2,778
Change in current interest-free liabilities	-348	-986
Cash flow from operating activities before financial items and taxes	-3,786	-1,912
Interests paid and payments made for other financial items and income taxes		
Interests and other financial expenses paid	900	-3,718
Dividends received	2	2
Interest received	3,386	3,502
Cash flow from operating activities before extraordinary items	502	-2,127
Cash flow from operating activities	**502**	**-2,127**
Cash flow from investing activities		
Investments in tangible and intangible assets	-689	-544
Proceeds from disposal of tangible and intangible assets	-	1,549
Cash flow from sales of business	1,500	12,868
Cash flow from investing activities	**811**	**13,873**
Cash flow from financing activities		
Share issue and conversion of convertible bond, net of costs	-	10,000
Drawn-down of non-current loans	-	591
Repayments of non-current loans	-	-9,640
Change in current intra-group receivables	-11,986	-5,973
Change in current intra-group loans	19,464	-499
Drawn-down of current loans	29,000	40,000
Repayments of current loans	-34,000	-40,000
Dividends paid	-1,929	-
Cash flow from financing activities	**549**	**-5,521**
Change in cash and cash equivalents	**1,861**	**6,225**
Cash and cash equivalents at the beginning of the period	9,099	2,874
Cash and cash equivalents at the end of the period	10,960	9,099
Change in cash and cash equivalents	**1,861**	**6,225**

Notes to Parent Company Financial Statements (FAS)

Note 1
Summary of Significant Accounting Policies

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

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

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

Pension Arrangements

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

Financial Assets and Liabilities and Derivative Instruments

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

Finance Leasing

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

Extraordinary Income and Expenses

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

Untaxed Reserves

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

Note 2
Net Sales

EUR thousand	2014	2013
Net sales by business		
Manufacturing industry	**3,644**	3,292
Net sales by country by destination		
Finland	**2,061**	1,411
Other EMEA	**741**	843
Americas	**504**	434
Asia	**339**	604
Total	**3,644**	**3,292**

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

Note 3
Other Operating Income

EUR thousand	2014	2013
Charges from group companies	**2,926**	2,450
Proceeds from sale of business operations	**-**	1,289
Proceeds from sale of fixed assets	**-**	186
Other operating income, total	**2,926**	**3,925**

Note 4

Personnel Expenses

EUR thousand	2014	2013
Salaries and fees	-1,446	-1,685
Pension expenses	-335	-277
Other personnel expenses	-50	-76
Total	**-1,830**	**-2,038**

Salaries and remuneration paid to members of the Board of Directors and Managing Director	-620	-806

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

Employees during financial year, average		
White collar	11	10

Note 5

Depreciation, Amortization and Impairment Losses

EUR thousand	2014	2013
Depreciation and amortization according to plan		
Intangible assets		
Intangible rights	-785	-869
Other capitalized expenditure	-35	-83
Tangible assets		
Buildings and structures	-	-29
Machinery and equipment	-104	-131
Total depreciation and amortization according to plan	**-924**	**-1,112**
Total depreciation and amortization according to plan and impairment losses	**-924**	**-1,112**

Note 6

Other Operating Expenses

EUR thousand	2014	2013
Rents	-227	-211
Information and communications technology expenses	-3,309	-3,039
Travel expenses	-161	-157
Losses on disposals of assets	-691	-
Other expenses	-1,034	-1,384
Other operating expenses, total	**-5,421**	**-4,791**
Fees paid to auditors		
Fees paid to principal auditors for audit	-61	-76
Fees paid to principal auditors for other services	-3	-38
Total	**-64**	**-114**

Note 7
Net Financial Items

EUR thousand	2014	2013
Dividend income		
From external parties	2	2
Dividend income, total	**2**	**2**
Interest and other financial income		
From group companies	3,754	2,282
From external parties	0	1,000
Interest and other financial income	**3,754**	**3,282**
Interest and other financial income, total	**3,756**	**3,284**
Interest and other financial expenses		
To group companies	-375	-231
To external parties	-473	-2,449
Interest and other financial expenses, total	**-848**	**-2,681**
Net financial items, total	**2,908**	**604**
Other financial income and expenses include foreign exchange gains and losses (net)	1,037	-388

Note 8
Extraordinary items

EUR thousand	2014	2013
Extraordinary income		
Received group contributions	28	6,427
Extraordinary income, total	**28**	**6,427**

Note 9
Appropriations

EUR thousand	2014	2013
Difference between depreciation and amortization according to plan and depreciation and amortization in taxation	4	-92
Total	**4**	**-92**

Note 10
Income Taxes

EUR thousand	2014	2013
Income taxes for operations	-238	-
Change in deferred tax assets	-415	-1,972
Total	**-653**	**-1,972**

Note 11

Fixed Assets

EUR thousand **Intangible assets**	**Intangible rights**	**Other capitalized expenditure**	**Advance payments and investments in progress**	**Total**
Acquisition cost 1 January, 2014	5,985	1,266	1,229	8,480
Additions	3	7	480	489
Disposals	-1,977	-103	-	-2,080
Reclassifications	290	-	-290	-0
Acquisition cost, adjustment	859	-645	-840	-626
Acquisition cost 31 December, 2014	**5,160**	**525**	**579**	**6,263**
Accumulated amortizations and impairment losses 1 January, 2014	-4,388	-1,166	-840	-6,394
Accumulated amortizations of disposals and transfers	1,953	126	-	2,080
Amortization of the period	-776	-44	-	-820
Accumulated amortizations and impairment losses, adjustment	-859	645	840	626
Accumulated amortizations and impairment losses 31 December, 2014	**-4,069**	**-439**	**-**	**-4,508**
Carrying amount at 31 December, 2014	**1,090**	**86**	**579**	**1,755**
Carrying amount at 31 December, 2013	1,597	100	389	2,086

EUR thousand **Tangible assets**	**Machinery and equipment**	**Other tangible assets**	**Advance payments and investments in progress**	**Total**
Acquisition cost 1 January, 2014	1,964	-	56	2,020
Additions	182	-	18	200
Disposals	-1,540	-	-	-1,540
Transfers between items	74	-	-74	0
Acquisition cost, adjustment	358	24		383
Acquisition cost 31 December, 2014	**1,038**	**24**	**-**	**1,062**
Accumulated depreciations and impairment losses 1 January, 2014	-1,746	-	-	-1,746
Accumulated depreciations of disposals and transfers	1,540	-	-	1,540
Depreciation for the period	-104	-	-	-104
Accumulated amortizations and impairment losses, adjustment	-383	-	-	-383
Accumulated depreciations and impairment losses 31 December, 2014	**-692**	**-**	**-**	**-692**
Carrying amount 31 December, 2014	**345**	**24**	**-**	**370**
Carrying amount at 31 December, 2013	218	-	56	274

Note 12

Investments

EUR thousand	**Shares Group companies**	**Shares Others**	**Total**
Carrying amount at 1 January, 2014	46,304	254	46,558
Carrying amount at 31 December, 2014	**46,304**	**254**	**46,558**

Note 13

Shares and holdings owned by the Parent

EUR thousand	Ownership %	Number of shares	Nominal value	Carrying amount
Subsidiary shares				
Uniglass Engineering Oy, Tampere, Finland	100%	20,000	400	2,351
Glaston Services Ltd. Oy, Tampere, Finland	100%	1,800,000	3,600	43,953
Total				**46,304**
Other				
Kiinteistö Oy Torikyrö, Finland	63.4%	804	68	240
Other shares and holdings				14
Total				**254**

Note 14

Receivables

EUR thousand	2014	2013
Non-current receivables		
Receivables from external parties		
Deferred tax assets	**36**	451
Non-current receivables, total	**36**	**451**
Current receivables		
Receivables from external parties		
Trade receivables	**19**	23
Other receivables	**111**	2,722
Prepaid expenses and accrued income	**136**	484
Total	**266**	3,229
Receivables from group companies		
Trade receivables	**8,145**	5,229
Loan receivables	**48,291**	40,349
Group Contribution receivables	**28**	6,427
Other receivables	**1,375**	572
Prepaid expenses and accrued income	**3,022**	3,931
Total	**60,860**	56,508
Current receivables, total	**61,127**	**59,736**
Prepaid expenses and accrued income		
Personnel expenses	**26**	33
Interest income	**2,982**	3,521
Financial items	**110**	212
Other	**40**	648
Prepaid expenses and accrued income, total	**3,158**	**4,415**

Note 15

Equity

EUR thousand	2014	2013
Share capital 1 January	12,696	12,696
Share capital 31 December	12,696	12,696
Share premium account 1 January	25,270	25,270
Share premium account 31 December	25,270	25,270
Reserve for invested unrestricted equity 1 January	48,772	26,805
Share issue	-	10,000
Share issue paid with convertible and debenture bonds	-	11,436
Correction of retained earnings *	-	531
Reserve for invested unrestricted equity 31 December	48,772	48,772
Treasury shares 1 January	-3,308	-3,308
Treasury shares 31 December	-3,308	-3,308
Retained earnings 1 January	6,124	2,413
Correction of retained earnings *	-	-531
Dividend payment	-1,929	-
Retained earnings 31 December	4,195	1,882
Profit / loss for the financial year	682	4,242
Equity at 31 December	88,306	**89,553**
Distributable funds at 31 December		
Reserve for invested unrestricted equity	48,772	48,772
Treasury shares	-3,308	-3,308
Retained earnings	4,195	1,882
Profit / loss for the financial year	682	4,242
Distributable funds	50,340	**51,587**

* Retained earnings were adjusted with EUR 530,850 during 2013, due to recognition of financial expenses related to the share issue in 2011. The expenses have been recognized in reserve for invested unrestricted equity in 2011 in accordance with IFRS.

Note 16

Accumulated Appropriations

EUR thousand	2014	2013
Accumulated depreciation difference 1 January	92	-
Increase (+) / decrease (-)	-4	92
Accumulated depreciation difference 31 December	88	**92**

Note 17

Non-current Liabilities

EUR thousand	2014	2013
Liabilities to external parties		
Other liabilities	15	548
Liabilities to external parties, total	15	548
Non-current liabilities, total	**15**	**548**

Note 18

Current Liabilities

EUR thousand	2014	2013
Liabilities to external parties		
Loans from financial institutions	5,000	10,000
Trade payables	237	260
Other liabilities	125	-
Accrued expenses and deferred income	396	804
Liabilities to external parties, total	5,758	11,064
Liabilities to group companies		
Other interest-bearing liabilities	26,637	16,904
Trade payables	1	24
Other liabilities	-	19
Liabilities to group companies, total	26,638	16,947
Current liabilities, total	**32,396**	**28,011**
Accrued expenses and deferred income		
Salary and other personnel expense accruals	215	562
Interests	-	1
Other	181	242
Accrued expenses and deferred income, total	**396**	**804**

Note 19

Contingent Liabilities

EUR thousand	2014	2013
Leasing liabilities		
Maturity within one year	41	49
Maturity later than one year	40	1
Total	**82**	**50**

The leasing agreements have normal terms.

Other rental liabilities		
Maturity within one year	93	93
Total	**93**	**93**
Pledges		
On behalf of group companies	25,889	35,585
Loans secured with pledged assets and mortgages		
Loans from financial institutions	5,000	10,000
Liens on chattel		
On own behalf	50,000	50,000
Carrying amount of pledged securities	46,544	46,544
Carrying amount of pledged receivables	41,929	40,234
Other pledged assets	20	23

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

Board of Director's Proposal for Distribution of Profits

The distributable funds of Glaston Corporation, are EUR 50,340,334 of which EUR 682,293 represents the net profit for the financial year. The Board of Directors proposes to the Annual General Meeting to be held on 26 March 2015 that the profit for the financial year 2014 be placed in retained earnings and no dividend be paid.

The Board of Directors proposes to the Annual General Meeting that, based on the balance sheet to be adopted for 2014, a return of capital of EUR 0.02 per share be paid. Capital is repaid from the reserve for invested unrestricted equity. The capital is repaid to a shareholder who is registered in the Company's shareholders' register maintained by Euroclear Finland Ltd on the record date for payment, 30 March 2015. The Board of Directors proposes to the Annual General Meeting that the return of capital be paid on 28 April 2015.

On the day the proposal for the distribution of assets was made, the number of shares entitling to dividend was EUR 192,919,754, which means the total amount of the return of capital would be EUR 3,858,395.

EUR 46,481,939 will be left in distributable funds.

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

Helsinki, 5 February, 2015

Andreas Tallberg
Chairman of the Board

Teuvo Salminen
Deputy Chairman of the Board

Claus von Bonsdorff

Anu Hämäläinen

Pekka Vauramo

Kalle Reponen

Arto Metsänen
President & CEO

Auditor's Report

To the Annual General Meeting of Glaston Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Glaston Corporation for the financial period 1.1.–31.12.2014. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, February 5, 2015

Ernst & Young Oy
Authorized Public Accountant Firm

Harri Pärssinen
Authorized Public Accountant

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