

glaston
seeing it through

FINANCIAL STATEMENTS 2010

compre-
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solutions
for glass
industry

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[†] Not included in the official Board of Directors' Review and Financial Statements

Board of Directors' Review

1 January-31 December 2010

Markets

In demand for glass processing machines, cautious signs of a pick-up in the market were evident during 2010. Glaston's markets developed unevenly. Demand continued to be active in Asia and South America. In North America, faint signs of a recovery were perceptible in the latter part of the year. In Europe, the market situation continued to be challenging.

Machines

2010 remained challenging for the Machines segment, even though signs of recovery were evident in certain markets.

Financial market instability and overcapacity among glass processors continued to impact customers' investment decisions in Europe and North America. In Europe, the market situation continued to be weak throughout the year, but in the North American market faint signs of recovery were perceptible in the final quarter. Demand continued to be active throughout the year in Asia and South America. In Asia, the automotive and construction industries' need for glass increased.

Demand for solar energy solutions picked up. This customer segment became highly active in the latter part of the year, as demand shifted to Asia, and to China in particular. The unique TFC 2000™ machine line, developed by Glaston and the Finnish company Beneq Oy for the production of thin-

film coated solar panel glass was well received in the market.

During the year, the product offering was strengthened by three new flat tempering machines and two new cutting lines.

In 2010 improving profitability was the main focus in the development of the Machines segment's business. Efficiency and adjustment measures continued and were directed mainly at Finland and Italy. Production costs were lowered by enhancing sourcing efficiency and by increasing production in China. The adjustment measures also resulted in personnel reductions and at the end of 2010 the segment had 577 employees (2009 688).

Orders received in the Machines segment totalled EUR 96.2 (98.8) million in 2010. In January-December, the Machines segment's net sales totalled EUR 95.0 (92.5) million.

Services

In 2010 the Services segment market recovered after faltering the previous year. The number of new service contracts rose, and in Asia and North America demand for upgrade products picked up.

In 2010 the Services segment launched a number of new products, all connected with improving the quality of the end product and expanding the features and raising the capacity of machines.

The iLook™ real-time quality measurement system for flat tempering machines was launched in the autumn

and it was very well received by the customers. Other new products were the Vortex Pro™ convection system, which enables a higher production capacity and the manufacture of better quality glass, a blower monitoring system and automatic malfunction reporting by e-mail and text message.

Orders received in the Services segment totalled EUR 29.8 (32.6) million in 2010. In January-December, the Services segment's net sales were EUR 32.0 million (in 2009 EUR 37.7 million, including Tamglass Glass Processing's share of EUR 5.8 million). Operational profitability improved as a result of internal efficiency measures, product range adjustments and area-specific marketing measures. At the end of 2010 the segment had 149 employees (2009 215).

Software Solutions

In 2010 demand in the Software Solutions segment picked up in Central Europe, but fell slightly in North America and Asia. In mature markets, investments were directed at modernising production processes towards a higher degree of automation, shorter delivery times and greater flexibility. In developing markets, such as Eastern Europe, Asia and the Pacific region, systems in a more standard form fulfilled customers' needs.

The AWFactory and Panorama products, intended for managing line control systems, were developed further and new features added to the systems.

The Software Solutions segment adjusted its operations to the market situation and at the end of the year the segment had 214 (234) employees.

Orders received in the Software Solutions segment totalled EUR 22.3 (20.2) million in 2010. In January-December, the Software Solutions segment's net sales totalled EUR 23.9 (23.9) million.

Orders received and order book

Glaston's orders received during the financial year totalled EUR 148.3 (151.5) million. Of orders received, the Machines segment accounted for 65%, the Services segment 20% and the Software Solutions segment 15%.

Glaston's order book on 31 December 2010 was EUR 42.1 (45.5) million. Of the order book, the Machines segment accounted for EUR 37.4 (39.8) million, the Services segment EUR 1.2 (1.6) million and Software Solutions segment EUR 3.5 (4.1) million.

Net sales and operating result

Glaston's net sales in January-December totalled EUR 149.4 (151.8) million. The Machines segment's net sales in the review period were EUR 95.0 (92.5) million, the Services segment's net sales EUR 32.0 (37.7) million and the Software Solutions segment's net sales EUR 23.9 (23.9) million.

The operating result, excluding non-recurring items, was a loss of EUR 11.3 (33.6 loss) million, i.e. -7.5 (-22.2)% of net sales.

The operating result was a loss of EUR 24.9 (55.3 loss) million. Non-recurring items in 2010 totalled EUR -13.7 (-21.6) million and they were recognised in the final quarter. Non-recurring items in 2010 consisted of impairment losses on goodwill and intangible and tangible assets and cancellations thereof (EUR -6.4 million net), personnel and other expenses resulting from structural changes (EUR -5.5 million), and inventory expense recognitions resulting from changes in the product portfolio (EUR -2.2 million). In addition,

non-recurring items include EUR 0.4 million from the cancellation of provisions made in previous years.

The Machines segment's operating result in January-December was a loss of EUR 20.4 (38.3 loss) million. The 2010 operating result, excluding non-recurring items, was a loss of 8.5 (22.4 loss) million.

The Services segment's operating result in January-December was a profit of EUR 1.1 (5.2 loss) million, and the segment's operating result for the year, excluding non-recurring items, was a profit of EUR 3.3 (2.4 loss) million. The Services segment's operating result is adversely affected by the EUR 2.1 million operating loss (4.2 loss) of Tamglass Glass Processing.

Order book, EUR million	31.12.2010	31.12.2009
Machines	37.4	39.8
Services	1.2	1.6
Software Solutions	3.5	4.1
Total	42.1	45.5

Net sales, EUR million	2010	2009
Machines	95.0	92.5
Services	32.0	37.7
Software Solutions	23.9	23.9
Other and internal sales	-1.5	-2.4
Total	149.4	151.8

Operating result, EUR million	2010	2009
Machines	-8.5	-22.4
Services	3.3	-2.4
Software Solutions	1.1	0.4
Other and eliminations	-7.1	-9.3
Total	-11.3	-33.6
Non-recurring items	-13.7	-21.6
Operating result, including non-recurring items	-24.9	-55.3

Order book, EUR million	2010	2009	2008
Glaston group	42.1	45.5	62.5

Net sales, EUR million	2010	2009	2008
Glaston group	149.4	151.8	270.4

Operating result, EUR million	-24.9	-55.3	-6.1
Operating result, % of net sales	-16.7	-36.4	-2.3
Profit/loss for the year attributable to owners of the parent, EUR million	-32.0	-53.6	-9.1
Profit/loss for the year attributable to owners of the parent, % of net sales	-21.4	-35.3	-3.4
Earnings per share, basic and diluted, total, EUR	-0.41	-0.68	-0.12
Return on capital employed (ROCE), %	-19.0	-32.1	-2.3
Return on equity, %	-58.7	-55.5	-7.0

Calculation formulas for key figures are presented in the consolidated financial statements.

The Software Solutions segment's operating result in January-December was a profit of EUR 1.5 (1.3 loss) million. The segment's operating result for 2010, excluding non-recurring items, was a profit of EUR 1.1 (0.4 profit) million.

The loss for the review period was EUR 32.0 (53.6 loss) million. In January-December, the return on capital employed (ROCE) was -19.0 (-32.1)%. Earnings per share in January-December were EUR -0.41 (-0.68).

Glaston has no significant revenue or expense items recognised directly in equity.

Financial position, cash flow and financing

At the end of the review period, the consolidated asset total was EUR 194.9 (226.7) million. The equity attributable to owners of the parent was EUR 39.1 (69.0) million, i.e. EUR 0.50 (0.88) per share. The equity ratio on 31 December 2010 was 22.1 (33.1)%.

Return on equity in January-December was -58.7 (-55.5)%.

Cash flow from operating activities, excluding the change in working capital, was EUR -13.7 (-29.8) million in the review period. The most significant reasons for the negative cash flow from operating activities were the settling of provisions recognised in 2009 and financial items, such as the payment of convertible bond interest. The change in working capital was EUR 2.7 (28.6) million. Cash flow from investments was EUR -3.5 (-7.5) million. Cash flow

from financing activities in January-December was EUR 11.9 (12.3) million.

A EUR 6.3 million convertible bond was issued in February. The terms of the convertible bond are similar to those of the convertible bond issued in June 2009.

The Group's liquid funds at the end of the review period totalled EUR 15.7 (15.6) million. Interest-bearing net debt totalled EUR 74.6 (63.7) million and net gearing was 189.0 (91.9)%.

At end of the third quarter of 2010, the company's loan covenants, EBITDA and net gearing would not have met the limits originally agreed in Glaston's revolving credit facility agreement. Glaston agreed, however, with its financial institutions that the covenant terms of the revolving credit facility agreement were not applied. Negotiations with the financial institutions on the renewal of existing financing agreements negotiations were completed before the financial statements were authorized for issue. Glaston's financing package was published in a Stock Exchange Release on 25 February 2011 and the content is described in the section "Events after the review period".

Adjustment measures

In 2010 Glaston implemented extensive adjustment measures worldwide, with the focus being mainly on Europe. The efficiency improvement measures initiated in 2008 and the extensive adjustment programme to reorganise operations initiated in 2009 were completed for the most part during the first half of 2010.

In December 2010, Glaston initiated negotiations on adjustment measures aimed at improving the profitability of the Machines segment. The most extensive adjustments were directed at Italy, where negotiations on the reduction of around 40 jobs will be completed during the first quarter of 2011. Measures directed at Finland were completed during the review period, and as a result of the negotiation process around 25 employees were made redundant. During the final quarter of 2010, personnel reductions were also made in the European area organisation, in which the expansion of a distributor- and agent-based operating model led to the termination of around 25 employment relationships.

During 2010 the number of personnel in Europe has been reduced by 240 (-48 in Finland, -192 in the rest of Europe). The Group had substantial temporary lay-off programmes under way in Finland and Italy during the year.

Research and product development

Glaston's research and product development expenditure in 2010 totalled EUR 9.8 (13.6) million, i.e. 6.6 (8.9)% of net sales. In product development, most attention was focused on improving the user friendliness of products as well as on production efficiency and reliability, and end-product quality.

During the year, Glaston launched onto the market a number of product solutions, of which the most significant were the Tamglass FC500™ and Tamglass RC200™ flat tempering machines, Tamglass Power Control™, directed at the South American LowE glass market, the iControl™ control and automation system, the iLook™ online quality measurement system and the Vortex Pro™ convention system. As the focus of the market shifted to Asia, Glaston moved manufacturing of glass cutting machines from Italy to its Tianjin factory in China. Production of the Bavelloni ProCut and Bavelloni Dragon cutting lines, directed at the Asian market, was initiated in the spring.

	2010	2009	2008
Equity ratio, %	22.1	33.1	45.8
Gearing, %	228.6	114.3	56.1
Net gearing, %	189.0	91.9	46.8
Interest-bearing net debt, EUR million	74.6	63.7	57.9

	2010	2009	2008
Research and development expenditure, EUR million	9.8	13.6	14.4
Capitalised development expenditure in the financial year, EUR million	2.8	3.1	4.2
Research and development expenditure, % of net sales	6.6	8.9	5.3

In autumn 2010, Glaston entered into a cooperation agreement with the Finnish company Beneq Oy and launched onto the market the unique Beneq-Glaston TFC 2000™ machine line, developed jointly by the companies, for the production of transparent conducting oxide (TCO) solar panel (PV) glass.

Product development in the Software Solutions segment focused on the development of additional features for AWFactory and Panorama products.

Capital expenditure, depreciation and amortisation

Glaston's gross capital expenditure totalled EUR 4.6 (8.5) million. The most significant investments in 2010 were in product development.

During 2010 depreciation and amortisation of property, plant and equipment totalled EUR 7.5 (8.4) million. In addition, recognitions of impairment losses and cancellations of earlier impairment losses totalled EUR 7.0 (12.5) million net, of which goodwill accounted for EUR 5.8 (7.8) million.

Changes in the company's management

Tapio Engström was appointed Chief Financial Officer as of 1 July 2010, Pekka Huuhka Senior Vice President, Supply Chain as of 1 August 2010, and Tapani Lankinen Senior Vice President, Human Resources as of 1 October 2010. All are members of Glaston's Executive Management Group. Frank Chengdong Zhang, General Manager,

Asia, was appointed member of the Executive Management Group as of 1 September 2010.

Organisation and personnel

During 2010, measures to adjust personnel numbers to the changed market situation continued. In Europe, the number of personnel declined significantly (-240) and was directed mainly at Finland, Italy and the European area organisation. In Asia, human resources were strengthened (+52). Most of the new personnel work in production roles, but the product development and sourcing organisations were also strengthened.

To standardise the organisation and operating practices, Glaston's values, "The Glaston Way", were launched during the year.

On 31 December 2010, Glaston Corporation had a total of 957 (1,160) employees. Of the Group's employees, 19% worked in Finland and 44% elsewhere in the EMEA area, 23% in Asia and 14% in the Americas. The average number of employees was 1,028 (1,344).

Group structural changes in 2010

The US company Glaston North America, Inc. was merged with Glaston America Inc. and the Brazilian company Glaston Brazil Ltda was merged with Z. Bavelloni South America Ltda in January. The Japanese company Glaston Japan, Inc. was dissolved in March and the Chinese company Glaston Shanghai Co. Ltd. was merged with Glaston Management (Shanghai) Co. Ltd. in June.

The German company Albat+Wirsam Software AG changed its name to Albat+Wirsam Software GmbH, and Tamglass EMA Sales Ltd. Oy changed its name to Glaston International Oy.

Albat+Wirsam Software GmbH founded a branch in Spain.

Environment

Glaston strives to promote sustainable development both in terms of the products and services it offers to its customers and in its own operations. Even though Glaston's own production activity does not, in principle, significantly load the environment, the company even so continually develops its processes to take the principles of sustainable development still better into account. In terms of the products it manufactures, Glaston's objective is to make glass processing machines as energy-efficient as possible. The life cycle of a glass processing machine is long, on average around 20 years. The design of Glaston's machines takes into account the machines' entire life cycle, and they are built to withstand continuous use at high production capacities. Special attention is also paid to the machines' energy use. During the review period, Glaston launched the Tamglass FC500 tempering line, which in terms of its energy efficiency is around 30% higher and in terms of energy glass tempering capacity up to 40% higher than a traditional tempering line.

Shares and share prices

Glaston Corporation's paid and registered share capital on 31 December 2010 was EUR 12.7 million and the number of issued shares totalled 79,350,000. The company has one series of share. At the end of the financial year, the company held 788,582 of the company's own shares (treasury shares), corresponding to 1% of the total number of issued shares and votes. The counter book value of treasury shares is EUR 126,173.

	2010	2009	2008
Gross capital expenditure, EUR million	4.6	8.5	18.4
Gross capital expenditure, % of net sales	3.1	5.6	6.8
Depreciation and amortization, EUR million	7.5	8.4	8.7
Impairment losses, EUR million	7.0	12.5	2.6
	2010	2009	2008
Wages, salaries and bonuses, EUR million	44.8	55.7	59.7
Personnel at year end	957	1,160	1,541
Personnel (average)	1,028	1,344	1,519

Per share data	2010	2009	2008
Equity per share attributable to owners of the parent, EUR	0.50	0.88	1.58
Dividend per share, EUR ¹⁾	0.00	0.00	0.05
Dividend payout ratio, % ¹⁾	-	-	-43.0
Dividend yield, % ¹⁾	-	-	5.5
Price / earnings (P/E) ratio	-2.8	-1.6	-7.8
Price / equity attributable to owners of the parent per share	2.27	1.23	0.58
Share price at end of year, EUR	1.13	1.08	0.91
Market capitalisation, end of year, EUR million	88.8	84.8	71.5
Share turnover (1,000 shares)	15,419	7,033	3,965
Share turnover, % of average number of shares	19.6	9.0	5.1
Number of shares at end of the year	79,350,000	79,350,000	79,350,000
Number of shares at end of year, including effect of convertible bond	102,426,923	97,619,231	79,350,000
Average number of shares, excluding treasury shares	78,527,308	78,522,224	78,507,338
Average number of shares, including dilution effect of convertible bond and excluding treasury shares	100,879,784	89,143,077	78,507,338

¹⁾ Board of Directors' proposal to the Annual General Meeting

Calculation formulas for key figures are presented in the consolidated financial statements. The impact of the convertible bond on the number of the company's shares is presented in Note 4 to the consolidated financial statements.

Every share that the company does not hold itself entitles its owner to one vote at the Annual General Meeting. The share has no nominal value. The counter book value of each share is EUR 0.16.

During 2010, a total of 15,419,409 of the company's shares were traded, representing approximately 20% of the average number of shares. The lowest price paid for a share was EUR 0.80 and the highest price EUR 1.65. The volume-weighted average price of shares traded during January-December was EUR 1.17. The closing price on 31 December 2010 was EUR 1.13.

On 31 December 2010, the market capitalisation of the company's shares, treasury shares excluded, was EUR 88.8 (84.8) million. The equity per share attributable to owners of the parent was EUR 0.50 (0.88).

Share-based incentive scheme

On 9 June 2010, the Board of Directors decided on a new share-based incentive scheme for management. The scheme has one performance period covering 2010 and 2011, with the per-

formance criterion being the development of the Group's operating profit. Any bonus will be paid after the result for 2011 is published in spring 2012.

On the basis of the scheme, a maximum total gross number of approximately 2.5 million Glaston shares can be distributed. Any income taxes and other statutory payments arising from the payment of the bonus will be deducted from the gross number of shares before their distribution. The target group for the scheme will consist during the performance period of at most 12 people.

In addition to the above-mentioned incentive scheme, the President & CEO of Glaston Corporation has a separate share bonus arrangement, on the basis of which he was awarded a total of 50,000 Glaston Corporation shares on 3 September 2010.

Decisions of the Annual General Meeting

The Annual General Meeting of Glaston Corporation was held in Helsinki on 13 April 2010. The Annual General Meeting approved the financial statements and consolidated financial statements

for 2009 and released the Board of Directors and the President & CEO from liability for the financial year 1 January-31 December 2009.

The Annual General Meeting approved the proposal of the Board of Directors that no dividend be distributed for the financial year ending 31 December 2009.

The Annual General Meeting confirmed the re-election of the following Members of the Board of Directors for a year-long term of office: Claus von Bonsdorff, Klaus Cawén, Jan Lång, Carl-Johan Rosenbröijer, Christer Sumelius and Andreas Tallberg. In addition, Teuvo Salminen was elected as a new member of the Board.

The Annual General Meeting decided to maintain the Chairman of the Board's annual remuneration at EUR 40,000 and the Deputy Chairman's annual remuneration at EUR 30,000. It was also decided to maintain the annual remuneration of the other Members of the Board at EUR 20,000.

The Annual General Meeting elected as auditor Public Accountants Ernst & Young, with the responsible auditor being Harri Pärssinen, APA.

The Annual General Meeting approved an amendment to Article 11 of the Articles of Association that the notice to attend a General Meeting be published no later than three weeks prior to the General Meeting, however at the latest nine days before the record date of the General Meeting.

At its organising meeting on 13 April 2010, Glaston's Board of Directors elected Andreas Tallberg to continue as the Chairman of the Board and Christer Sumelius to continue as the Deputy Chairman of the Board.

Authorisations given by the Annual General Meeting

The Annual General Meeting of Glaston Corporation authorised the Board of Directors to decide on the issue of new shares and/or the conveyance of the own shares held by the company. By virtue of the authorisation, the Board

of Directors is entitled to decide on the issuance of a maximum of 6,800,000 new shares and on the conveyance of a maximum of 6,800,000 own shares held by the company. However, the total number of shares to be issued and/or conveyed may not exceed 6,800,000 shares. The new shares may be issued and own shares held by the company may be conveyed either against payment or without payment.

The new shares may be issued and/or own shares held by the company conveyed to the company's shareholders in proportion to their existing shareholdings in the company, or by means of a directed share issue, waiving the pre-emptive subscription right of the shareholders, if there is a weighty reason for the company to do so, such as the shares are to be used to improve the capital structure of the company or as consideration in future acquisitions or other arrangements that are part of the company's business or as part of the company's or its subsidiaries' incentive schemes.

Shares can be issued or conveyed without payment in exception to the pre-emptive subscription right of shareholders only if there is an especially weighty financial reason for the company to do so, taking the interests of all shareholders into account. The Board of Directors may decide on a share issue without payment also to the company itself. A decision regarding a share issue to the company itself cannot be made such that the total number of shares held jointly by the company or its subsidiaries would exceed one tenth of all shares of the company.

The subscription price of new shares issued and the consideration paid for the conveyance of the company's own shares shall be credited to the reserve for invested unrestricted equity.

By virtue of the share issue authorisation, the Board of Directors shall decide on other matters relating to the issuing and conveyance of shares. The share issue authorisation is valid until the end

of the 2012 Annual General Meeting.

The Board of Directors has no other authorisations.

Risks and risk management

Glaston operates globally and changes in the development of the world economy directly affect the Group's operations and risks. A strategic risk for Glaston is above all the possible arrival of a competing machine technology on the market, which would require Glaston to make considerable product development investments. Moreover, loss of the Group's market shares, particularly in the most strongly emerging markets (Asia, South America) is a strategic risk. Implementing the Group's strategy may require acquisitions, the possible failure of which would affect financial performance and Glaston's risk profile. Glaston's most significant operational risks include management of large customer projects, the availability and price development of components, management of the subcontractor network, and the availability and permanence of personnel. Glaston is developing its information systems and despite careful planning, temporary disruptions to operations might be associated with the introduction stages.

Connected with operations are financial risks, such as foreign exchange, interest rate, financing, counterparty, credit and liquidity risks. The nature of international business means that Glaston has risks arising from fluctuations in foreign exchange rates. Changes in interest rates represent an interest rate risk. Credit and counterparty risk arises from risk associated with the payment period granted to customers. The liquidity risk is the risk that the company's negotiated credit facilities are insufficient to cover the financial needs of the business. Financial risks and their management are explained in more detail in the consolidated financial statements, and the general principles of risk management in the Corporate Governance Statement.

Information pursuant to Ministry of Finance Ordinance 153/2007

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 31 to the consolidated financial statements.

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

Parent company information, EUR million	2010	2009	2008
Net sales	3.6	4.2	0.6
Operating loss	-4.4	-5.5	-7.2
Result before taxes and appropriations	-4.7	-6.1	0.0
Income tax	0.2	1.4	0.3
Result for the financial period	-4.4	-4.6	0.2
Balance sheet total	177.5	176.7	153.2
Shareholders' equity	81.3	85.6	94.1
Salaries and bonuses paid	2.7	3.6	3.0
Personnel (average)	22	29	28

Glaston Corporation has a clause in the terms of a loan, according to which the lenders have the option to demand payment of the loan if control in Glaston changes.

Related party loans

At the end of the year, 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 (4.2) million and the operating loss was EUR 4.4 (5.5 loss) million. Net financial items were EUR -0.3 (-0.6) million. The result for the financial period was a loss of EUR 4.4 (4.6 loss) million.

The parent company had an average 22 (29) employees in the financial period and 17 (24) employees at the end of the year.

The parent company has no branches. The company has not granted related party loans to other parties than group companies.

Events after the review period

Topi Saarenhovi, Senior Vice President, Machines and member of the Executive Management Group left Glaston on 1 February 2011. No new Senior Vice President, Machines will be appointed; the business area will report directly to the President & CEO.

Glaston signed on 25 February 2011 the financing package to provide approximately EUR 84 million to refinance its current short-term syndicated loan facility, to increase its financial flexibility and to strengthen its equity. The financing package comprised of the following elements:

EUR 73.7 million was provided in the form of secured senior debt from Pohjola Bank plc, Nordea Bank Finland Plc, Pohjola Bank plc and Sampo Bank plc. The syndicated loan facility has a maturity of three years and the loan agreement includes typical financial covenants. Payment of dividend is conditional on net financial debt to EBITDA ratio of less than 2.75. These restrictions do not apply to statutory dividends. Glaston's largest shareholders Oy G.W.Sohlberg Ab and GWS Trade Oy have also separately agreed not to claim minority dividends as regulated in Chapter 13 Section 7 of the Finnish Companies Act.

Approximately EUR 6 million was provided by issuing new shares in Glaston and EUR 4.0 million in junior debt with maturity of three years.

The Board of Directors of Glaston resolved by virtue of the authorization granted by the Annual General Meeting on 13 April 2010 to conduct a directed share issue and offered a maximum number of 6.8 million new shares for subscription against payment to experienced and professional Finnish investors. The share issue in its entirety was underwritten. Among others, Varma Mutual Pension Insurance Company ("Varma") and Finnish Industry Investment Ltd. provided undertakings to the company to subscribe for the shares.

The subscription price for each share issued in the directed issue was the trade volume-weighted average price of the Glaston share less 4.9% for a time period of five days preceding the payment date. New shares issued in the directed share issue will be registered in the Trade Register on or about 4 March 2011 and trading in the Main market of NASDAQ OMX Helsinki Ltd will commence on or about 7 March 2011.

Glaston also entered into agreement with Varma and Finnish Industry Investment Ltd. on conversion of Glaston convertible loan held by them into shares in Glaston with the conversion rate EUR 1.30 determined in the terms and conditions of the convertible loan. Thus the amount of the convertible loan held by Varma, EUR 9.0 million, and Finnish Industry Investment, EUR 6.25 million, in total EUR 15.25 million, was converted into 11,730,768 shares in Glaston. To compensate Varma and Finnish Industry Investment Ltd. for the difference of conversion rate and recent share price trading level, Glaston agreed to provide the investors 21 cents per share as additional consideration. This offer will be extended to all convertible loan investors. The total issued amount of convertible loan was EUR 30 million.

The converted amount of the convertible bond was recorded in reserve for invested unrestricted equity. In accordance with IAS 32, the compensation to Varma and Finnish Industry Investment Ltd. related to the conversion of the bond will result in approximately EUR 2.5 million financial expense. However, the expense has no effect on Glaston's equity.

The Board of Directors intends to propose the Annual General Meeting to be held on 5 April 2011 to authorise the Board of Directors to issue new shares. As a part of contemplated authorisation, the new shares may be issued without payment for the purpose of aforementioned compensation for the convertible loan investors. Glaston's largest shareholders Oy G.W.Sohlberg Ab and GWS Trade Oy have separately agreed that they will support the proposal of the share issue without payment at the Annual General Meeting.

Uncertainties and risks in the near future

During the last couple of years, the glass processing market has fundamentally changed, with the focus of activity shifting to emerging market areas. Led by China, the Asian market is growing strongly, as is the South American market, with Brazil acting as the engine of growth. Glaston has strengthened its presence in these markets. The shift of the focus of business activity to the emerging markets requires the management of risks associated with these areas. These include, for example, political and economic instability as well as issues relating to product rights.

In North America and in Europe, the markets have developed unevenly, with substantial differences between areas. Quiet markets have led to overcapacity and, in addition, customers' difficulties

relating to finance arrangements may further restrict customers' investment opportunities. In certain markets uncertainty is still evident and the risk of the postponement of orders and of the cancellation of orders already confirmed still exists, if perhaps on a diminished level.

The underlying nature of the sector is expected to remain unchanged, however, so development in the coming years is expected to be positive compared with 2010. If the recovery of the sector is delayed further or slows down, this will have a negative effect on Glaston's result. The shift of the geographical focus of activity to areas of higher economic growth will, however, dampen the economic effects of a possibly slower recovery in Western Europe.

Glaston's 2010 result includes an impairment loss on goodwill of EUR 5.8 million. If the recovery of the sector is delayed, it is possible that Glaston's recoverable amounts will, despite the savings arising from efficiency measures, be insufficient to cover the carrying amounts of assets, particularly goodwill. If this happens, it will be necessary to recognise an impairment loss, which, when implemented, will weaken the result and equity.

Outlook

A modest recovery in Glaston's market is expected during 2011. In Asia and particularly in China, demand is expected to grow strongly. In South America, demand was on a high level in 2010 and this positive development is expected to continue. In the North American market, cautious signs of recovery were evident in the final quarter of 2010, and modest growth in demand is expected in 2011. In Europe and the Middle East, the market continues to be challenging.

The cornerstones of Glaston's operations remain the architectural glass segment and the solar energy market. The automotive industry, which has recovered rapidly, also presents growth opportunities. Asia, particularly China, has a strongly developing solar energy market and we expect demand for solar energy projects to be robust. We will continue purposefully to strengthen our position in China and elsewhere in Asia.

In 2011 the business development priorities will be profitability improvement and completion of adjustment measures, whose positive effect on the result will be realised towards the end of the year.

We expect that 2011 net sales will be at least at the 2010 level and that the operating result will return to a positive trend.

Board of Directors' proposal on the distribution of profits

The distributable funds of Glaston Corporation, the parent of Glaston Group, are EUR 43,370,581, of which EUR 4,370,565 represents the loss for the financial year.

The Board of Directors proposes to the Annual General Meeting that no dividend be distributed from the result for the year nor from retained earnings. EUR 43,370,581 will be left in distributable funds.

Helsinki, 1 March 2011
Glaston Corporation
Board of Directors

Corporate Governance Statement 2010

(Not included in the official Board of Directors' Review and Financial Statements)

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, which came into force on 1 October 2010. The Finnish Corporate Governance Code is publicly available at the internet address www.cgfinland.fi.

Duties and responsibilities of governing bodies

The Annual General Meeting, 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 of Directors 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 the Board of Directors 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 Gen-

eral Meeting of Shareholders must be announced no later than three weeks before the meeting and at least nine days before the last day of registration for the meeting in one Finnish-language and one Swedish-language daily newspaper specified by the Board of Directors. In addition, Glaston publishes the notice to the General Meeting of Shareholders as a stock exchange release and on its website.

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 of Shareholders

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 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 shareholder register eight days before a General Meeting. Owners of nominee-registered shares can be temporarily registered in the company's

shareholder register for participation in a General Meeting. Shareholders may attend a General Meeting personally or through an authorised representative. Shareholders may also have an assistant at a General Meeting.

Board of Directors

The Board of Directors is responsible for the appropriate arrangement of the company's administration and operations. The Board of Directors consists of minimum of five 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 shall have 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 accounts and finances. In addition, the Board directs and supervises the

company's executive management, appoints and dismisses the CEO, decides on the CEO's employment and other benefits, and 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 matters are the Group's strategy, approving the Group's budget and action plans and monitoring their implementation, acquisitions and the Group's operating structure, significant capital expenditures, internal control systems and risk management, key organisational issues and incentive schemes.

The Board of Directors is also responsible for monitoring the reporting of financial statements, the financial reporting process and the efficiency of the company's internal control, and, if applicable, internal auditing and risk management systems pertaining to the financial reporting, 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 of services unrelated to the audit, and preparing a proposal for resolution on the election of the auditor.

The Board of Directors regularly evaluates its own operations 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 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. 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.

Independence of Members of the Board

According to an independence assessment performed by the company's Board of Directors, all of the Board's seven 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 Chairman of the Board of GWS Trade Oy (GWS Trade Oy's ownership of Glaston Corporation shares was 16.95% on 31 December 2010) and Managing Director of Oy G.W. Sohlberg Ab (Oy G.W. Sohlberg Ab's ownership was 16.16% on 31 December 2010). Based on a broader assessment, however, the Board considers that Carl-Johan Rosenbröijer and Christer Sumeilius are not independent of the company, because they have served as Members of Board for more than 12 consecutive years. 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.

Composition of the Board of Directors

In 2010 the company's Board of Directors had no female members at present, and the company deviates in this respect from Recommendation 9 of the Finnish Corporate Governance Code for listed companies. The composition of the Board of Directors is of key importance for the company's future, and when proposing members Glaston strives to ensure that as wide and diverse expertise as possible is represented on the Board. The objective is that in future, the company's Board of Directors would also have members of both genders.

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 effective-

ness of the company's Corporate Governance is such that it does not currently require the establishment of separate committees.

President & CEO

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 affairs have been arranged in a reliable manner. The President & CEO is supported by the Executive Management Group.

Executive Management Group

As of the beginning of February 2011 the Executive Management Group comprises the President & CEO, the Senior Vice Presidents of Software Solutions and Services segments, the General Manager, Asia, the Senior Vice President Supply Chain, the Senior Vice President, Human Resources 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 segment's strategy issues, capital expenditure, product policy, Group structure and control systems, and supervises the company's operations. Information of the members of the Executive Management Group is presented on the company's website at the address www.glaston.net.

Insider administration

In addition to statutory insider regulations, Glaston complies with the insider guidelines for listed companies of NASDAQ OMX Helsinki Ltd as well as the regulations and guidelines of the Finnish Financial Supervisory Authority.

Glaston's permanent insiders include the statutory insiders, namely the Board of Directors, the President & CEO and the responsible auditor. In addition to these, other 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 other management and 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 the Group's Communications Department, 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.

Auditing

The company has one auditor, which must be an auditing firm authorised by the Finnish Central Chamber of Commerce. The Annual General Meeting elects the auditor to audit the accounts for the financial year, and the auditor's duties cease at the close of the subsequent Annual General Meeting. The auditor's duty is to audit the consolidated and parent company financial statements and accounting as well as the parent company's governance, and to give reasonable assurance that the financial statements and the Board of Directors' Review 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.

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 the Group's risk management guidelines. 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 regularly 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 result of risk management processes annually to the Board of Directors.

Segment and Group-level risk management is included in the annually repeated Group-wide risk management

process. The process can also be initiated during the year 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 Board of Directors' Re-

view on page 8. 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 34.

Corporate Governance in 2010 Annual General Meeting

Glaston's Annual General Meeting, held on 13 April 2010, confirmed the financial statements and discharged the President & CEO and the Members of the Board of Directors from liability for financial year 2009. All documents relating to the Annual General Meeting are available on the company's website www.glaston.net.

Composition of the Board of Directors

The 2010 Annual General Meeting elected the following to the company's Board of Directors:

Andreas Tallberg b. 1963, M.Sc.[Econ.] - Chairman of the Board since 2007
Independent of the company. Chairman of the Board of Directors of GWS Trade Oy, a significant shareholder, and Managing Director of Oy G.W.Sohlberg Ab, a significant shareholder
Share ownership on 31.12.2010: no shares

Main occupation:	Oy G.W. Sohlberg Ab, Managing Director since 2007
Primary work experience:	Senior Partner, EQT, 1997-2006; President, MacAndrews & Forbes International, 1992-1995; Director, Business Development, Amer Group, 1987-1991
Key positions of trust:	Chairman of the Board, Detection Technology Oy; Chairman of the Board, StaffPoint Oy; Member of the Board, Svenska Handelsbanken AB (publ), Finnish branch; Member of the Board, Mylykoski Oy; Deputy Chairman of the Board, Perlos Plc; Member of the Board, Salcomp Plc; Chairman of the Board, Nissala Oy; Member of the Board, Oy Frank media Ab

Christer Sumelius b. 1946, M.Sc.[Econ.] - Deputy Chairman of the Board since 1995
Dependent of the company, independent of significant shareholders
Share ownership on 31.12.2010: 2,624,200 shares, including shares owned by related parties

Main occupation:	Chairman of the Board, Oy Investsum Ab since 1984
Primary work experience:	Managing Director, Se-Center Oy 1987-2007; Director, Graphex GmbH 1979-1988; Chairman, Pyramid Advertising Co. Ltd. (Lagos), 1983-1985; Managing Director Pyramid Paper Products Ltd. (Lagos) 1982-1984; Director, Pyramid Inks Manufacturing Co. Ltd. (Lagos) 1981-1985; Area Representative, Finska Papperbruks-föreningen, Finnppap (Singapore) 1980-1981
Key positions of trust:	Chairman of the Board, Oy Investsum Ab; Member of the Board, Tecnotree Corporation; Member, The Finnish Association of Professional Board Members; Member of the Board, Chemdyes Sdn. Bhd. Penang (Malaysia); Member of the Board, Xemet Oy; Member of the Board, Nikolai Sourcing Ltd.; Member of the Board, I-Hygiene Solutions (Malaysia)

Klaus Cawén b. 1957, Master of Laws, LL.M. - Member of the Board since 2004
Independent of the company, independent of significant shareholders
Share ownership on 31.12.2010: 6,000 shares

Main occupation: M&A and Strategic Alliances, Russia and Legal Affairs, Member of the Executive Board, KONE Corporation, since 1991

Primary work experience: Member of the Executive Board, KONE Corporation since 1991; employed by KONE Corporation since 1983

Key positions of trust: Member of the Board, Oy Karl Fazer Ab; Member of the Board, Toshiba Elevator and Building Systems Corporation (Japan); Member of the Board, Sponda Plc

Carl-Johan Rosenbröijer b. 1964, Dr.Sc.(Econ.) - Member of the Board since 1996
Dependent on the company, independent of significant shareholders
Share ownership on 31.12.2010: 12,600 shares

Main occupation: Senior Teacher, Arcada University of Applied Sciences since 2003

Primary work experience: Senior Consultant, Head Consulting Oy 2001-2003; Teacher and Researcher, Svenska handelshögskolan 1990-2001; Teacher, University of Oulu 2001-2003.

Key positions of trust: Member of the Board, Ekonomiska Samfundet i Finland

Claus von Bonsdorff b. 1967, M.Sc.(Eng.), M.Sc.(Econ.) - Member of the Board since 2006
Independent of the company, independent of significant shareholders
Share ownership on 31.12.2010: 122,600 shares

Main occupation: Head of Strategy, Business Development and Marketing, Nokia Siemens Networks since 2007

Primary work experience: Management positions, Nokia Siemens Networks since 2007; expert and management positions, Nokia Plc 1994-2007

Key positions of trust: -

Jan Lång b. 1957, M.Sc.(Econ.) - Member of the Board since 2008
Independent of the company, independent of significant shareholders
Share ownership on 31.12.2010: no shares

Main occupation: President & CEO, Ahlstrom Corporation since 2008

Primary work experience: President & CEO, Uponor Group 2003-2008; several management positions, Huhtamäki Group 1982-2003

Key positions of trust: -

Teuvo Salminen b. 1954, M.Sc.(Econ.), APA - Member of the Board since 2010
Independent of the company, independent of significant shareholders
Share ownership on 31.12.2010: no shares

Main occupation: CapMan Plc, Advisor, 2010

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

Key positions of trust: Deputy Chairman of the Board, CapMan Plc; Chairman of the Board, Holiday Club Resorts Oy; Chairman of the Board, Havator Oy; Member of the Board, Cargotec Plc; Member of the Board, Evli Bank Plc; Member of the Board, Tieto Corporation

Remuneration of Board of Directors

The 2010 Annual General Meeting approved annual remuneration to the Chairman of the Board of Directors amounting to EUR 40,000, to the Deputy Chairman EUR 30,000 and to other Members 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 in 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 31 of the consolidated financial statements and in a separate salaries and bonuses report.

In 2010 Glaston's Board of Directors held 17 meetings, of which 8 were via telephone conference. The attendance of Members of the Board at meetings was 92%.

Remuneration of the President & CEO and the Executive Management Group

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 share-based incentive scheme (variable salary component) 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, the business area's or business unit's result as well as personal targets agreed with supervisors at the beginning of the year. The maximum amount of the President & CEO's annual bonus is 50% of annual salary. For the members of the Executive Management Group, the maximum amount of annual bonus is 40% of annual salary.

President & CEO and Executive Management Group

The company's President & CEO in 2010 was Arto Metsänen. At the end of 2010, the Executive Management Group had 8 members. The Executive Management Group had 12 meetings in 2010.

Arto Metsänen b. 1956, M.Sc.(Eng.)

President & CEO and Chairman of the Executive Management Group since 1 September 2009

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

Tapio Engström b. 1963, M.Sc.(Econ.)

Chief Financial Officer

Employed by the company and Member of the Executive Management Group since 1 July 2010

Primary work experience: Chief Financial Officer, CPS Color Holding Oy 2009-2010; SVP Business Development, Vaisala Plc 2007-2008; Chief Financial Officer, Aspocomp Group Plc 2006-2007; Chief Financial Officer, Vaisala Plc 2002-2006; Regional Finance Manager, USA, Vaisala Inc 2000-2002; Andritz Oy, Business Controller, Service, 1998-2000; Asko Kodinkone Oy, Financial Manager, 1994-1998; Tunturiyörä Oy, several financial positions 1990-1994

Topi Saarenhovi b. 1967, M.Sc.(Eng.)

Senior Vice President, Machines segment

Employed by the company and Member of the Executive Management Group from 2007 to 31 January 2011

Primary work experience: President & CEO, Amomatic Oy 2004-2007; Vice President, Amomatic Oy 2003-2004; Plant Manager, Wärtsilä Plc, Turku 2002-2003; Production Management Positions, Wärtsilä Plc, Turku 1996-2001

Günter Befort b. 1954, B.Sc.(Eng.)

Senior Vice President, Software Solutions segment

Employed by the company and member of the Executive Management Group since 2007

Primary work experience: Over 35 years in the glass industry, of which the last 20 years at Albat+Wirsam

Juha Liettyä s. 1958, B.Sc.(Eng.)

Senior Vice President, Services segment

Employed by the company since 1986, Member of the Executive Management Group since 2007

Primary work experience: Glaston, Quality and business development director 2008-2009; VP Technology, Kyro Corporation 2003-2007; Managing Director, Tamglass Engineering Ltd. Oy 1999-2003; Several management positions, Tamglass Ltd. Oy 1991-2003; Maintenance Manager, Tamglass Engineering Ltd. Oy 1989-1991; Project Engineer, Tamglass Engineering Ltd. Oy 1986-1989

Frank Chengdong Zhang b. 1968, EMBA

General Manager, Asia

Employed by the company since 2008, Member of the Executive Management Group since 2010

Primary work experience: Product Group Manager, GE Motors & Fixtures, GE Lighting Asia 2002-2008; Marketing Development Manager, GE Motors & Fixtures, Asia 1999-2002; Sales Manager, GE Motors & Fixtures, Asia 1997-1999; Market Developer, GE Motors & Fixtures, Asia 1994-1997; Product Manager, Shanghai Ship and Shipping Institute

In addition, the President & CEO has a separate share bonus scheme, on the basis of which he received one year after the start of his employment relationship, i.e. on 3 September 2010, 50,000 Glaston Corporation shares as well as cash to the sum required for the taxes and tax-related payments arising from the distributed shares on the date that the shares were awarded. The awarded shares cannot be conveyed or otherwise used within two years of the date they were awarded.

The President & CEO's period of notice is three months. In addition, the President & CEO is paid 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 has the right to terminate his employment contract with 1 month's notice, in which case he is 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 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.

On 9 June 2010, Glaston's Board of Directors decided on a new share-based incentive scheme for the Group's key personnel. The scheme has one performance period covering 2010 and 2011, with the performance criterion being the development of the Group's operating profit.

The performance criterion consists of the following operating profit percentages calculated on 2011 net sales: Minimum level +4%, target level +6% and maximum level +10%.

Any bonus will be paid after the result for 2011 is published in spring 2012. The target group for the scheme will consist during the performance period of at most 12 people.

On the basis of the scheme, a maximum total gross number of approximately 2.5 million Glaston shares can be distributed. Any income taxes and other statutory payments arising from the payment of the bonus will be deducted from the gross number of shares before their distribution.

Tapani Lankinen b. 1968, M.A.

Senior Vice President, Human Resources

Employed by the company and Member of the Executive Management Group since 4 October 2010

Primary work experience: VP, Human Resources, EMEA, Cargotec Plc, 2008-2010; Head of HRD, MEA, Nokia Siemens Network, 2007-2008; Human Resources management positions, Nokia Plc 2004-2007; Consultant, Mercuri Urval, 1998-2004

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

Senior Vice President Supply Chain

Employed by the company and Member of the Executive Management Group since 1 August 2010

Primary work experience: President & CEO, partner, Swot Consulting Finland Oy 1998-2010; Area Sales Director, Tamrock Region Europe 1993-1998; Product Management, Tamrock Oy 1991-1993; Production Management positions, Tamrock Oy 1982-1991

Auditing

At the 2010 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 2010 the Group's auditing costs totalled EUR 390 thousand of which Ernst & Young received EUR 212 thousand. Ernst & Young Oy's auditing expenses for the audit for financial year 2010 totalled EUR 385 thousand. In addition, auditing units belonging to Ernst & Young have provided other services to companies belonging to the Glaston Group to a value of EUR 116 thousand.

Salaries and bonuses paid to the Group's Executive Management Group	2010	2009
EUR		
President & CEO Arto Metsänen ¹⁾		
Salary	316,920	105,580
Share-based incentive scheme, paid in cash	70,312	-
Share-based incentive scheme, value of shares awarded	65,500	-
Total salary	452,732	105,580
Fringe benefits	19,080	6,420
Total	471,812	112,000
Statutory pension contributions (TyEL or similar scheme)	54,768	6,048
Voluntary pension contributions	61,844	-
¹⁾ as of 1 September 2009		
Other Executive Management Group, total		
Salary	1,140,288	1,155,624
Severance pay	327,161	425,036
Performance bonuses	44,819	124,322
Total salary	1,512,268	1,704,982
Fringe benefits	81,058	74,573
Total	1,593,326	1,779,555
Statutory pension contributions (TyEL or similar scheme)	163,143	132,802
Voluntary pension contributions	20,515	3,000

Board of Directors and Executive Management Group Share ownership 31 December 2010

Cawén, Klaus	6,000	Befort, Günter	-
Lång, Jan	-	Engström, Tapio	-
Rosenbröijer, Carl-Johan	12,600	Huuhka, Pekka	-
Salminen, Teuvo	-	Lankinen, Tapani	-
Sumelius, Christer	2,624,200	Liettyä, Juha	-
Tallberg, Andreas	-	Metsänen, Arto	50,000
von Bonsdorff, Claus	122,600	Saarenhovi, Topi	8,225
		Zhang, Frank	-

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand

		at 31 December	
	Note	2010	2009
Assets			
Non-current assets			
Goodwill	13,15	52,598	58,403
Intangible assets	15	18,762	19,671
Property, plant and equipment	16	19,549	24,673
Holdings in associates and joint ventures	17	47	396
Available-for-sale financial assets	18	331	335
Loan receivables	20	4,480	5,935
Deferred tax assets	12	8,866	8,467
Total non-current assets		104,634	117,880
Current assets			
Inventories	19	27,910	37,398
Assets for current tax	12	801	3,602
Trade and other receivables	20	43,092	52,228
Cash and cash equivalents			
Cash		15,670	15,556
Non-current assets held for sale	14	2,811	-
Total current assets		90,284	108,784
Total assets		194,917	226,664
Equity and liabilities			
Equity			
Share capital		12,696	12,696
Share premium account		25,270	25,270
Other reserves		1	1
Reserve for invested unrestricted equity		102	209
Treasury shares	4	-3,308	-3,518
Fair value reserve		47	46
Retained earnings and exchange differences		36,274	87,914
Net result attributable to owners of the parent		-31,939	-53,590
Attributable to owners of the parent		39,142	69,027
Non-controlling interest		337	323
Total equity		39,479	69,351
Non-current liabilities			
Convertible bond	23	26,199	20,144
Non-current interest-bearing liabilities	23	47	4,726
Non-current interest-free liabilities	25	54	262
Non-current provisions	24	2,701	3,899
Deferred tax liabilities	12	4,705	6,613
Defined benefit pension and other defined long-term employee benefit liabilities	22	1,540	3,173
Total non-current liabilities		35,247	38,817
Current liabilities			
Current interest-bearing liabilities	23	61,409	54,409
Current provisions	24	6,951	9,798
Trade payables and other current interest-free liabilities	25	48,187	53,249
Liabilities for current tax	12	835	1,040
Liabilities related to non-current assets held for sale	14	2,811	-
Total current liabilities		120,191	118,496
Total liabilities		155,438	157,313
Total equity and liabilities		194,917	226,664

CONSOLIDATED INCOME STATEMENT

EUR thousand

	Note	1 January-31 December	
		2010	2009
Net sales	5	149,438	151,769
Other operating income	8	891	1,125
Changes in inventories of finished goods and work in process		-9,706	-18,796
Own work capitalized		13	-
Materials	9	-46,433	-44,566
Personnel expenses	10	-57,306	-70,843
Other operating expenses	9	-46,835	-51,596
Share of results of joint ventures and associates	17	-442	-1,536
Depreciation, amortization and impairment charges	13	-14,540	-20,851
Operating profit / loss		-24,921	-55,293
Financial income	11	3,120	2,230
Financial expenses	11	-10,009	-4,578
Net financial expenses		-6,889	-2,348
Profit / loss before income taxes		-31,810	-57,641
Income tax expense	12	-152	4,002
Profit / loss for the year		-31,962	-53,639
Attributable to non-controlling interest		-23	-49
Attributable to owners of the parent		-31,939	-53,590
Total		-31,962	-53,639
Earnings per share, EUR, basic		-0.41	-0.68
Earnings per share, EUR, diluted		-0.41	-0.68
Net result attributable to owners of the parent, EUR thousand		-31,939	-53,590
Average number of shares (1,000 shares)		78,527	78,522
Earnings per share (EPS), EUR, basic and diluted		-0.41	-0.68

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand

	1 January-31 December	
	2010	2009
Profit / loss for the period	-31,962	-53,639
Other comprehensive income		
Total exchange differences on translating foreign operations	1,029	-743
Fair value changes of available-for-sale assets	2	18
Income tax on other comprehensive income	0	-5
Other comprehensive income for the year, net of tax	1,031	-730
Total comprehensive income for the year	-30,932	-54,369
Attributable to:		
Owners of the parent	-30,945	-54,320
Non-controlling interest	13	-49
Total comprehensive income for the year	-30,932	-54,369

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR thousand

	Share capital	Share premium account	Other reserves	Reserve for invested unrestricted equity	Fair value reserve	Treasury shares	Retained earnings	Cumulative exchange difference	Attributable to owners of the parent	Non-controlling interest	Total equity
Equity 1 January, 2009	12,696	25,270	-	177	33	-3,487	89,569	-537	123,721	50	123,771
Total comprehensive income for the year	-	-	-	-	13	-	-53,590	-743	-54,320	-49	-54,369
Changes in non-controlling interest	-	-	-	-	-	-	50	-	50	323	372
Disposal of treasury shares	-	-	-	32	-	-32	-	-	-	-	-
Reversal of unpaid dividends	-	-	-	-	-	-	15	-	15	-	15
Share-based incentive plan	-	-	-	-	-	-	69	-	69	-	69
Share-based incentive plan, tax effect	-	-	-	-	-	-	-18	-	-18	-	-18
Other changes	-	-	1	-	-	-	-1	-	-	-	-
Equity part of convertible bond	-	-	-	-	-	-	3,437	-	3,437	-	3,437
Dividends paid	-	-	-	-	-	-	-3,927	-	-3,927	-	-3,927
Equity 31 December, 2009	12,696	25,270	1	209	46	-3,518	35,604	-1,280	69,027	323	69,351

	Share capital	Share premium account	Other reserves	Reserve for invested unrestricted equity	Fair value reserve	Treasury shares	Retained earnings	Cumulative exchange difference	Attributable to owners of the parent	Non-controlling interest	Total equity
Equity 1 January, 2010	12,696	25,270	1	209	46	-3,518	35,604	-1,280	69,027	323	69,351
Total comprehensive income for the year	-	-	0	-	1	-	-31,939	993	-30,945	13	-30,932
Reversal of unpaid dividends	-	-	-	-	-	-	5	-	5	-	5
Share-based incentive plan	-	-	-	-145	-	210	232	-	297	-	297
Share-based incentive plan, tax effect	-	-	-	38	-	-	-60	-	-23	-	-23
Equity part of convertible bond	-	-	-	-	-	-	780	-	780	-	780
Equity 31 December, 2010	12,696	25,270	1	102	47	-3,308	4,622	-285	39,142	337	39,479

DISTRIBUTABLE EQUITY OF THE PARENT (FAS)

EUR thousand

	2010	2009
Reserve for invested unrestricted equity [†]	102	209
Retained earnings	50,948	55,520
Treasury shares	-3,308	-3,518
Net profit / loss for the period	-4,371	-4,578
Total	43,371	47,633
Dividend per share, EUR	0.00	0.00

[†]Reserve for invested unrestricted equity can not be distributed as dividends

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand

	1 January-31 December	
	2010	2009
Cash flows from operating activities		
Net result attributable to owners of the parent	-31,939	-53,590
Adjustments to net result attributable to owners of the parent ⁽¹⁾	9,190	5,064
Depreciation, amortization and impairment	14,540	20,851
Interest received	720	703
Interest paid	-5,099	-2,341
Dividends received	7	5
Other financing items	-1,290	-1,957
Income taxes paid	146	1,466
Cash flows from operating activities before change in net working capital	-13,725	-29,799
Change in net working capital		
Change in inventories	3,849	10,689
Change in current receivables	3,921	29,375
Change in interest-free current liabilities	-5,038	-11,464
Change in net working capital, total	2,731	28,600
Cash flows from operating activities	-10,994	-1,200
Cash flows from investing activities		
Business combinations less of acquired cash and cash equivalents	-15	-530
Capital expenditure in property, plant and equipment and intangible assets	-4,372	-6,450
Investments in joint ventures	-203	-2,000
Other	-	98
Proceeds from sale of investments in joint ventures	400	-
Proceeds from sale of property, plant and equipment and intangible assets	670	1,390
Cash flows from investing activities	-3,520	-7,491
Cash flow before financing	-14,514	-8,691
Cash flows from financing activities		
Draw-down of non-current loans	6,248	23,750
Repayments of non-current loans	-1,201	-11,857
Change in non-current loan receivables (decrease +, increase -)	-67	-
Draw-down of current loans	50,081	142,418
Repayments of current loans	-44,533	-139,259
Dividends paid	-	-3,923
Other financing	1,358	1,220
Cash flows from financing activities	11,887	12,349
Effect of exchange rate fluctuations	2,742	375
Net increase (- decrease) in cash and cash equivalents	114	4,033
Cash and cash equivalents at end of period	15,670	15,556
Cash and cash equivalents at beginning of period	15,556	11,524
Net increase (- decrease) in cash and cash equivalents	114	4,033

⁽¹⁾ 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).

SUPPLEMENTAL INFORMATION FOR STATEMENT OF CASH FLOWS

EUR thousand

	1 January-31 December	
	2010	2009
<u>Business combinations</u>		
Unpaid part of the purchase consideration recorded in liabilities	-	-
Purchase consideration of acquisitions made in previous years	-15	-530
Cash flow on acquisitions net of cash acquired	-15	-530
<u>Acquired net assets</u>		
Property, plant and equipment, intangible assets and shares	-	-
Goodwill	-	-
Total net assets of business combinations	-	-
Purchase consideration of acquisitions made in previous years	-15	-530
Cash flow on acquisitions net of cash acquired	-15	-530

PER SHARE DATA

	2010	2009	2008
Earnings per share, basic and diluted, EUR	-0.41	-0.68	-0.12
Dividend per share, EUR ⁽¹⁾	0.00	0.00	0.05
Dividend payout ratio, % ⁽¹⁾	-	-	-43.0%
Dividend yield ⁽¹⁾	-	-	5.5%
Equity attributable to owners of the parent per share, EUR	0.50	0.88	1.58
Price per earnings per share (P/E) ratio	-2.8	-1.6	-7.8
Price per equity attributable to owners of the parent per share	2.27	1.23	0.58
Dividends paid, EUR million ⁽¹⁾	0.0	0.0	3.9
Number of shares at the end of the year	79,350,000	79,350,000	79,350,000
Number of shares at the end of the year, treasury shares excluded	78,561,418	78,511,418	78,540,207
Weighted average number of shares, treasury shares excluded	78,527,308	78,522,224	78,507,338
Weighted average number of shares, excluding treasury shares, dilution effect of the convertible bond taken into account	100,879,784	89,143,077	78,507,338
Share price and turnover			
Share price, year high, EUR	1.65	1.44	3.33
Share price, year low, EUR	0.80	0.92	0.87
Share price, volume-weighted year average, EUR	1.17	1.18	2.07
Share price, end of year, EUR	1.13	1.08	0.91
Number of shares traded (1,000)	15,419	7,033	3,965
% of average number of shares	19.6%	9.0%	5.1%
Market capitalization, end of year, EUR million	88.8	84.8	71.5

⁽¹⁾ The 2010 dividend is the Board of Directors' proposal to the Annual General Meeting.

FINANCIAL RATIOS

EUR thousand

	2010	2009	2008
Income statement and profitability			
Net sales	149,438	151,769	270,419
Operating profit / loss	-24,921	-55,293	-6,107
% of net sales	-16.7%	-36.4%	-2.3%
Operating profit / loss, non-recurring items excluded	-11,269	-33,647	6,191
% of net sales	-7.5%	-22.2%	2.3%
Financial income and expenses (net)	-6,889	-2,348	-1,978
% of net sales	4.6%	1.5%	0.7%
Result before income taxes and non-controlling interests	-31,810	-57,641	-8,085
% of net sales	-21.3%	-38.0%	-3.0%
Income taxes	-152	4,002	-1,091
Net profit / loss attributable to owners of the parent	-31,939	-53,590	-9,134
% of net sales	-21.4%	-35.3%	-3.4%
Return on capital employed (ROCE), %	-19.0%	-32.1%	-2.3%
Return on equity, %	-58.7%	-55.5%	-7.0%
Research and development expenses	9,791	13,556	14,430
% of net sales	6.6%	8.9%	5.3%
Gross capital expenditure	4,577	8,452	18,432
% of net sales	3.1%	5.6%	6.8%
Orderbook, EUR million	42.1	45.5	62.5
Statement of financial position and solvency			
Property, plant and equipment and intangible assets	38,311	44,344	57,550
Goodwill	52,598	58,403	66,183
Non-current assets total	104,634	117,880	132,862
Equity attributable to owners of the parent	39,142	69,027	123,721
Equity (includes non-controlling interest)	39,479	69,351	123,771
Liabilities	155,438	157,313	162,159
Total assets	194,917	226,664	285,930
Capital employed	127,134	148,629	193,206
Net interest-bearing debt	74,596	63,723	57,911
Equity ratio, %	22.1%	33.1%	45.8%
Gearing, %	228.6%	114.3%	56.1%
Net gearing, %	189.0%	91.9%	46.8%
Personnel			
Personnel, average	1,028	1,344	1,519
Personnel, at the end of the period	957	1,160	1,541
in Finland	179	227	440

DEFINITIONS OF KEY RATIOS

Per Share Data

Earnings per share (EPS)

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

Diluted earnings per share

Net result attributable to owners of the parent adjusted with the result effect of the convertible bond
Adjusted average number of shares, dilution effect of the convertible bond taken into account

Dividend per share

Dividends paid
Adjusted number of issued shares at end of the period

Dividend payout ratio

Dividend per share x 100
Earnings per share

Dividend yield

Dividend per share x 100
Share price at end of the period

Equity attributable to owners of the parent per share

Equity attributable to owners of the parent at end of the period
Adjusted number of shares at end of the period

Financial Ratios

EBITDA

Profit / loss before depreciation, amortization and impairment, share of joint ventures' and associates' results included

Operating result (EBIT)

Profit / loss after depreciation, amortization and impairment, share of joint ventures' and associates' results included

Operating result (EBIT) excluding non-recurring items

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

Cash and cash equivalents

Cash + other financial assets

Net interest-bearing debt

Interest-bearing liabilities - cash and cash equivalents

Financial expenses

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

Average trading price

Shares traded (EUR)
Shares traded (volume)

Price per earnings per share (P/E)

Share price at end of the period
Earnings per share (EPS)

Price per equity attributable to owners of the parent per share

Share price at end of the period
Equity attributable to owners of the parent per share

Share turnover

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

Market capitalization

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

Number of shares at period end

Number of issued shares - treasury shares

Equity ratio, %

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

Gearing, %

Interest-bearing liabilities x 100
Equity (Equity attributable to owners of the parent + non-controlling interest)

Net gearing, %

Net interest-bearing debt x 100
Equity (Equity attributable to owners of the parent + non-controlling interest)

Return on capital employed, % (ROCE)

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

Return on equity, % (ROE)

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

Notes to the Consolidated Financial Statements

NOTE 1

Summary of Significant Accounting Policies

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 Hämeenkyrö, Finland. From 1 January, 2011 Glaston's shares have been publicly traded in the NASDAQ OMX Helsinki Ltd. Small Cap in Helsinki, Finland. In 2010, Glaston's share was publicly traded in NASDAQ OMX Helsinki Ltd. Mid Cap. Glaston Corporation is the parent of Glaston Group and its registered office is at Vehmaistenkatu 5, 33730 Tampere, Finland. The name of the parent company changed from Kyro Corporation to Glaston Corporation on 1 June, 2007.

Glaston Group is an international glass technology company. Glaston is a global market leader of glass processing machines. Its product range and service network are the most extensive in the industry. Glaston's well-known brands are Bavelloni in pre-processing machines and tools, Tamglass and Uniglass in safety glass machines as well as Albat+Wirsam in glass industry software. The operations of the Glaston Group are organized in three reportable segments, which are Machines, Services and Software Solutions. Supporting activities include head office operations.

The Board of Directors of Glaston Corporation has in its meeting on 1 March, 2011, 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, 2010:

- IFRS 3 (revised) Business Combinations
- Amendments to IAS 27 Consolidated and Separate Financial Statements
- IFRS 2 Share-based Payments - Group Cash-settled Share-based Payment Transactions

In addition, Glaston has applied the annual Improvements to IFRSs issued in April 2009.

In accordance with the revised IFRS 3 standard all acquisition-related costs arising from the business combinations made after 1 January, 2010 are recognized in profit or loss and not capitalized as a part of the purchase consideration, as previously has been done. In addition, all consideration transferred in the business combination is measured at the acquisition date fair value, and liabilities classified as contingent consideration are subsequently measured at fair value with any resulting gain or loss recognized in profit or loss. For each business combination it is possible to choose, whether the non-controlling interest will be measured at fair value or as the non-controlling interest's proportionate share of the acquiree's net assets. This choice affects the goodwill arising from the business combination.

In accordance with the revised IAS 27 standard, 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. Also, in accordance with the revised standard, total comprehensive income is attributed also to non-controlling interest even if this will result in the non-controlling interest having a deficit balance.

The change of IAS 36 Impairment of Assets included in the annual improvements of IFRSs changed the allocation of goodwill in Glaston. Previously goodwill was allocated to reportable segments aggregated from operating segments. According to the change in the standard, the unit to which the goodwill can be allocated cannot be larger than an operating segment before it is aggregated to be a part of a reportable segment.

Other new or amended standards or interpretations applicable from 1 January, 2010 are not material for Glaston Group.

Glaston will apply the following new or revised or amended standards and interpretations from 1 January, 2011:

- IAS 24 (revised) Related Party Disclosures
- Amendments to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues
- Amendment to IFRIC 14 IAS 19 Prepayments of a Minimum Funding Requirement
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IAS 24 (revised) Related Party Disclosures standard shall be applied for annual periods beginning on or after 1 January, 2011. The application is retrospective.

Amendments to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues shall be applied for annual periods beginning on or after 1 February, 2010.

Amendment to IFRIC 14 IAS 19 Prepayments of a Minimum Funding Requirement shall be applied for annual periods beginning on or after 1 January, 2011. The application is retrospective.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments shall be applied for annual periods beginning on or after 1 July, 2010.

In addition, Glaston will apply the annual Improvements to IFRSs issued in May 2010. These will affect mainly the disclosure information in Glaston's consolidated financial statements. These improvements shall be mainly applied for annual periods beginning on or after 1 January, 2011.

The change of IFRS 3 Business Combinations included in the annual improvements of IFRSs changes the measurement of non-controlling interest. For each business combination it is possible to choose, whether the non-controlling interest will be measured at fair value or as the non-controlling interest's proportionate share of the acquiree's net assets. This choice affects the goodwill arising from the business combination. In accordance with the improvement, the choice is possible only for the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other components of non-controlling interests, such as options, are measured at their acquisition-date fair value.

Other new or amended standards or interpretations applicable from 1 January, 2011 are not material for Glaston Group.

Glaston will apply the following new or revised or amended standards and interpretations from 1 January, 2012, if EU has approved them:

- Amendment to IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets

The amendment shall be applied for annual periods beginning on or after 1 July, 2011. The amendment increases the disclosure requirements of transfers and derecognition of financial assets. The amendment does not have material effect on Glaston's consolidated financial statements.

Glaston will apply the following new or revised or amended standards and interpretations from 1 January, 2013, if EU has approved them:

- IFRS 9 Financial Instruments, Part 1
- Amendment to IFRS 9 Financial Instruments – Additions to Accounting for Financial Liabilities

The standards shall be applied for annual periods beginning on or after 1 July, 2013. IFRS 9 shall be applied retrospectively.

In accordance with the new IFRS 9 standard, financial assets, which are debt instruments, are measured after initial measurement at either amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial asset. Financial assets, which are equity instruments, are measured at fair value after initial measurement. Fair value changes of equity instruments are recognized in other comprehensive income, if the entity has elected to present the changes at fair value through other comprehensive income.

Financial liabilities are subsequently measured at amortized cost or at fair value through profit or loss. If the entity recognizes the liability at fair value through profit or loss, the fair value changes arising from changes in the liability's credit risk are recognized in other comprehensive income and they will not be reclassified to profit or loss.

The new IFRS 9 standard is estimated to not to have any material effect of Glaston's financial statements.

Consolidation Principles

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

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

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

All inter-company transactions are eliminated as part of the consolidation process. Unrealized gains arising from transactions with associates and joint ventures are elimi-

nated 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, joint ventures 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, a joint venture 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 foreign exchange contracts are determined using forward exchange market rates at the end of the reporting period. At the end of the reporting period 2010, Glaston had forward foreign exchange contracts and electricity forward contracts. At the end of the reporting period 2009, Glaston had no other derivatives than forward foreign exchange contracts.

Most of 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 are recognized

immediately in profit or loss. Group companies mainly hedge their sales in foreign currency as well as those orders received, for which there are firm commitments. The hedging instruments used are 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. In that case the changes in fair value of the derivatives are recognized in other comprehensive income net of tax, and included in hedging reserve in equity. Ineffective part of the hedge is recognized immediately in profit or loss. The cumulative gain or loss of the derivative recognized in other comprehensive income is reclassified from equity in profit or loss as a reclassification item in the same period in which the hedged item affects profit or loss. Hedge accounting was not applied during the reporting periods 2010 and 2009.

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 2009 or 2010.

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 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 term. 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, 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.

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 joint ventures or associates as available-for-sale financial assets. Available-for-sale assets include also other non-current investments.

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 pe-

riod. 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, commercial papers, 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 is capitalized to the acquisition cost of the asset. The capitalization applies mainly to property, plant and equipment and intangible assets.

Glaston issued in February 2010 and in June 2009 convertible bonds. The convertible bonds are classified and recognized partly as equity and partly as a financial liability in accordance with IAS 32 Financial Instruments: Presentation. The fair value of the convertible bonds is presented in Note 26 to the consolidated financial statements. Even though the convertible bonds are listed, there weren't any transactions with the bonds in 2010 or 2009, so the fair value of the bonds has been measured using the pricing model used when the bonds were issued.

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, according to which 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 stage of completion is determined project-specifically as the ratio between the costs incurred and attributable to the work performed by the end of the reporting period and the total estimated costs of the project. Costs which are attributable to a project, for which revenue is not yet recognized, are included in inventories as unfinished construction contracts.

Pensions and Other Long-term Employee Benefits

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

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

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

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

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

For the defined benefit plans, costs are assessed using the projected unit credit

method. Under this method the cost is charged to profit or loss so as to spread over the service lives of employees.

Glaston records actuarial gains and losses of defined benefit plans using the so called corridor method, which means that actuarial gains and losses are recognized only to the extent that they exceed 10 percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets. If the actuarial gains and losses are recognized, they are recognized in profit or loss over the expected average remaining working lives of the employees participating in the plan.

Share-based Payments

Share-based Incentive Plans

The Board of Directors of Glaston Corporation decided on a new share-based incentive plan in June 2010. The plan has one earning period covering the years 2010 and 2011, and the earnings criterion is the development of the Group's operating profit. A possible award shall be paid after the release of the 2011 financial result in the spring 2012. There may be an aggregate gross maximum of approximately 2.5 million Glaston shares granted under the plan. Taxes and other statutory costs arising from the award will be deducted from the gross number of shares before share delivery.

The earlier share-based incentive plans of Glaston are a combination of shares and a cash payment. The persons involved in these share-based incentive plans are not allowed to transfer the shares within two years from date of the reward payment. This period is considered to be part of the vesting period of the plans.

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

The expenses arising from the incentive plans are recognized in profit or loss during the vesting period. The unpaid cash-settled part of the incentive plans is recorded as a liability in the statement of financial position and the part to be settled in shares is recognized 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. The share-based incentive plans are described in Note 30 to the consolidated financial statements.

Current and Deferred Taxes

The consolidated financial statements include current taxes, which are based on the taxable results of the group companies for

the reporting period together with tax adjustments for previous reporting periods, calculated in accordance with the local tax rules, and the change in the deferred tax liabilities and assets.

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

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

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

Non-recurring Items

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

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

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

Intangible Assets

Intangible asset is recognized in the balance sheet if its cost can be measured reliably and it is probable that the expected future

economic benefits attributable to the asset will flow to the Group. Intangible assets are stated at cost and amortized on a straight line basis over their estimated useful lives. Intangible assets with indefinite useful life are not amortized, but tested annually for impairment.

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

The estimated useful lives for intangible assets are as follows:

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

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

Borrowing costs are capitalized as part of the acquisition cost of intangible assets if the intangible assets are qualifying assets as defined in IAS 23 Borrowing Costs. In 2010 or 2009 Glaston did not have any qualifying assets, so no borrowing costs were capitalized in 2010 or 2009.

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 will be 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 reallocated to reportable segments in 2010. Previously the estimated benefits to the segments arising from the One-Stop-Partner sales had an effect on the goodwill allocated to the segments. Currently Glaston no longer markets the One-Stop-Partner concept, which has resulted in reallocation of goodwill between the reportable segments. In addition, the change of IFRS standards in the beginning of 2010 resulted in a change the allocation of goodwill. The goodwill, which was previously allocated to the Machines reportable segment, had to be reallocated to the operating segments within the Machines reportable segment (Heat Treatment, Pre-processing and Tools).

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 use-

ful lives. Ordinary maintenance and repair charges are expensed as incurred.

Borrowing costs are capitalized as part of the acquisition cost of tangible assets if the tangible assets are qualifying assets as defined in IAS 23 Borrowing Costs. In 2010 or 2009 Glaston did not have any qualifying assets, so no borrowing costs were capitalized.

Non-current Assets Held for Sale and Discontinued Operations

Non-current assets 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 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.

Also liabilities related to assets 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.

A discontinued operation is a segment or a unit representing a significant geographical area. A coordinated disposal plan has been prepared regarding the discontinued operation. The profit for the period attributable to the discontinued operation is presented separately in the consolidated income statement.

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 reporting period. 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 record-

ing 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 using a steady or declining growth rate. 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.

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.

Government Grants

Government or other grants are recognized 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 production plants and 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.

Segment Information

Glaston reorganized its businesses and re-determined its reportable segments in spring 2009 in accordance with its new operational model.

The reportable segments of Glaston are Machines, Services and Software Solutions. 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 aggre-

gated 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 statement.

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 judgement 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 receivables; recognition and measurement of deferred taxes; estimates of the amount and probability of provisions; actuarial assumptions used in defined benefit plans.

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

Dividends

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

Treasury Shares

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

Earnings per Share

Basic earnings per share are calculated by dividing the net result attributable to owners

of the parent by the weighted average number of shares outstanding during the year, excluding shares acquired by the Group and held as treasury shares.

When calculating diluted earnings per share, the net result attributable to owners of the parent is adjusted with the effect on profit or loss of the convertible bond and the weighted average number of shares outstanding during the year is adjusted by the effect of the convertible bond on the number of shares.

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 software licenses 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. For Software Solutions segment, orders received include binding undelivered software license orders as well as the net sales of software service.

Audit

Quarterly information as well as interim reports are not audited.

NOTE 2

Critical Accounting Estimates and Judgements and Assessment of Going Concern

When preparing financial statements, Glaston's management assesses Glaston's ability to continue as going concern. Glaston's management has no information of such events or circumstances which may cast significant doubt on Glaston's ability to continue as going concern regardless of the significant loss of the 2010 reporting period. Thanks to major restructuring programs and cost savings arising from them, Glaston's profitability is estimated to improve. At the end of the third quarter 2010, Glaston's loan covenants, EBITDA and net gearing would not have met the limits originally agreed in Glaston's revolving credit facility agreement, but Glaston agreed at that moment with its financial institutions that the covenant terms of the revolving credit facility agreement were not applied. Glaston's

financing has been secured with the new credit facility agreement which was signed in early 2011 before the financial statements were authorized for issue. If the covenants of the credit facility are breached, that will lead into negotiations with the lenders. These negotiations may lead into a situation where the liabilities shall become immediately due and payable.

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 13 to the consolidated financial statements.

In business combinations the net assets of the acquired companies are measured at fair value. In the case of a major acquisition, estimated fair values of property, plant and equipment and intangible assets acquired in an acquisition and their estimated useful lives may have a significant effect on Glaston's result and financial position.

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 2010, Glaston had EUR 10.0 (8.1) million of capitalized development expenditure in the statement of financial position.

Measurement of inventories and trade 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 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 inventory was at the end of the reporting period EUR 27.9 (37.4) million and the carrying amount of trade receivables was EUR 33.7 (40.9) 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 was EUR 8.9 (8.5) million and the carrying amount of deferred tax liabilities was EUR 4.7 (6.6) 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 provisions at the end of the reporting period were warranty provision, EUR 3.9 (4.9) million, and restructuring provision, EUR 4.3 (8.1) million. The management's estimate of the warranty provision is based on previous experience, and 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, the 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. Actual results, which differ from the initial estimates and assumptions, are recognized using the corridor method in profit or loss over the expected average remaining working lives of the employees participating in the plan. The annual result effect arising from the defined benefit plans is not material. The most significant defined benefit plan is the severance plans of Glaston's Italian subsidiary. The carrying amount of the liability of this plan was EUR 1.4 (3.0) million at the end of the reporting period.

Glaston divested in 2007 its Energy business. Part of the selling price of the Energy business was based on the management's estimate on the number of future emission right allowances to be received by the business and the use of these rights. This part was recognized as a non-current receivable from the buyer. The buyer amortizes the receivable annually during 5 years starting from 2009. The receivable was remeasured in the 2007 financial statements based on the fair value of the emission right allowances and on management's estimate of the number to be received. During the spring of 2008, the unit price of the emission right allowance was fixed by a contract. In the financial statements of 2010, management has estimated the number of the emission right allowances.

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 the income statement and financial position. Transaction risks arise from cash flows generated by purchase and sales activities while translation risks arise from converting items in the income statement 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. US dollar accounted for 14 percent of the total net sales in 2010; the proportional share was the same in 2009. Euro and US dollar together account for approximately 75 (83) percent of the Group's invoicing. Also other currencies such as Brazilian Real and Chinese Renminbi are used in invoicing but the amounts are not significant. Both of these currencies have increased their share of the invoicing compared with 2009.

The Group did not have major foreign

EUR million	Gross position	Change in currency rate	
		-10 percent	+ 10 percent
USD/EUR	4.3	0.5	-0.4
BRL/EUR	5.3	0.6	-0.5
CNY/EUR	-4.9	-0.5	0.4
GBP/EUR	0.4	0.0	-0.1
	5.1		

currency denominated loans at 31 December, 2010. 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. Hedging of foreign exchange risk is conducted in accordance with the Treasury Policy and the group companies are responsible for reporting their respective positions. Net positions vary greatly between different group companies. These net positions are hedged mainly with forward contracts up to a maximum of 12 months ahead. 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 percent 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, 2010. The analysis takes into consideration the impact of foreign exchange derivatives, which offsets the effects of changes in foreign exchange rates.

In the table above 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.

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 parent's interest bearing liabilities has been used. It is maintained within the limits set by the Board of Directors of Glaston Corporation. The average interest fixing term at the end of 31 December, 2010 was 17.0 months in comparison to 20.3 months at the end of the previous year.

On 31 December, 2010, the Group's

interest-bearing net debt consisted mainly from use of revolving credit facilities and of the convertible bonds issued in 2010 and 2009.

For the sensitivity analysis as defined by IFRS 7, a possible +/-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, 2010, is EUR -0.5 / +0.3 (-0.4 / +0.2) million.

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 2010, 10.3 (14.0) percent of Group's trade receivables were secured by guarantees. The carrying amounts of financial assets 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 collection on trade receivables and credit risk manage-

ment have been enhanced in 2010 by launching a net working capital improvement program and by re-organizing the follow-up of the Group's trade receivables globally.

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 on 31 December, 2010, was EUR 33.7 (40.9) million. Of this amount the receivables, which would have been past due but which have been renegotiated, was EUR 0.4 (1.9) million.

Ageing analysis and changes in allowance account of trade receivables are presented in Note 20 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 management of liquidity risk are the unused credit facilities. Group Treasury reports the changes in the unused credit facilities on a monthly basis to the management and to the Board of Directors of Glaston Corporation.

Group's funding is mainly organized by using committed credit facilities together with the convertible bonds issued in 2010 and 2009. The most significant of the committed credit facilities is the EUR 56.9 million revolving credit facility. The convertible bonds are due in 2014. In 2010 EUR 6.3 million and in 2009 EUR 23.8 million of the convertible bond were subscribed. In addition, the Group has a EUR 50.0 million commercial paper programme which was not in use

at 31 December, 2010.

At the end of the third quarter 2010, Glaston's loan covenants, EBITDA and net gearing would not have met the limits originally agreed in Glaston's revolving credit fa-

cility agreement, but Glaston agreed at that moment with its financial institutions that the covenant terms of the revolving credit facility agreement were not applied. Negotiations with the financial institutions on the

renewal of existing financing agreements were completed before the financial statements were authorized for issue.

Committed credit facilities

EUR million	In use	Unused	Total
Committed credit facilities 31.12.2010	51.9	5	56.9
Committed credit facilities 31.12.2009	42	32	74

Maturity analysis of financial liabilities 31 December, 2010

EUR thousand

Maturity of financial liabilities	Carrying amount	Contractual cash flows	Maturing in		
			< 12 months	1-2 years	> 2 years
Financial of financial liabilities					
Secured credit facilities	51,865	52,461	52,461	-	-
Unsecured credit facilities	9,500	10,097	10,097	-	-
Other interest-bearing loans	91	94	47	47	-
Convertible bond and commercial papers	26,199	40,191	2,100	2,100	35,991
Finance lease liabilities	-	-	-	-	-
Trade payables	10,375	10,375	10,375	-	-
Other liabilities	16,898	16,898	16,474	424	-
Forward contracts					
inflow	431	431	431	-	-
outflow	414	414	414	-	-
Guarantees					
on behalf of own commitments	-	674	674	-	-
on behalf of others	-	154	33	52	69

Finance leasing liabilities have been reclassified to liabilities related to non-current assets held for sale.

Maturity analysis of financial liabilities 31 December, 2009

Maturity of financial liabilities	Carrying amount	Contractual cash flows	Maturing in		
			< 12 months	1-2 years	> 2 years
Financial of financial liabilities					
Secured credit facilities	41,865	42,823	42,823	-	-
Unsecured credit facilities	10,841	11,175	9,532	470	1,473
Other interest-bearing loans	64	71	29	34	8
Convertible bond and commercial papers	23,636	35,567	5,163	1,663	28,741
Finance lease liabilities	2,872	3,765	576	537	2,652
Trade payables	11,847	11,847	11,847	-	-
Other liabilities	2,758	2,758	2,505	54	199
Forward contracts					
inflow	2,694	2,694	2,694	-	-
outflow	2,694	2,694	2,694	-	-
Guarantees					
on behalf of own commitments	-	560	560	-	-
on behalf of others	-	82	82	-	-
Capital commitments in relation to interests in joint ventures	-	700	700	-	-

Maturity of rental obligations is presented in Note 28 to the consolidated financial statements.

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-bear-

ing 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 committed unused credit facilities are monitored regularly.

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, negotia-

tions 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. These restrictions are described in Note 32 Events after End of the Reporting Period.

	31 December, 2010	31 December, 2009
Interest-bearing net debt		
Non-current interest-bearing liabilities	26,246	24,870
Current interest-bearing liabilities	61,409	54,409
Liabilities related to non-current assets held for sale	2,612	-
Cash and cash equivalents	-15,670	-15,556
Interest-bearing net debt	74,596	63,723
Equity		
Attributable to owners of the parent	39,142	69,027
Non-controlling interest	337	323
Total	39,479	69,351
Total assets	194,917	226,664
Advances received	-16,107	-16,851
Total	178,810	209,813
Equity ratio, %	22.1%	33.1%
Net gearing, %	189.0%	91.9%

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 79,350,000 (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 2010 and 2009, 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 0.16 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 percent or 50 percent 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 2010, the highest price of the Glaston share was EUR 1.65 (in 2009 EUR 1.44) and the lowest price EUR 0.80 (0.92). The average volume-weighted share price was EUR 1.17 (1.18). At the end of 2010, the share price stood at EUR 1.13 (1.08). The turnover of the share in NASDAQ OMX Helsinki Ltd. in 2010 was 15,419,409 (7,032,751) shares and in euro-terms EUR 18.1 (8.1) million. Number of shares traded was 19.6 (9.0) percent of the average share stock. Market capitalization at the end of 2010 was approximately EUR 88.8 (84.8) million.

Notifications as per Section 9 of Chapter 2 of the Securities Market Act

Glaston Corporation received on 19 February, 2010 the following notification under Chapter 2, Section 9 of the Finnish Securities Market Act regarding a change of holdings in the company, according to which the potential future holding of Suomen Teollisuussijoitus Oy in Glaston Corporation is, as a result of the subscription of convertible bonds made on 18 February, 2010, in total 4,807,692 shares and votes if Suomen Teollisuussijoitus Oy would exercise its conversion rights relating to the convertible bonds 2010 in full. The holding corresponds to 5.713 percent of all the shares and votes in Glaston Corporation after the conversion.

Restrictions on Dividend Payment

The terms of Glaston's revolving credit facility agreement set restrictions on dividend payments. These restrictions are described in Note 32 Events after End of the Reporting Period.

Authorizations of the Board of Directors

The Annual General Meeting held on 13 April, 2010, authorised the Board of Directors to decide on the issue of new shares

and/or the conveyance of the own shares held by the company such that a maximum of 6,800,000 new shares can be issued and a maximum of 6,800,000 own shares held by the company can be conveyed. The authorisation is valid until the end of the Annual General meeting to be held in 2012.

Glaston Corporation's Board of Directors resolved in its meeting on 18 February, 2010, based on the authorization granted by the Extraordinary General Meeting of Shareholders on 8 June, 2009, to issue convertible bonds with the maximum principal amount of EUR 6,250,000. Based on the same authorization the Company issued on 16 June, 2009 convertible bonds amounting to a maximum of EUR 30,000,000 that were subscribed for the total amount of EUR 23,750,000. The bonds were issued in deviation from the shareholders' pre-emptive subscription rights to investors selected by the Board of Directors of the company.

The Effect of the Convertible Bond on Number of Shares

Glaston issued on 18 February, 2010 a new convertible bond, with the principal amount of EUR 6,250,000. The terms and conditions of the new bond are similar to the convertible bond issued on 16 June, 2009. Glaston's convertible bonds have been subscribed to a total of EUR 30,000,000 and they are fully paid. With the convertible bonds it is possible to subscribe Glaston's shares with a conversion price of EUR 1.30 per share. If Glaston's convertible bond would be converted to shares in its entirety, Glaston's number of shares would increase by 23,076,923 shares. The price to be paid for the shares will be recorded in reserve for invested unrestricted equity.

The conversion period for the bond issued in 2009 began on 1 August, 2009 and the conversion period for the new bond on 6 April, 2010. No shares were subscribed with the bonds during 2010 or 2009.

Number of shares and treasury shares	2010	2009
Number of shares		
Number of shares 31 December	79,350,000	79,350,000
Treasury shares 31 December	-788,582	-838,582
Number of shares 31 December, excluding treasury shares	78,561,418	78,511,418
Average number of shares 31 December, excluding treasury shares		
Average number of shares 31 December, excluding treasury shares, dilution effect of the convertible bond taken into account	100,379,874	89,143,077

Acquisition and disposal of treasury shares

Treasury shares 1 January, shares	838,582	809,793
Returned during the year, shares	-	28,789
Surrendered during the year, shares	-50,000	-
Treasury shares 31 December, shares	788,582	838,582
Treasury shares 1 January, EUR thousand	3,518	3,487
Returned during the year, EUR thousand	-	32
Surrendered during the year, EUR thousand	-210	-
Treasury shares 31 December, EUR thousand	3,308	3,518

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. The shares are the property of the service provider until the shares are transferred to key individuals within the framework of the scheme. Irrespective of the legal form of the procedure, the shares have been treated as if Glaston would have acquired the shares itself.

Surrendered shares are shares, which were surrendered in 2010 based on the share-based incentive plan.

Share-based incentive plan and management's shareholding

Share-based incentive plan is presented in detail in Note 30.

Directors' and Executive Management Group's share ownership is presented in detail in Note 31.

Equity attributable to owners of the parent per share

Equity attributable to owners of the parent, EUR thousand	39,142	69,027
Number of shares	78,561,418	78,511,418
Equity attributable to owners of the parent per share, EUR	0.50	0.88

Dividend

Dividend per share, EUR	0.00	0.00
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The 2010 dividend is the Board of Directors' proposal to the Annual General Meeting.

Largest shareholders 31 December, 2010

Shareholder	Number of shares	% of shares and votes
GWS Trade Oy,	13,446,700	16.95%
Oy G.W.Sohlberg Ab,	12,819,400	16.16%
Sumelius Birgit	3,644,200	4.59%
Fondita Nordic Micro Cap Investment Fund	2,350,000	2.96%
Oy Investsum Ab	1,820,000	2.29%
Suutarinen Helena Estate	1,802,400	2.27%
Von Christerson Charlie	1,600,000	2.02%
Sumelius Bjarne Henning	1,225,936	1.54%
Sumelius-Koljonen Barbro	1,206,375	1.52%
Sumelius-Fogelholm Birgitta Christina	1,014,000	1.28%
Nordea Pro Finland Fund	900,000	1.13%
Sumelius Bertil Christer	803,800	1.01%
Huber Karin	800,800	1.01%
Nordea Life Assurance Finland Ltd	800,000	1.01%
Investment Fund Aktia Capital	734,574	0.93%
Evli Alexander Management Oy	658,582	0.83%
Fontell Niilo Armas	624,700	0.79%
Pihkala-Vlassis Anna Marja	615,520	0.78%
Oy Cacava Ab	600,000	0.76%
Fennia Life Insurance Company Ltd.	525,000	0.66%
Total 20 largest shareholders	47,991,987	60.48%
Other shareholders	31,282,813	39.42%
Not in the book-entry securities system (in joint account)	75,200	0.09%
Total	79,350,000	100.00%
Treasury shares	-788,582	0.99%
Total excluding treasury shares	78,561,418	

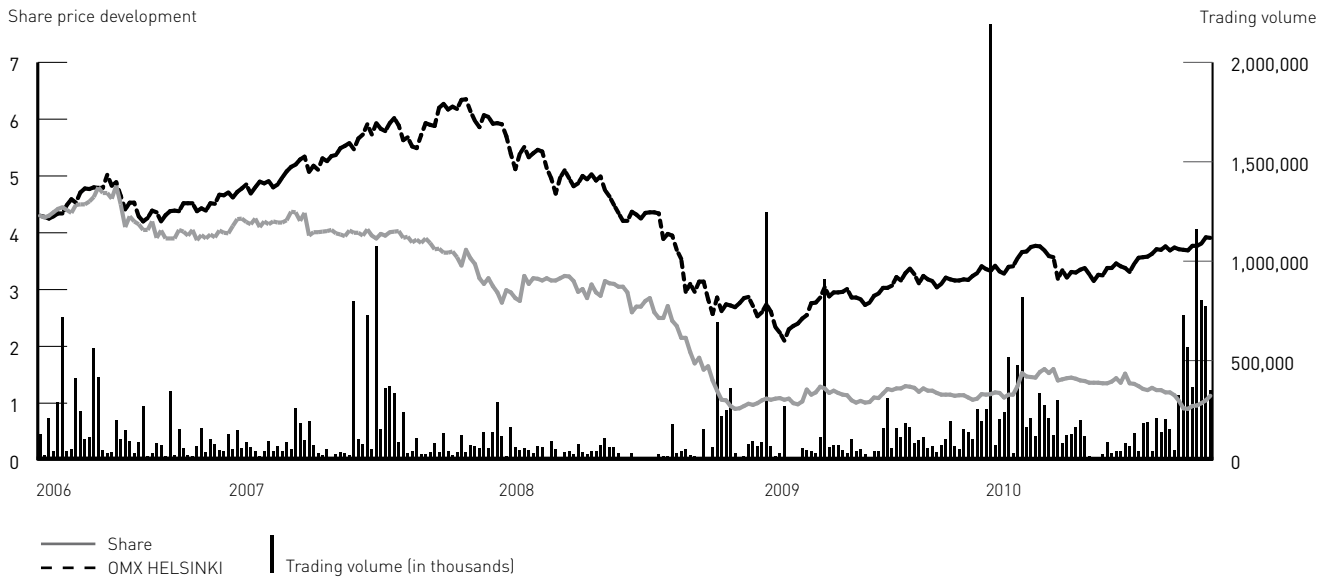
Ownership distribution 31 December, 2010

	Shares total	% of shares and votes
Corporations	32,613,782	41.1%
Financial and insurance corporations	6,366,564	8.0%
Non-profit institutions	1,413,376	1.8%
Households	33,877,017	42.7%
Foreign countries	4,029,568	5.1%
General government	104,200	0.1%
Total	78,404,507	98.8%
Nominee registered	870,293	1.1%
Total	79,274,800	99.9%
Not in the book-entry securities system (in joint account)	75,200	0.1%
Total	79,350,000	100.0%

Shareholders by share ownership 31 December, 2010

Number of shares	Number of shareholders	% of shareholders	Shares total	% of shares and votes
1 - 100	292	7.3%	18,430	0.02%
101 - 1,000	2,051	51.3%	1,130,304	1.42%
1,001 - 10,000	1,334	33.4%	4,207,700	5.30%
10,001 - 100,000	223	5.6%	7,769,948	9.79%
100,001 - 1,000,000	85	2.1%	25,219,407	31.78%
Over 1,000,000	10	0.3%	40,929,011	51.58%
Total	3,995	100.0%	79,274,800	99.91%
Not in the book-entry securities system (in joint account)			75,200	0.09%
Number of shares issued			79,350,000	100.00%

Share price development and trading volume



NOTE 5 Segment Information

EUR thousand

The reportable segments of Glaston are Machines, Services and Software Solutions. 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.

The reportable Machines segment con-

sists of Glaston's operating segments manufacturing glass processing machines and related tools. The Machines segment includes manufacturing and sale of glass tempering, bending and laminating machines sold under Tamglass and Uniglass brands, glass pre-processing machines sold under the Baveloni brand as well as sale and manufacturing of tools.

Services segment includes maintenance and service of glass processing machines and sale of spare parts and upgrades. Services segment also provided services to a customer by operating glass processing factory in Akaa, Finland, on behalf of the customer, but this operation ceased in March 2010. The sale of tools was transferred to Machines segment from Services segment during the first quarter of 2010. Comparison information has been restated accordingly.

Software Solutions segment's product offering, sold under the Albat+Wirsam brand,

covers enterprise resource planning systems for the glass industry, software for window and door glass manufacturers, and software for glass processor's integrated line solutions.

The unallocated operating result consists of head office operations of the Group and also unallocated share of joint venture's result.

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. Operative net working capital includes external trade receivables, inventory, external trade payables and advance payments received.

Reportable segments 2010	Machines	Services	Software Solutions	Unallocated and eliminations	Total
External net sales	94,870	30,674	23,889	5	149,438
Internal net sales	129	1,360	5	-1,494	-
Total net sales	94,999	32,034	23,894	-1,489	149,438
Operating result of the segments, non-recurring items excluded	-8,471	3,250	1,074	-7,121	-11,269
Operating result includes share of results of joint ventures and associates	-	-	21	-463	-442
Non-recurring items	-11,960	-2,159	467	-	-13,652
Operating result, non-recurring items included	-20,431	1,091	1,541	-7,121	-24,921
Financial items					-6,889
Income taxes					-152
Result for the reporting period					-31,962
Segment assets	46,514	10,135	5,173	24	61,847
Other assets					133,070
Total assets					194,917
Segment liabilities	22,331	3,213	669	267	26,481
Other liabilities					128,957
Total liabilities					155,438
Operative net working capital	24,183	6,922	4,504	-243	35,366

Segment assets include external trade receivables and inventory, and segment liabilities include external trade payables and advance payments received.

The non-recurring items of 2010 consist of impairment losses and reversals of impairment losses recognized of goodwill and intangible and tangible assets (net amount EUR -6.4 million), personnel and other expenses arising from restructuring program (EUR -5.5 million) as well as impairment losses of inventory arising from restructuring related product portfolio changes (EUR -2.2 million). In addition, the non-recurring items include reversals of provisions made in previous years (EUR 0.4 million).

Reportable segments 2009	Machines	Services	Software Solutions	Unallocated and eliminations	Total
External net sales	91,976	35,873	23,929	-9	151,769
Internal net sales	552	1,864	1	-2,417	-
Total net sales	92,528	37,737	23,930	-2,426	151,769
Operating result of the segments, non-recurring items excluded	-22,384	-2,424	417	-9,256	-33,647
Operating result includes share of results of joint ventures and associates	-	-	3	-1,539	-1,536
Non-recurring items	-15,935	-2,757	-1,729	-1,225	-21,646
Operating result, non-recurring items included	-38,319	-5,181	-1,312	-10,481	-55,293
Financial items					-2,348
Income taxes					4,002
Result for the reporting period					-53,639
Segment assets	58,027	13,925	6,541	227	78,721
Other assets					147,943
Total assets					226,664
Segment liabilities	23,672	4,089	703	235	28,698
Other liabilities					128,614
Total liabilities					157,313
Operative net working capital	34,356	9,836	5,838	-8	50,022

The non-recurring items of 2009 consist mainly of impairment losses recognized of goodwill and intangible assets (EUR -10.9 million), expenses arising from merging business areas (EUR -3.3 million) and restructuring programs initiated during the latter part of 2009 (EUR -7.6 million). In addition, the non-recurring items include reversals of provisions made in 2008 (EUR 1.1 million).

	2010	2009
Non-cash income and expenses included in operating result [†]		
Machines	-5,971	-11,880
Services	-3,665	-2,762
Software Solutions	-968	-1,442
Segments total	-10,604	-16,083
Unallocated	-	-
Total non-cash expenses and income	-10,604	-16,083

[†] Excluding impairment.

Goodwill, depreciation, amortization and impairment losses by segment

Goodwill, EUR million

Machines	23.0	36.8
Services	16.8	9.3
Software Solutions	12.8	12.3
Segments total	52.6	58.4

Depreciation and amortization by segment, EUR thousand

Machines	4,017	3,736
Services	633	1,339
Software Solutions	1,949	2,020
Segments total	6,599	7,094
Unallocated	909	1,304
Total depreciation and amortization	7,508	8,398

	2010	2009
Impairment losses and reversals of impairment losses of property, plant and equipment and intangible assets, net [†]		
Machines	6,572	7,479
Services ^{††}	907	2,607
Software Solutions	-633	1,167
Segments total	6,846	11,253
Unallocated	186	1,200
Total impairment losses	7,032	12,453

[†] Includes impairment loss of goodwill.

^{††} Includes EUR 0.7 million impairment losses arising from non-current assets held for sale.

Orders received and order book by segment, EUR million

Orders received

Machines	96.2	98.8
Services	29.8	32.6
Software Solutions	22.3	20.2
Total	148.3	151.5

Order intake relating to Software Solutions segment has been restated so that it currently includes, in addition to license orders, also the software maintenance order intake. Comparison information has been restated.

	31.12.2010	31.12.2009
Order book		
Machines	37.4	39.8
Services	1.2	1.6
Software Solutions	3.5	4.1
Total	42.1	45.5

Personnel

	2010	2009
Number of personnel at the end of the year by segment		
Machines	577	688
Services	149	215
Software Solutions	214	234
Segments total	940	1,137
Parent	17	24
Total number of personnel	957	1,160

Number of personnel at the end of the year by geographical location

Finland	179	227
Other EMEA	421	613
Americas	134	149
Asia	223	171
Total number of personnel	957	1,160

Entity-wide disclosures

Net sales by product groups

Goods sold	121,888	123,776
Services rendered	27,550	27,993
Total net sales	149,438	151,769

	2010	2009
Net sales by country by destination		
Finland	3,038	1,925
Other EMEA	72,257	88,816
Americas	38,960	36,352
Asia	35,182	24,676
Total	149,438	151,769

Property, plant and equipment and intangible assets by geographical location (goodwill excluded)		
Finland	24,298	29,089
Other EMEA	9,320	10,216
Americas	961	1,274
Asia	3,732	3,765
Total property, plant and equipment and intangible assets, goodwill excluded	38,311	44,344

EMEA = Europe, the Middle East and Africa

Americas = North, Central and South America

Asia = China and the rest of the Asia-Pacific area

India, Pakistan and Sri Lanka have been reclassified from EMEA to Asia. Comparison information has been restated.

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

NOTE 6

Business Combinations

EUR thousand

Business combinations in 2010

Glaston had no business combinations in 2010.

Business combinations in 2009

Glaston had no business combinations in 2009.

The purchase consideration of the German company Albat+Wirsam Software AG Group was adjusted in 2009 by EUR 0.2 million based on the terms of the share purchase agreement. The adjustment did not have any effect on goodwill.

Acquisition cost, adjusted

Purchase consideration	19,780
Expenses related to acquisition	559
Total acquisition cost	20,339

Goodwill	12,747
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NOTE 7
Construction Contracts

EUR thousand

Construction contracts	2010	2009
Total revenue from construction contracts included in net sales	56,306	38,443
Revenue from unfinished construction contracts included in net sales	21,568	12,570
Advances received recognized in statement of financial position from construction contracts	10,614	10,188

NOTE 8
Other Operating Income

EUR thousand

Other operating income	2010	2009
Capital gains on sale of property, plant and equipment	241	244
Rents	429	311
Government grants	134	-
Other income	87	570
Other operating income total	891	1,125

Government grants are related to regional headquarter compensation.

NOTE 9
Materials and Other Operating Expenses

EUR thousand

Materials	2010	2009
Materials and supplies, purchases during the period	-46,001	-48,353
Change in inventories of materials and supplies	-433	3,787
Total materials	-46,433	-44,568

Other operating expenses

Leases	-5,393	-5,953
Losses on sale of property, plant and equipment	-17	-91
Subcontracting and maintenance	-8,304	-6,169
Other expenses	-33,120	-39,383
Total other operating expenses	-46,835	-51,596

Fees for professional services rendered by auditors

Auditing, Ernst & Young	-212	-
Auditing, KPMG	-125	-558
Auditing, other auditing companies	-53	-77
Official statements, KPMG	-10	-
Other services, KPMG	-135	-48
Other services, EY	-116	-
Other services, other auditing companies	2	-86
Total	-649	-769

The principal auditor of Glaston Group during the financial year of 2010 has been Ernst & Young. During the 2009 financial year the principal auditor was KPMG.

Principal auditor's audit fees of the audit of the financial year

Ernst & Young	-385	-
KPMG	-	-373

Research and development costs

Recognized in profit or loss	-6,315	-8,193
Amortization, impairment losses and reversals of impairment losses of capitalized development costs during the reporting period, net	-3,476	-5,363
Total	-9,791	-13,556
As a percentage of net sales	-6.6%	-8.9%
Capitalized development costs during the reporting period	2,760	3,142

NOTE 10**Employee Benefits and Number of Personnel**

EUR thousand

Employee benefits	2010	2009
Wages and salaries	44,772	55,719
Pension expenses	6,157	4,364
Other personnel expenses	6,302	10,249
Other post-employment benefits	76	511
Total personnel expenses	57,306	70,843

Pension expenses

Defined benefit plans	-27	-23
Defined contribution plans	6,183	4,387
Total pension expenses	6,157	4,364

Pension benefits are presented in more detail in Note 22 to the consolidated financial statements.

Share-based incentive plans are described in more detail in Note 30 to the consolidated financial statements.

Number of personnel

Number of personnel, average	1,028	1,344
Personnel in Finland, end of the period	179	227
Personnel outside Finland, end of the period	778	933
Total	957	1,160

Average number of personnel in joint venture in 2010 (INTERPANE Glass Oy) was 94 (for the period 1 January - 31 March; the shares in INTERPANE Oy were sold in early April).

Average number of personnel in joint venture in 2009 (INTERPANE Glass Oy) was 81. Glaston Group's number of personnel does not include the number of personnel in joint ventures.

NOTE 11
Financial Income and Expenses

EUR thousand

	2010	2009
<u>Recognized in profit or loss</u>		
Interest income		
Interest income on assets at fair value through profit or loss	-	3
Interest income on loans and receivables	984	1,004
Other interest income	48	49
Total interest income	1,032	1,056
Dividend income		
Dividend income on available-for-sale financial assets	7	5
Other financial income		
Financial income on emission right receivable	151	301
Interest expenses		
Interest expenses on financial liabilities measured at amortized cost	-5,981	-3,563
Other interest expenses	-113	-72
Total interest expenses	-6,094	-3,635
Other financial expenses		
On financial liabilities measured at amortized cost	-418	-372
On loans and receivables	-913	-409
Other financial expenses	-23	-1
Total other financial expenses	-1,354	-781
Impairment losses on available-for-sale financial assets	-	-1
Impairment losses on loans and receivables	-2,561	-160
Foreign exchange differences, net		
On financial liabilities measured at amortized cost	1,050	1,109
On loans and receivables	901	-344
Other foreign exchange gains	-21	103
Total foreign exchange differences	1,930	868
Total financial income and expenses in financial items	-6,889	-2,348
Net foreign exchange differences in operating result		
Net sales	22	-107
Purchases	468	257
Total	491	151
<u>Derivatives recognized in profit or loss</u>		
Currency derivatives, non-hedge accounting		
Realized currency derivatives recognized in net sales	-208	-242
Unrealized currency derivatives recognized in net sales	48	79
Total	-160	-162
Electricity derivatives, non-hedge accounting		
Realized electricity derivatives recognized in operating expenses	142	-
Unrealized electricity derivatives recognized in operating expenses	170	-
Total	313	-

	2010	2009
<u>Recognized in other comprehensive income</u>		
Fair value changes of available-for-sale financial assets	2	18
Total in other comprehensive income	2	18

Borrowing costs were not capitalized in Glaston Group in 2010 or 2009 as Glaston has not had any qualifying assets as defined in IAS 23 Borrowing Costs.

Impairment losses on trade receivables are presented in Note 20.

NOTE 12

Income Taxes

EUR thousand

	2010	2009
<u>Income tax charge in income statement</u>		
Current income tax charge	-1,629	1,645
Adjustments in respect of current income tax of previous years	-255	583
Deferred tax charge	2,298	2,409
Other	-566	-634
Total income tax charge	-152	4,002

Income taxes recognized in other comprehensive income and in equity

Deferred taxes		
Disposal of treasury shares recognized in equity	-38	-27
Share-based incentive plan recognized in equity	60	18
Available-for-sale assets, fair value changes recognized in other comprehensive income	0	-5
Total deferred taxes recognized in other comprehensive income and equity	23	-14
Current taxes		
Disposal of treasury shares recognized in equity	-	27
Share-based incentive plan, recognized in equity	-	-
Total current taxes recognized in other comprehensive income and in equity	-	27
Total taxes recognized in other comprehensive income and in equity	23	13

2010 2009

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

Profit before taxes	-31,810	-57,641
Tax at the tax rate applicable to the parent	8,271	14,987
Difference due to different tax rates of foreign subsidiaries	607	571
Impairment losses of goodwill	-1,502	-2,097
Tax exempt income and non-deductible expenses	-681	-348
Effect of changes in tax rates and tax laws	116	-62
Losses, where no deferred tax benefit is recognized	-6,766	-5,288
Deferred taxes recognized during the reporting period in respect of previous years' temporary differences	51	-522
Withholding taxes and adjustments in respect of current income tax of previous periods	-821	-113
Effect of joint ventures' and associates' results	-115	-399
Use of losses, where no deferred tax asset was recognized	375	79
Deferred tax assets recognized of previous years' confirmed losses	-563	-538
Eliminations	484	-2,967
Effect of taxes not based on taxable income	392	700
Other	-	-1
Income taxes in the income statement	-152	4,002

The Group companies have tax losses, totaling EUR 61.7 (38.8) 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. Deferred tax assets recognized from tax losses amounted to EUR 6.6 (6.0) million

Limited right to carry forward the tax losses concerns 86 (84) percent of the tax

losses and unlimited right 14 (16) percent of the tax losses.

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 26 percent.

Deferred tax liability has not been recognized in 2010 or 2009 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 or joint ventures has also not been recognized.

2010 2009

Tax assets and tax liabilities

Deferred tax assets	8,866	8,467
Assets for current tax	801	3,602
Deferred tax liabilities	4,705	6,613
Liabilities for current tax	835	1,040

Reconciliation of deferred tax assets and deferred tax liabilities

2010

Deferred tax assets	1 January	Exchange difference	Reclassification	Charge in income statement (- tax expense)	Recognized in equity	Recognized in other comprehensive income	31 December
Defined benefit employee benefits	22	-	-	-8	-	-	15
Unrealized internal profits, inventory	679	-	42	-236	-	-	486
Unrealized internal profits, property, plant and equipment and intangible assets	45	-	-42	-1	-	-	2
Confirmed tax losses carried forward ¹⁾	6,036	-	-	-37	-	-	5,999
Share-based payments	13	-	-	88	-25	-	76
Other temporary differences	1,671	32	-	586	-	-	2,289
Deferred tax assets in statement of financial position	8,467	32	0	392	-25	-	8,866

¹⁾ EUR 0.7 million 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, such as restructuring provisions.

Deferred tax liabilities	1 January	Exchange difference	Reclassification	Charge in income statement (+ tax expense)	Recognized in equity	Recognized in other comprehensive income	31 December
Untaxed reserves	1,586	-	-	-1,129	-	-	457
Defined benefit employee benefits	217	-	-	-47	-	-	170
Intangible assets recognized at fair value	1,333	-	-532	-320	-	-	481
Available-for-sale financial assets at fair value	17	-	-	-	-	-	17
Share-based payments	2	-	-	14	-2	-	14
Other temporary differences	3,459	-	532	-424	-	-	3,567
Deferred tax liabilities in statement of financial position	6,613	-	0	-1,906	-2	-	4,705

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 (- tax expense) 2,298

2009

Deferred tax assets	1 January	Exchange difference	Charge in income statement (- tax expense)	Recognized in equity	Recognized in other comprehensive income	31 December
Defined benefit employee benefits	26	-	-4	-	-	22
Unrealized internal profits, inventory	813	-20	-114	-	-	679
Unrealized internal profits, property, plant and equipment and intangible assets	226	-	-181	-	-	45
Confirmed tax losses carried forward	1,813	-	4,196	27	-	6,036
Share-based payments	23	-	-7	-3	-	13
Other temporary differences	5,014	-17	-3,326	-	-	1,671
Deferred tax assets in statement of financial position	7,916	-37	563	24	-	8,467

Deferred tax liabilities	1 January	Exchange difference	Charge in income statement (+ tax expense)	Recognized in equity	Recognized in other comprehensive income	31 December
Untaxed reserves	2,286	-	-700	-	-	1,586
Defined benefit employee benefits	363	-	-146	-	-	217
Intangible assets recognized at fair value	1,700	-	-367	-	-	1,333
Available-for-sale financial assets at fair value	12	-	-	-	5	17
Share-based payments	44	-	-58	15	-	2
Other temporary differences	4,034	-	-575	-	-	3,459
Deferred tax liabilities in statement of financial position	8,439	-	-1,846	15	5	6,613

Change in deferred taxes in income statement (- tax expense) 2,409

NOTE 13**Depreciation, Amortization and Impairment of Assets**

EUR thousand

	2010	2009
Depreciation and amortization		
Intangible assets		
Intangible rights	1,136	1,116
Capitalized development costs	2,998	3,145
Other intangible assets	16	40
Property, plant and equipment		
Buildings and constructions	1,129	1,306
Machinery and equipment	1,873	2,404
Other tangible assets	355	387
Total depreciation and amortization	7,508	8,398
Impairment losses and reversals of impairment losses		
Intangible assets, impairment losses		
Goodwill	5,775	7,792
Intangible rights	140	1,216
Capitalized development expenditure	575	2,218
Other intangible assets	-	-
Intangible assets, reversals of impairment losses		
Capitalized development expenditure	-643	-
Property, plant and equipment, impairment losses		
Buildings and constructions	332	739
Machinery and equipment	470	477
Other tangible assets	382	11
Total impairment losses and reversals of impairment losses	7,032	12,453
Total depreciation, amortization and impairment	14,540	20,851

Impairment of assets

Glaston's cash generating units consist of reportable segments, generating cash flows, which are largely independent of the cash flows of other reportable segments. Glaston's goodwill has been reallocated to reportable segments in 2010. In addition, the goodwill allocated to the Machines reportable segment has been allocated further to the operating segments within the Machines reportable segment (Heat Treatment, Pre-processing and Tools).

Goodwill and intangible assets with indefinite useful life are tested annually in accordance with IAS 36 for impairment. 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.

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.

The recoverable amount of a cash generating unit is its value in use, based on its discounted future cash flows. These cash flows are mainly 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. 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, 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.

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 assumptions used in value in use

calculations are mainly the same as used in budgets. Cash flows based on the assumptions 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.

The assumptions used in impairment calculations, such as for example development of markets and price development of products, are based on past experience and information gathered from external sources. Based on this information Glaston has arrived at the assumptions used in estimates. The cash flows are not expected to recover to the pre-recession level immediately but during several years. The fundamentals of the business are, however, expected to remain unchanged, so the development of the subsequent years is expected to be positive compared with 2010. If the recovery of the industry is further postponed or slows down, that will have a negative effect on the future cash flows. As the geographical focus of the business is moving toward areas with higher economical growth it balances the fi-

financial effects of a possibly slower recovery in the Western Europe.

The profitability assumptions used in the impairment testing are based on the restructuring programs carried out as well as initiated during 2010, which are expected to result in significant cost savings. The cash flow effects of the restructuring programs are taken into account in the calculations. In addition, the effects of the on-going net working capital improvement program during the forecast period have a positive impact on the estimated cash.

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 account in determining the discount rate as well as Glaston's cost of debt, which has increased from the previous year.

There are no major changes in the sources of information used in determining the discount rate. The importance of the different geographical areas has 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.

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 geographical allocation of cash flows in each segment as well as the relative importance of these cash flows. These can differ between the segments.

Discount rates of segments are not fully compared with the rates used in 2009 due to the changes in for example geographical allocation of cash flows in the segment, especially in the operating segments within the Machines segment. As the Software Solutions segment has remained unchanged, its discount rate is comparable.

The most significant assumptions used in value in use calculations in 2010	Machines: Heat Treatment	Machines: Pre-processing	Machines: Tools
Pre-tax discount rate	11.9%	13.2%	14.5%
Long-term growth rate	2.5%	3.0%	2.0%

The most significant assumptions used in value in use calculations in 2010	Services	Software Solutions
Pre-tax discount rate	13.2%	12.4%
Long-term growth rate	2.0%	2.0%

The most significant assumptions used in value in use calculations in 2009	Machines	Services	Software Solutions
Pre-tax discount rate	12.9%	12.2%	10.9%
Long-term growth rate	2.0%	2.0%	2.0%

Impairment testing of goodwill

Glaston's goodwill has been reallocated to reportable segments in 2010. Previously the estimated benefits to the segments arising from the One-Stop-Partner sales had an effect on the goodwill allocated to the segments. Currently Glaston no longer markets the One-Stop-Partner concept, which has resulted in reallocation of goodwill between the reportable segments. In addition, the change of IFRS standards in the beginning of 2010 resulted in a change the allocation of goodwill. The goodwill, which was previously allocated to the Machines reportable segment, had to be reallocated to the operating segments within the Machines reportable segment (Heat Treatment, Pre-processing and Tools).

2009 impairment testing of goodwill was performed using the goodwill allocated to the segments at the time the tests were performed.

Goodwill

EUR million

Segment	Allocated in 2010	Impairment loss	31 December, 2010
Machines			
Heat Treatment	4.1	-	4.1
Pre-processing	19.0	-5.8	13.2
Tools	5.7	-	5.7
Services	16.8	-	16.8
Software Solutions	12.8	-	12.8
Total	58.4	-5.8	52.6

Segment	Allocated in 2009	Impairment loss	31 December, 2009
Machines	43.1	-6.4	36.8
Services	10.7	-1.4	9.3
Software Solutions	12.3	-	12.3
Total	66.2	-7.8	58.4

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 of the Services and the Software Solutions segments as well as in the Heat Treatment and Tools operating segments

within the Machines segment does 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 below

The recoverable amounts of these cash generating units exceed their carrying

amounts by 117 percent in the Services segment, by 43 percent in the Software Solutions segment, by 21 in the Heat Treatment operating segment and by 24 percent in the Tools operating segment.

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

Post-tax discount rate [†]	Value assigned to the assumption	Change
Services	10.0%	Increase of 3.5 percentage points
Software Solutions	9.5%	Increase of 3.25 percentage points
Heat Treatment	10.0%	Increase of 1.5 percentage points
Tools	11.1%	Increase of 2.5 percentage points

Long-term growth rate [†]	Value assigned to the assumption	Change
Services	2.0%	Decrease of 5.5 percentage points
Software Solutions	2.0%	Decrease of 4.75 percentage points
Heat Treatment	2.5%	Decrease of 2 percentage points
Tools	2.0%	Decrease of 3.5 percentage points

[†] 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.

The sensitivity analyses of the Pre-processing operating segment within the Machines segment have been performed by calculating the effect of the possible changes in the key assumptions on the impairment loss of goodwill recognized. Glaston's management estimates, that there are no grounds to perform the goodwill impairment testing in the Pre-processing operating segment using fair value less costs of sale instead of value in use.

Sensitivity analysis of the Pre-processing operating segment

Assumption	Change in the assumption	Increase in impairment loss of goodwill, EUR million
Post-tax discount rate [†]	+0.5 percentage points	EUR 2.0 million
Long-term growth rate [†]	-0.5 percentage points	EUR 1.5 million

[†] 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.

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

The impairment of buildings in 2010 is mainly related to a building financed with a finance lease which has been reclassified to non-current assets held for sale. A major part of the impairment losses of machinery and equipment is also related to that reclassification. The impairment losses of other tangible assets are mainly related to impaired leasehold improvements.

Impairment losses of intangible assets have been recognized of such capitalized development costs and intangible rights which no longer are expected to generate future economic benefits.

The reversal of impairment of intangible assets is related to capitalized development costs for which an impairment loss was recognized in 2009. The asset's performance

has improved from the previous reporting period and it has been decided to develop the product further, so in accordance with IAS 36 the impairment loss had to be reversed. The impairment loss is reversed no more than up to the value which would have been determined for the asset (net of amortization) had no impairment loss been recognized previously.

NOTE 14
Non-current Assets Held for Sale and Related Liabilities

EUR thousand	2010	2009
Non-current assets held for sale	2,811	-
Liabilities related to non-current assets held for sale	2,811	-

Non-current assets held for sale and related liabilities are related to a building located in Akaa, Finland. The building is financed with a finance lease contract. The building and the related finance lease liability as well as the asset transfer tax liability are assigned in the beginning of 2011.

During the 2010 reporting period, an impairment loss of EUR 0.3 million was recognized of the building. In addition, an impairment loss totalling to EUR 0.4 million was recognized of related machinery and equipment and other tangible assets.

NOTE 15
Intangible Assets

EUR thousand

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.

2010	Capitalized development expenditure	Intangible rights	Goodwill	Other capitalized expenditure	Advances paid	2010 total
Acquisition cost at beginning of year	22,866	12,662	66,192	1,845	7,616	111,181
Other increases	66	441	-	8	2,972	3,486
Decreases	-1,410	-148	-39	-6	-	-1,603
Reclassifications and other changes	2,761	745	-	-28	-3,857	-378
Exchange differences	-	61	16	1	-	78
Acquisition cost at end of year	24,284	13,761	66,169	1,820	6,730	112,764
Accumulated amortization and impairment at beginning of year	-14,786	-8,896	-7,789	-1,636	-	-33,107
Accumulated amortization relating to decreases and transfers	1,410	148	-	6	-	1,564
Amortization during the reporting period	-2,998	-1,136	-	-16	-	-4,150
Impairment losses (note 13)	-575	-140	-5,775	-	-	-6,491
Reversals of impairment losses (note 13)	643	-	-	-	-	643
Reclassifications and other changes	162	-11	-	11	-	162
Exchange differences	-	-17	-7	-1	-	-24
Accumulated amortization and impairment at end of year	-16,145	-10,052	-13,571	-1,636	-	-41,404
Carrying amount at end of year	8,139	3,710	52,598	183	6,730	71,361

2009	Capitalized development expenditure	Intangible rights	Goodwill	Other capitalized expenditure	Advances paid	2009 total
Acquisition cost at beginning of year	22,471	10,098	66,183	1,913	7,948	108,612
Other increases	594	193	-	3	4,413	5,203
Decreases	-2,189	-103	-	-73	-	-2,365
Reclassifications and other changes	1,990	2,495	-	3	-4,745	-257
Exchange differences	-	-21	9	-1	-	-13
Acquisition cost at end of year	22,866	12,662	66,192	1,845	7,616	111,181
Accumulated amortization and impairment at beginning of year	-11,612	-6,605	-	-1,666	-	-19,883
Accumulated amortization relating to decreases and transfers	2,189	81	-	69	-	2,339
Amortization during the reporting period	-3,145	-1,116	-	-40	-	-4,301
Impairment losses (note 13)	-2,218	-1,216	-7,792	-	-	-11,226
Reclassifications and other changes	-	-40	-	1	-	-39
Exchange differences	-	-	3	-	-	3
Accumulated amortization and impairment at end of year	-14,786	-8,896	-7,789	-1,636	-	-33,107
Carrying amount at end of year	8,080	3,766	58,403	209	7,616	78,074

NOTE 16
Property, Plant and Equipment

EUR thousand

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 28.

At the end of 2010, Glaston's contractual commitments for the acquisition of property, plant and equipment were EUR 0.0 million. At the end of 2009, Glaston did not have of contractual commitments for the acquisition of property, plant and equipment.

In 2010 or 2009, Glaston did not receive any material third party compensation for items of property, plant and equipment that were impaired, lost or given up.

	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and assets under construction	2010 total
2010						
Acquisition cost at beginning of year	1,702	28,859	24,080	2,863	45	57,549
Other increases	-	-	644	64	180	888
Decreases	-75	-431	-3,119	-150	-	-3,774
Reclassifications and other changes	-	-	1,368	-	-45	1,323
Reclassified to non-current assets held for sale (Note 14)	-	-3,505	-	-	-	-3,505
Exchange differences	5	362	432	44	-	843
Acquisition cost at end of year	1,633	25,285	23,405	2,820	180	53,324
Accumulated depreciation and impairment at beginning of year	-	-13,159	-18,060	-1,657	-	-32,876
Accumulated depreciation relating to decreases and transfers	-	315	2,862	150	-	3,327
Depreciation during the reporting period	-	-1,129	-1,873	-355	-	-3,357
Reclassifications and other changes	-	-	-33	-	-	-33
Impairment losses (Note 13)	-	-332	-470	-382	-	-1,184
Reclassified to non-current assets held for sale (Note 14)	-	694	-	-	-	694
Exchange differences	-	-57	-263	-25	-	-345
Accumulated depreciation and impairment at end of year	-	-13,668	-17,837	-2,269	-	-33,774
Carrying amount at end of year	1,633	11,616	5,568	551	180	19,549

	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and assets under constructions	2009 total
2009						
Acquisition cost at beginning of year	1,704	31,232	32,979	3,252	505	69,673
Other increases	-	82	832	80	255	1,249
Decreases	-	-2,669	-9,856	-550	-200	-13,275
Reclassifications and other changes	-	328	-67	71	-515	-183
Exchange differences	-2	-114	192	10	-	86
Acquisition cost at end of year	1,702	28,859	24,080	2,863	45	57,550
Accumulated depreciation and impairment at beginning of year	-	-12,995	-19,636	-2,037	-	-34,668
Accumulated depreciation relating to decreases and transfers	-	1,865	4,670	550	-	7,085
Depreciation during the reporting period	-	-1,306	-2,404	-387	-	-4,097
Reclassifications and other changes	-	-	-123	238	-	115
Impairment losses (note 13)	-	-739	-477	-11	-	-1,227
Exchange differences	-	16	-90	-10	-	-84
Accumulated depreciation and impairment at end of year	-	-13,159	-18,060	-1,657	-	-32,876
Carrying amount at end of year	1,702	15,700	6,020	1,206	45	24,673

Carrying amount of machinery and equipment used in production 31 December, 2010 3,164
Carrying amount of machinery and equipment used in production 31 December, 2009 3,508

NOTE 17
Associates and Joint Ventures

EUR thousand

	2010	2009
Investment in joint ventures		
Carrying amount 1 January	370	869
Additions	203	2,000
Disposals	-110	-
Share of net result	-463	-1,539
Reclassifications	-	-960
Carrying amount 31 December	-	370

The carrying amount of investment in joint ventures did not include goodwill.

Investment in associates		
Carrying amount 1 January	26	23
Additions	-	-
Disposals	-	-
Share of net result	21	3
Carrying amount 31 December	47	26

The carrying amount of investment in associates does not include goodwill.

Associates and joint ventures	Group ownership, %		Carrying amount	
	2010	2009	2010	2009
INTERPANE Glass Oy	-	50	-	370
Bitec GmbH Büro für Informationstechnik	49	49	47	26
			47	396

On 9 April, 2010, 100 percent of shares in Glaston's joint venture, INTERPANE Glass Oy, were sold to Rakla Finland Oy. After the rearrangement transaction, Glaston still holds a secured loan receivable in INTERPANE Glass Oy. The carrying amount of the loan receivable was EUR 4.4 million on 31 December, 2010.

As a part of the ownership arrangement, Glaston waived its rights to EUR 3.3 million of the loan granted to INTERPANE Glass Oy. The result effect of the waiver of the loan is included in the appr. EUR 2.6 million financial expense recognized from the arrangement.

Glaston's subsidiary Tamglass Glass Processing Ltd. sold in March 2009 its insulated and architectural glass processing operations to INTERPANE Glass Oy. INTERPANE Glass Oy began its operations on 1 April, 2009.

The transaction was an asset deal, consisting of, among others, tangible assets and inventory. The deal was financed mainly through vendor financing given by Glaston. Glaston had also invested EUR 2.0 million in the equity of INTERPANE Glass Oy. In addition, Glaston was committed to invest additional EUR 0.7 million in INTERPANE's equity. Also the other party of the transaction was committed to make additional investments in INTERPANE's equity. INTERPANE Glass Oy was a company owned jointly by Georg F. Hesselbach through his company A A A Glass & Design Finland Oy, and a subsidiary of Glaston Corporation.

Glaston's share of assets and liabilities, and income and expenses of joint ventures are as follows:

	2010	2009
<u>Share of assets and liabilities of joint ventures</u>		
Non-current assets	-	2,440
Current assets	-	1,383
Total assets	-	3,823
Non-current liabilities	-	2,967
Current liabilities	-	1,118
Total liabilities	-	4,085
<u>Share of income and expenses of joint ventures</u>		
	2010 ^{1*}	2009
Net sales	910	2,567
Expenses and depreciation and amortization	-1,202	-3,949
Operating profit	-292	-1,382
Financial income and expenses	-52	-147
Result before income taxes	-344	-1,530
Income taxes	-3	-48
Net result	-347	-1,577

^{1*} For the period 1 January - 31 March, 2010

	2010	2009
<u>Joint venture balances</u>		
Non-current receivables	-	5,935
Current receivables	-	1,218
Current liabilities	-	87

An impairment loss of EUR 3.3 million was recorded in 2010 from receivables from the joint venture.

	2010 ^{1*}	2009
<u>Transactions with joint venture</u>		
Sales to joint venture	-	12
Rental income from joint venture	96	276
Interest income from joint venture	104	295
Other financial expenses	-3,300	-

^{1*} For the period 1 January - 31 March, 2010

Associated company balances

In 2010 and 2009, Glaston group companies did not have any receivables from or payables to associates

Transactions with associates

In 2010 and 2009, Glaston group companies did not have any transactions with associates.

Financial information of the associate

The Group's share of the result of the associate is consolidated using the equity method. The result used in the consolidation in 2010 is from the 2009 financial statements of Bitec GmbH Büro für Informationstechnik as the 2010 financial statements of Bitec GmbH Büro für Informationstechnik were not available when preparing Glaston's consolidated financial statements. The result used in the consolidation in 2009 is from the 2008 financial statements of Bitec GmbH Büro für Informationstechnik as the 2009 financial statements of Bitec GmbH Büro für Informationstechnik were not available when preparing Glaston's consolidated financial statements.

	2009	2008
Profit	42	6
Assets	484	399
Liabilities	291	248

NOTE 18**Available-for-sale Financial Assets**

EUR thousand

2010	Available-for-sale shares	Other available-for-sale investments
Carrying amount 1 January	329	6
Additions	-	-
Disposals	-	-
Reclassifications	-	-6
Impairments	-	-
Fair value changes recognized in other comprehensive income	2	-
Carrying amount 31 December	331	-

2009	Available-for-sale shares	Other available-for-sale investments
Carrying amount 1 January	314	7
Additions	-	-
Disposals	-2	-
Reclassifications	-	-
Impairments	-1	-1
Fair value changes recognized in other comprehensive income	18	-
Carrying amount 31 December	329	6

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 comprehensive 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 19**Inventories**

EUR thousand

	2010	2009
Inventories		
Materials and supplies	6,800	8,606
Work in process	10,755	15,008
Finished goods	9,633	13,458
Advances paid	723	325
Total inventories	27,910	37,398
Impairment losses of inventory during the period	-4,808	-4,732
Reversals of impairment losses of inventory during the period	88	0
Total write-downs and reversals of write-downs during the period	-4,721	-4,732
Carrying amount of inventories carried at fair value less costs to sell	5,429	3,618

NOTE 20
Receivables

EUR thousand

	2010	2009
Receivables		
Trade receivables	30,685	37,560
Trade receivables, falling due after 12 months	2,991	3,379
Total trade receivables	33,676	40,939
Prepaid expenses and accrued income	2,966	4,406
Other receivables	3,305	3,039
Other receivables, falling due after 12 months	3,080	3,845
Current loan receivables	64	-
Non-current loan receivables ^{1*}	4,480	5,935
Total receivables	47,572	58,163

^{1*} 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.

Prepaid expenses and accrued income related to derivative instruments are disclosed in more detail in Note 27.

Receivables falling due after 12 months have been discounted.

Pledged receivables are disclosed in Note 28.

Ageing analysis of trade receivables at 31 December

EUR thousand

	Carrying amount of trade receivables after recognizing allowance account	Past due				
		Not past due	< 30 days	31 - 180 days	181 - 360 days	> 360 days
2010	33,676	22,619	5,259	4,631	1,167	0
2009	40,939	26,967	5,645	6,190	1,038	1,100

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.

Carrying amount of trade receivables, which would be past due, but whose terms have been renegotiated, was EUR 0.4 (1.9) million.

Impairment losses of trade receivables and changes in allowance account of trade receivables

Allowance account 1 January, 2009	7,472
Charge for the year	3,056
Utilized	-2,343
Unused amounts reversed	-1,244
Allowance account 31 December, 2009	6,941
Exchange difference	118
Charge for the year	4,231
Utilized	-2,005
Unused amounts reversed	-1,514
Allowance account 31 December, 2010	7,771

Impairment losses of trade receivables recognized in profit or loss, net

2010	2,731
2009	1,842

NOTE 21**Total Comprehensive Income Included in Equity**

EUR thousand

	Other reserves	Hedging reserve	Fair value reserve	Retained earnings	Cumulative exchange difference	Non-controlling interest	Total
Total other comprehensive income for 2010							
Total exchange differences on translating foreign operations	0	-	-	-	993	37	1,029
Available-for-sale financial assets, fair value changes	-	-	2	-	-	-	2
Income taxes on fair value changes of available-for-sale financial assets	-	-	0	-	-	-	0
Other comprehensive income	0	-	1	-	993	37	1,031
Loss for 2010	-	-	-	-31,939	-	-23	-31,962
Total comprehensive income for 2010	0	-	1	-31,939	993	13	-30,932

	Other reserves	Hedging reserve	Fair value reserve	Retained earnings	Cumulative exchange difference	Non-controlling interest	Total
Total other comprehensive income for 2009							
Total exchange differences on translating foreign operations	-	-	-	-	-743	-1	-744
Available-for-sale financial assets, fair value changes	-	-	18	-	-	-	18
Income taxes on fair value changes of available-for-sale financial assets	-	-	-5	-	-	-	-5
Other comprehensive income	-	-	13	-	-743	-1	-731
Loss for 2009	-	-	-	-53,590	-	-49	-53,639
Total comprehensive income for 2009	-	-	13	-53,590	-743	-49	-54,369

NOTE 22**Pensions and Other Defined Long-term Employee Benefits**

EUR thousand

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

The Group has defined benefit pension plans in Finland. The Group has also defined contribution pension plans, of which the charge to the income statement was EUR 6,2 (4.4) 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.

	2010	2009
Amounts in the statement of financial position relating to Finnish defined benefit pension plans		
Fair value of plan assets	-	-
Present value of unfunded obligations	39	39
Unrecognized actuarial gain (loss -)	55	88
Net liability (asset -)	94	127
Amounts in the statement of financial position		
Liabilities	94	127
Assets	-	-
Net liability (asset -)	94	127

	2010	2009
Amounts in the statement of financial position relating to other long-term employee benefits		
Fair value of plan assets	-	-
Present value of unfunded obligations	1,700	3,181
Unrecognized actuarial gain (loss -)	-254	-135
Net liability (asset -)	1,446	3,046

Amounts in the statement of financial position		
Liabilities	1,446	3,046
Assets	-	-
Net liability (asset -)	1,446	3,046

Changes in the fair value of plan assets, Finnish defined benefit pensions

Fair value of plan assets 1 January	-	-
Expected return on plan assets	-	-
Actuarial gains (losses -)	-	-
Benefits paid	-6	-7
Contributions by employer	6	7
Other changes	-	-
Fair value of plan assets 31 December	-	-

Changes in the present value of defined benefit pension obligation, Finnish defined benefit pensions

Present value of defined benefit obligation 1 January	39	48
Interest cost	1	3
Actuarial losses (gains -)	5	-5
Benefits paid	-6	-7
Present value of defined benefit obligation 31 December	39	39

Changes in the present value of other long-term employee benefit plans

Present value of defined benefit obligation 1 January	3,181	4,400
Exchange differences on foreign plans	4	0
Current service cost	4	4
Interest cost	82	208
Actuarial losses (gains -)	136	-142
Effect of curtailment	-29	10
Benefits paid	-1,679	-1,299
Present value of defined benefit obligation 31 December	1,700	3,181

Amounts recognized in profit or loss, Finnish defined benefit pensions

Interest on obligation	1	3
Actuarial losses and gains (-)	-28	-26
Total included in pension expenses (gain -)	-27	-23

The Group expects to contribute EUR 6 thousand to its defined benefit pension plans in 2011.

Amounts recognized in profit or loss, other defined long-term employee benefit plans

Current service cost	4	4
Interest on obligation	82	209
Actuarial losses and gains (-)	0	289
Effect of curtailment	-11	9
Total included in other personnel expenses (gain -)	76	511

The Group expects to contribute EUR 136 thousand to its other long-term employee benefit plans in 2011.

<u>Actuarial assumptions</u>	2010		2009	
	Finnish defined pension plans	Other plans	Finnish defined pension plans	Other plans
Discount rate, %	3.00%	4.75%–8.00%	4.00%	5.25%–8.50%
Expected return on plan assets, %	-	-	-	-
Future salary increase, %	-	5.04%	-	5.04%
Future pension increases, %	2.10%	-	2.10%	-
Inflation, %	2.00%	2.00%–4.00%	2.00%	2.00%
Expected remaining service period, years	0	9 - 11	3	18 - 22

Information of the asset categories is not available.

Amounts for the current and previous periods, defined benefit pensions	2010	2009	2008	2007	2006
Defined benefit pension obligation	39	39	48	494	536
Plan assets	-	-	0	254	269
Surplus / deficit (-)	39	-39	-48	-240	-267
Experience adjustments on plan assets	-	-	0	84	0
Experience adjustments on plan liabilities (gain -)	3	-8	-97	-114	0
Amounts for the current and previous periods, other long-term employee benefit plans	2010	2009	2008	2007	2006
Defined benefit obligation	1,700	3,181	4,400	4,499	6,193
Plan assets	-	-	-	-	-
Surplus / deficit (-)	-1,700	-3,181	-4,400	-4,499	-6,193
Experience adjustments on plan assets	-	-	-	-	-
Experience adjustments on plan liabilities	-34	-158	90	163	-1

NOTE 23 Interest-bearing Liabilities

EUR thousand

	2010	2009
<u>Non-current interest-bearing liabilities</u>		
Convertible bond	26,199	20,144
Finance leasing liabilities	-	2,612
Loans from financial institutions	-	2,087
Other non-current liabilities	47	27
Total non-current interest-bearing liabilities	26,246	24,870

Maturity of non-current interest-bearing liabilities

2012 (2011)	47	2,341
2013 (2012)	-	262
2014 (2013)	26,199	271
2015 (2014)	-	20,415
2016 (2015) or later	-	1,581
Total	26,246	24,870

Non-current liabilities by currency

EUR	26,199	24,843
BRL	47	27
Total	26,246	24,870

Non-current interest-bearing loans maturing after 5 years

Finance leasing liabilities	-	1,581
Total	-	1,581

Current interest-bearing liabilities

Loans from financial institutions	61,365	50,619
Commercial paper programme	-	3,493
Finance leasing liabilities	-	260
Other current interest-bearing liabilities	44	37
Total current interest-bearing liabilities	61,409	54,409

Interest-bearing net liabilities

Non-current interest-bearing liabilities	26,246	24,870
Current interest-bearing liabilities	61,409	54,409
Liabilities related to non-current assets held for sale	2,612	-
Cash	-15,670	-15,556
Total	74,596	63,723

Glaston's main liquidity reserve is a committed revolving credit facility and the convertible bonds issued in 2010 and 2009. At the end of 2010, EUR 56.9 million of the credit facility was in use.

Glaston Corporation has a domestic commercial paper programme of EUR 50 million. Under the commercial paper programme, Glaston is able to issue commercial papers with a maximum maturity of one year.

Glaston issued in February 2010 a convertible bond with a nominal value of EUR 6,250,000. The terms of the new convertible bond are similar to the terms of the convert-

ible bond issued in June 2009, with the exception that the right to convert the bonds into shares commenced on 4 April, 2010. In 2009, an aggregate amount of EUR 23,750,000 of the convertible bond issued was subscribed. The principal amount of the bonds carries a fixed interest rate of 7 percent per annum. The conversion price of the shares that the bonds may be converted into is EUR 1.30. The right to convert the bonds into shares related to the 2009 bonds commenced on 1 August, 2009. The maturity date of the bonds is 19 June, 2014. The bonds are publicly traded on the Nasdaq OMX Helsinki.

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.

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

Finance leasing

Glaston has finance lease agreements concerning machinery and equipment and a building. The most significant individual agreement is an agreement made in 2008 with Akaa town, Finland, concerning a building. At the end of 2010, Glaston had signed an agreement of the transfer of the finance lease agreement concerning the

building in Akaa to a third party in February 2011. For this reason Glaston has reclassified the building and related finance lease liability to non-current assets held for sale and related liabilities.

The carrying amount of machinery and equipment financed with finance leasing was EUR 0.2 (0.3) million, and depreciation

thereon was EUR 0.1 (0.1) million. At the end of the reporting period, there were no buildings financed with finance leasing (31 December, 2009 EUR 3.3 million). The depreciation thereon was EUR 0.3 (0.3) million.

Minimum lease payments, maturing in	2010	2009
Less than 1 year	-	419
2 - 5 years	-	1,519
Over 5 years	-	1,828
Total minimum lease payments	-	3,766
Future finance charge	-	-894
Present value of minimum lease payments	-	2,872
Present value of minimum lease payments, maturing in		
Less than 1 year	-	260
2 - 5 years	-	1,030
Over 5 years	-	1,581
Total present value of minimum lease payments	-	2,872

NOTE 24**Provisions**

EUR thousand

Non-current provisions

2010	Warranty provision	Restructuring provision	Other provisions	Total
Carrying amount 1 January	3,498	226	175	3,899
Exchange difference	-1	-	-	-
Increase in provisions	1,421	-	91	1,513
Provisions used during the period	-1,422	-90	-	-1,512
Provisions released during the period	-1,100	-79	-18	-1,198
Carrying amount 31 December	2,396	57	248	2,701

2009	Warranty provision	Restructuring provision	Other provisions	Total
Carrying amount 1 January	2,904	446	38	3,388
Exchange difference	-	-	-	-
Increase in provisions	3,302	-	137	3,439
Provisions used during the period	-1,461	-4	-	-1,464
Provisions released during the period	-1,246	-216	-	-1,463
Carrying amount 31 December	3,498	226	175	3,899

Current provisions

2010	Warranty provision	Restructuring provision	Other provisions	Total
Carrying amount 1 January	1,437	7,834	527	9,798
Exchange difference	54	6	11	71
Increase in provisions	622	3,150	983	4,755
Provisions used during the period	-341	-6,385	-284	-7,009
Provisions released during the period	-257	-407	-	-664
Carrying amount 31 December	1,516	4,198	1,237	6,951

2009	Warranty provision	Restructuring provision	Other provisions	Total
Carrying amount 1 January	724	5,499	4,348	10,572
Exchange difference	-	-	-1	-1
Reclassification	789	-	-398	391
Increase in provisions	667	7,833	212	8,712
Provisions used during the period	-368	-4,575	-3,473	-8,415
Provisions released during the period	-375	-923	-162	-1,460
Carrying amount 31 December	1,437	7,834	527	9,798

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. Glaston estimates, that a significant portion of the restructuring provisions will be realized in 2011. 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 25

Interest-free Liabilities

EUR thousand

	2010	2009
Non-current interest-free liabilities		
Other non-current interest-free liabilities	54	262
Current interest-free liabilities		
Trade payables	10,375	11,847
Advances received	16,107	16,851
Accrued expenses and deferred income	20,968	22,045
Other current interest-free liabilities	737	2,505
Total current interest-free liabilities	48,187	53,249

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

Accrued expenses and deferred income related to derivative instruments are described in more detail in Note 27.

NOTE 26
Financial Assets and Liabilities

EUR thousand

31 December, 2010	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				15,670		15,670	15,670
Trade receivables	20			33,676		33,676	33,676
Other interest-free receivables	20			6,385		6,385	6,385
Current loan receivables	20			64		64	64
Non-current loan receivables	20			4,480		4,480	4,480
Available-for-sale shares	18	331				331	331
Other available-for-sale investments	18	-				-	-
Non-current interest-bearing liabilities	23				-47	-47	-47
Convertible bond	23				-26,199	-26,199	-27,900
Current interest-bearing liabilities	23				-61,409	-61,409	-61,409
Trade payables	25				-10,375	-10,375	-10,375
Advances received	25				-16,107	-16,107	-16,107
Other current interest-free liabilities	25				-791	-791	-791
Derivatives (in receivables)	27		268			268	268
		331	268	60,275	-114,928	-54,054	-57,555

31 December, 2009	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				15,556		15,556	15,556
Trade receivables	20			40,939		40,939	40,939
Other interest-free receivables	20			6,884		6,884	6,884
Non-current loan receivables	20			5,935		5,935	5,935
Available-for-sale shares	18	329				329	329
Other available-for-sale investments	18	6				6	6
Non-current interest-bearing liabilities	23				-4,726	-4,726	-4,726
Convertible bond	23				-20,144	-20,144	-23,038
Current interest-bearing liabilities	23				-54,409	-54,409	-54,409
Trade payables	25				-11,847	-11,847	-11,847
Advances received	25				-16,851	-16,851	-16,851
Other current interest-free liabilities	25				-2,767	-2,767	-2,767
Derivatives (in liabilities)	27		-51			-51	-51
		335	-51	69,314	-110,744	-41,146	-44,039

[†] Fair value hierarchy is presented in the following page.

	2010	2009
† Fair value measurement hierarchy		
Available-for-sale shares		
Level 1	79	77
Level 3	<u>252</u>	<u>252</u>
	331	329
Other available-for-sale investments		
Level 3	-	6
Derivatives		
Level 2	268	-51
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		

Fair value measurement hierarchy, Level 3, changes during the reporting period	2010	2009
1 January	258	299
Impairment losses	-	-41
Reclassification	-6	-
31 December	<u>252</u>	<u>258</u>

NOTE 27 Derivative Instruments

EUR thousand

Most of the Group's derivative transactions, while providing economic hedges, do not qualify for hedge accounting under IAS 39. As hedge accounting is not applied for currency derivatives, changes in the fair values of derivative instruments are immediately recognized in profit or loss. Group companies primarily hedge their sales in foreign currency as well as those orders received, for which

there are firm commitments. The hedging instruments used are forward contracts mainly made with Group Treasury, or directly with banks. These hedges are recognized in profit or loss as sales adjustments.

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.

During 2010 and 2009 the Group did not have derivatives which would qualify for hedge accounting.

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

Nominal and fair values of derivative instruments

	2010		2009	
	Nominal value	Fair value	Nominal value	Fair value
Currency derivatives				
Forward contracts	431	81	2,571	-51
Electricity derivatives				
Forward contracts	269	170	-	-

Derivative instruments in the income statement

	2010	2009
Items included in net sales	-160	-162
Items included in operating expenses	313	-

Derivative instruments in the statement of financial position, receivables and liabilities

Prepaid expenses and accrued income

Currency derivatives	81	-
Electricity derivatives [†]	188	-

Accrued expenses and deferred income

Currency derivatives	-	51
Electricity derivatives	-	-

[†] Carrying amount of electricity derivatives includes realized but unpaid electricity derivatives.

NOTE 28
Contingencies

EUR thousand

	2010	2009
<u>Loans secured with mortgages or pledges</u>		
Loans from financial institutions	51,865	41,865
Mortgages given	49,000	28,000
Liens on chattel	48,000	48,000
Carrying amount of pledged securities	88,905	54,753
Carrying amount of pledged receivables	88,714	-
Total loans secured with mortgages, liens on chattel and pledged securities	51,865	41,865
Total mortgages, liens on chattel and pledged securities	274,619	130,753

Contingent liabilities

Mortgages		
On behalf of own commitments	49,000	28,000
Liens on chattel		
On behalf of own commitments	48,000	48,000
Securities pledged		
On behalf of own commitments	88,905	54,753
Receivables pledged [†]		
On behalf of own commitments	88,714	-
On behalf of others	120	-
Total	274,738	130,753

[†] The pledged receivables include EUR 85 million intra-group receivables.

Repurchase obligations	155	210
Other commitments		
On behalf of own commitments	31	-
Guarantees		
On behalf of own commitments	674	560
On behalf of others	154	86
Total	828	646

Capital commitments in relation to interests in joint ventures	-	700
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Total contingent liabilities	275,752	132,309
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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	3,179	3,505
Maturity later than one year and not later than five years	6,896	8,427
Maturity later than five years	663	1,479
Total minimum future payments of operating lease commitments	10,739	13,411

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.

	2010	2009
Minimum future payments of operating leases		
Maturity within one year	489	384
Maturity later than one year and not later than five years	1,350	480
Maturity later than five years	-	-
Total minimum future payments of operating leases	1,839	864

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 29

Shares and Holdings

Group companies			Group holding %	Parent holding %
Glaston Oyj Abp	Hämeenkyrö	Finland		
Uniglass Engineering Oy	Tampere	Finland	100.0%	100.0%
Glaston Services Ltd. Oy	Tampere	Finland	100.0%	100.0%
Glaston Estonia Oü [†]	Tallinna	Estonia	100.0%	
Glaston Finland Oy	Tampere	Finland	100.0%	
Tamglass Lasinjalostus Oy	Tampere	Finland	100.0%	
Tamglass Project Development Oy	Tampere	Finland	100.0%	
Glaston International Oy	Tampere	Finland	100.0%	
Glaston America, Inc.	Pittsburgh, PA	United States	100.0%	
Glaston USA, Inc.	Cinnaminson, NJ	United States	100.0%	
Glaston UK Ltd.	Nottinghamshire	United Kingdom	100.0%	
Bavelloni UK Ltd. ^{††}	Rugby	United Kingdom	100.0%	
Glaston France S.A.S.U.	Chassieu	France	100.0%	
Glaston Spain S.L. [†]	Barcelona	Spain	100.0%	
Glaston Germany GmbH	Nürnberg	Germany	100.0%	
Glaston Singapore Pte. Ltd.	Singapore	Singapore	100.0%	
Glaston Tianjin Co. Ltd.	Tianjin	China	100.0%	
Glaston Management (Shanghai) Co. Ltd.	Shanghai	China	100.0%	
Glaston China Co. Ltd.	Tianjin	China	100.0%	
LLC Glaston	Moskova	Russia	100.0%	
Glaston Australia Pty. Ltd. [†]	Queensland	Australia	100.0%	
Glaston Mexico S.A. de C.V.	Jalisco	Mexico	100.0%	
Z. Bavelloni South America Ltda	São Paulo	Brazil	100.0%	
Glasto Holding B.V. ^{†††}	Sittard	Netherlands	100.0%	
Glaston Netherlands B.V. ^{†††}	Hoensbroek	Netherlands	100.0%	
Glaston Hong Kong Ltd.	Hong Kong	China	100.0%	
Bavelloni Tools (Tianjin) Co., Ltd.	Tianjin	China	70.0%	
Glaston Tools (Sanhe) Co., Ltd.	Sanhe	China	70.0%	
Glaston Italy S.p.A.	Bregnano	Italy	100.0%	
Albat+Wirsam Software GmbH	Linden	Germany	100.0%	100.0%
Glaston Belgium GmbH ^{†††}	Eupen	Belgium	100.0%	
Albat+Wirsam Polska Sp.z.o.o.	Krakova	Poland	100.0%	
Albat+Wirsam North America Inc.	Ontario	Canada	100.0%	
Associated companies				
Bitec GmbH Büro für Informationstechnik	Chemnitz	Germany	48.8%	

[†] Liquidation process is ongoing.

^{††} Merger process is ongoing. The company will be merged with Glaston UK Ltd.

^{†††} Liquidation process will be started during the first half of 2010.

Changes in subsidiaries in 2010

- Glaston North America, Inc. was merged with Glaston America Inc. in January.
- Glaston Brazil Ltda was merged with Z. Bavelloni South America Ltda in January.
- Glaston Japan, Inc. was liquidated in March.
- Glaston Shanghai Co. Ltd. was merged with Glaston Management (Shanghai) Co. Ltd. in June.
- The name of Albat+Wirsam Software AG was changed to Albat+Wirsam Software GmbH.
- The name of Tamglass EMA Sales Ltd. Oy was changed to Glaston International Oy.
- Albat+Wirsam Software GmbH established a branch office in Spain in December.

Changes in joint ventures in 2010

- INTERPANE Glass Oy was sold in April.

Changes in subsidiaries in 2009

- The Chinese company, Glaston Management (Shanghai) Co. Ltd., was established in April.
- The Mexican company Glaston Servicios S.A. de C.V. merged in June with Glaston Mexico S.A. de C.V.
- The Swiss company Cattin Machines, S.A. was liquidated in June.
- Albat+Wirsam Software (UK) Ltd. in the UK was merged with Glaston UK Ltd. in July.
- The German company Cantor Software GmbH merged with Albat+Wirsam Software AG in September.
- The Italian company DiaPol S.r.l. merged in December with Glaston Italy S.p.A.
- The name of Sanhe AAA Tools Co., Ltd. was changed to Glaston Tools (Sanhe) Co., Ltd.

NOTE 30**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.

The expenses, personnel costs included, were in 2010 EUR 0.5 (0.3) million. The unpaid portion, recognized as a liability, was

EUR 0.2 (0.0) million. In 2010, 50,000 shares based on the 2009 performance period were surrendered to the CEO. At the date when the shares were surrendered, the fair value of the shares was EUR 0.1 million.

Share-based incentive plans 2007 - 2009

Glaston's Board of Directors decided on 9 May, 2007, to adopt a share-based incentive plan which was based on three performance periods: 2007, 2008 and 2009. The Board of Directors determined on the target group and on the criteria used and set targets for the criteria at the beginning of each performance period. The maximum reward of the plan was 652,500 shares. In addition to shares, a cash payment up to an amount that was needed for taxes and tax-related costs arising from the reward were paid. The earnings criteria for the performance periods of 2009 were the Group's operating profit (EBIT) and working capital, both with 50 percent weight. The earnings criteria for the performance periods of 2008 and 2007 were the Group's operating profit (60 percent weight) and growth in net sales (40 percent weight). The performance periods of 2008 and 2009 were forfeited, as the earnings criteria were not met.

In addition, the CEO has a separate share-based payment incentive plan. According to the plan, the CEO received in September 2010, ie. one year after the date when his employment in Glaston began,

50,000 shares in Glaston Corporation.

The shares cannot be transferred further within two years from the reward payment date (restriction period). If a person's employment or service ends during the restriction period, he/she must return the shares.

Share-based incentive plan 2010 - 2011

The Board of Directors of Glaston Corporation decided on 9 June, 2010 on a new share-based incentive plan to form a part of the long-term incentive and commitment program for the top management of the company and its subsidiaries. The plan has one earning period covering the years 2010 and 2011, and the earnings criterion is the development of the Group's operating profit. A possible award shall be paid after the release of the 2011 financial result in the spring 2012. There may be an aggregate gross maximum of 2,540,000 shares in Glaston granted under the plan. Taxes and other statutory costs arising from the award will be deducted from the gross number of shares before the share delivery. On 31 December, 2010, 12 persons were included in the plan.

Basic information of the share-based plans	Share-based incentive plan 2010 - 2011	Share-based incentive plans 2007 - 2009			CEO's plan
		Performance period 2007	Performance period 2008	Performance period 2009	Performance period 2009
Grant date	8 June, 2010	9 May, 2007	26 March, 2008	11 June, 2009	11 August, 2009
Nature of the plan	Shares and cash	Shares and cash	Shares and cash	Shares and cash	Shares and cash
Target group	Key personnel	Key personnel	Key personnel	Key personnel	CEO
Maximum number of shares, settled in shares	1,270,000	175,122	273,750	273,750	50,000
Maximum number of shares, settled in cash (calculated as a number of shares)	1,270,000	209,017	334,583	334,583	55,000
Performance period begins	1 January, 2010	1 January, 2007	1 January, 2008	1 January, 2009	1 September, 2009
Performance period ends	31 December, 2011	31 December, 2007	31 December, 2008	31 December, 2009	3 September, 2010
End of restriction period	Q1, 2012	25 April, 2010	30 April, 2011	30 June, 2012	3 September, 2012
Vesting conditions	EBIT	EBIT (weight 60%) and sales growth (weight 40%)	EBIT (weight 60%) and sales growth (weight 40%)	EBIT (weight 50%) and working capital (weight 50%)	-
	Service period	Service period	Service period	Service period	Service period
Maximum contractual life, years	1.6	3.0	-	-	3.1
Remaining contractual life, years	1	Forfeited	Forfeited	Forfeited	1.7
Number of persons involved 31 December, 2010	12	-	-	-	1

[†] The number of shares includes the cash-settled part (in shares).

Transactions in 2010 in number of shares	Performance period 2010	Performance period 2007	Performance period 2009 ^{††}	Total
Gross number of shares[†] 1 January, 2010				
Outstanding at the beginning of the period	-	51,065	618,889	669,954
Changes during the reporting period				
Granted	2,540,000	-	-	2,540,000
Forfeited	-237,000	-	-409,405	-646,405
Settled in cash	-	-	-104,742	-104,742
Expired	-	-51,065	-54,742	-105,807
Gross number of shares[†] 31 December, 2010				
Outstanding at the end of the period	2,303,000	-	50,000	2,353,000
Exercisable at the end of the period	2,303,000	-	-	2,303,000

[†] The number of shares includes the cash-settled part (in shares).

^{††} Includes both plans.

Transactions in 2009 in number of shares	Performance period 2007	Performance period 2008	Performance -period 2009 ^{††}	Total
Gross number of shares[†] 1 January, 2009				
Outstanding at the beginning of the period	103,707	608,333	-	712,040
Changes during the reporting period				
Granted	-	-	713,333	713,333
Forfeited	-28,789	-608,333	-94,444	-637,122
Settled in cash	-	-	-	-
Expired	-23,853	-	-	-23,853
Gross number of shares[†] 31 December, 2009				
Outstanding at the end of the period	51,065	-	618,889	669,954
Exercisable at the end of the period	-	-	618,889	618,889

^{††} Includes both plans.

Basic parameters used in calculation of fair value of the share-based incentive plans in 2010

Fair value calculation of the share-based reward	Share-based incentive plan 2010 - 2011
	Performance period 20100
Share price at the grant date, EUR	1.40
Annually expected dividends, EUR	0.00
Fair value of share-settled part / share, EUR	1.40
Share price at 31 December, 2010 or at the date of the surrender (cash-settled part), EUR	1.12
Fair value of the reward at 31 December, 2010, EUR thousand	1,600

Effect on the profit of loss for the period and on financial position in 2010	Share-based incentive plan 2010 - 2011	Share-based incentive plans 2007 - 2009	
	Performance period 2010	Performance periods 2007, total	Performance period 2007
Effect on the result of the 2010 reporting period, EUR thousand	478	2	25
Recognized in equity during the reporting period, EUR thousand	266	-53	19
Carrying amount of liability 31 December, 2010	212	-	-
Effect on the profit of loss for the period and on financial position in 2009	Share-based incentive plans 2007 - 2009		
	Performance period 2007	Performance period 2008	Performance periods 2009, total
Effect on the result of the 2009 reporting period, EUR thousand	223	-21	56
Recognized in equity during the reporting period, EUR thousand	59	-16	26
Carrying amount of liability 31 December, 2009	-	-	31

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 31 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, associates and joint ventures.

Related parties also include the members of the Board of Directors, the Group's

Executive Management Group, the CEO and their family members.

Glaston follows the same commercial terms in transactions with associates, joint ventures and other related parties as with third parties. Associates and joint ventures are described in more detail in Note 17 to the consolidated financial statements. The shares in INTERPANE Glass Oy were sold to Rakla Finland Oy on 9 April, 2010. As a

part of the ownership arrangement, Glaston waived its rights to EUR 3.3 million of the loan granted to INTERPANE Glass Oy. The result effect of the waiver of the loan is included in the appr. EUR 2.6 million financial expense recognized from the arrangement.

Glaston has rented premises from companies owned by individuals belonging to the management. The rents paid correspond with the local level of rents.

Transactions with related parties	2010	2009
EUR thousand		
Rents paid	629	627
Remuneration of the Executive Management Group		
EUR		
CEO Arto Metsänen^{1*}		
Salaries	316,920	105,580
Share-based incentive plans, settled in cash	70,312	-
Share-based incentive plans, settled in shares, value of shares	65,500	-
Total	452,732	105,580
Fringe benefits	19,080	6,420
Total	471,812	112,000
Compulsory pension payments (Finnish TyEL or similar plan)	54,768	6,048
Voluntary pension payments	61,844	-
^{1*} from 1 September, 2009		
CEO Mika Seitovirta^{1*}		
Salaries	-	272,024
Compensation for termination of employment	-	525,000
Bonuses	-	33,171
Total	-	830,195
Fringe benefits	-	3,846
Total	-	834,041
Compulsory pension payments (Finnish TyEL or similar plan)	-	16,439
Voluntary pension payments	-	8,547
^{1*} until 5 August, 2009		
Other members of the Executive Management Group		
Salaries	1,140,288	1,155,624
Compensations for termination of employment	327,161	425,036
Bonuses	44,819	124,322
Total	1,512,268	1,704,982
Fringe benefits	81,058	74,573
Total	1,593,326	1,779,555
Compulsory pension payments (Finnish TyEL or similar plan)	163,143	132,802
Voluntary pension payments	20,515	3,000

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 percent 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 termination of employment. The CEO has also a separate share-based payment

incentive plan. According to the plan, the CEO received 50,000 shares 2010 in Glaston Corporation in September, ie. one year after the date when his employment in Glaston began.

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 30). The criteria for bonus payments are consolidated result, result of the business area or busi-

ness unit as well as personal targets. The maximum annual bonus of the CEO is 50 percent of the annual salary. The maximum annual bonus of the other members of the Executive Management Group is 40 percent 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.

Remuneration of the Board of Directors

EUR	2010		2009	
	annual fee	meeting fee	annual fee	meeting fee
Andreas Tallberg, Chairman of the Board of Directors	40,000	5,600	40,000	8,000
Christer Sumelius, Deputy Chairman of the Board of Directors	30,000	3,000	30,000	5,000
Claus von Bonsdorff	20,000	3,500	20,000	5,000
Klaus Cawén	20,000	3,000	20,000	5,000
Carl-Johan Rosenbröijer	20,000	3,500	20,000	5,000
Jan Lång	20,000	3,500	20,000	4,500
Teuvo Salminen [†]	15,000	500	-	-
Mikael Mäkinen ^{**}	-	-	5,000	1,000
Total	165,000	22,600	155,000	33,500

[†] Member of the Board of Directors from 14 April, 2010

^{**} Member of the Board of Directors from 11 March, 2008 until 17 March, 2009

"The members of Glaston Corporation's Board of Directors were paid an annual remuneration and a meeting fee; other compensation was not paid. The Chairman of Glaston Corporation's Board of Directors was paid EUR 40,000 (40,000) annually, the Deputy Chairman EUR 30,000 (30,000) annually and each of the members EUR 20,000 (20,000)

annually. In addition, a meeting fee of EUR 800 (800) per meeting was paid to the chairman of the meeting and EUR 500 (500) to the other participants of the meeting. The members of the Board of Directors did not receive any shares or share derivatives as remuneration during the year.

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

Board of Directors, share ownership

	Glaston shares	
	31.12.2010	31.12.2009
Andreas Tallberg, Chairman of the Board of Directors	0	0
Christer Sumelius, Deputy Chairman of the Board of Directors	2,624,200	2,624,200
Claus von Bonsdorff	122,600	122,600
Klaus Cawén	6,000	6,000
Carl-Johan Rosenbröjjer	12,600	12,600
Jan Lång	0	0
Teuvo Salminen [†]	0	-

[†] Member of the Board of Directors from 14 April, 2010

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

Executive Management Group, share ownership

	Glaston shares		of which received based of the share-based incentive plan [†]
	31.12.2010 total	31.12.2009 total	
Arto Metsänen, CEO	50,000	0	50,000
Günter Befort	0	0	-
Juha Liettyä	0	0	-
Tapio Engström	0	-	-
Tapani Lankinen	0	-	-
Pekka Huuhka	0	-	-
Frank Chengdong Zhang	0	-	-
Topi Saarenhovi	8,225	8,225	8,225
Kimmo Lautanen	-	9,690	8,225
Henrik Reims	-	0	-
Manne Tiensuu	-	0	-

[†] In accordance with the terms of the share-based incentive plan, the shares cannot be transferred for two years after receiving them.

CEO Arto Metsänen received 50,000 shares in Glaston in September 2010 when he had been employed by Glaston for one year. When he received the shares, he also received cash to cover the income taxes and related payments arising from the shares. The shares cannot be transferred further within two years from the reward payment date (restriction period).

**NOTE 32
Events after End of the Reporting
Period**

Senior Vice President, Machines, and member of Glaston’s Executive Management Group, Topi Saarenhovi decided to leave the company on February 1, 2011. A new head of the Machines business area was not appointed and as of 1 February, 2011 the Machines business area has reported directly to President & CEO Arto Metsänen.

Financing package

Glaston Corporation signed on 25 February, 2011 a financing package to provide approximately EUR 84 million to refinance its short-term syndicated loan facility, to increase its financial flexibility and to strengthen its equity.

EUR 73.7 million was provided in the form of secured senior debt from Pohjola Bank plc, Nordea Bank Finland plc, Pohjola Bank plc and Sampo Bank plc. The syndicated loan facility has a maturity of three years and the loan agreement includes typical financial covenants. Payment of dividend is conditional on net financial debt to EBITDA ratio of less than 2.75. These restrictions do not apply to statutory dividends. Glaston’s largest shareholders Oy G.W.Sohlberg Ab and GWS Trade Oy have also separately agreed not to claim minority dividends as regulated in Chapter 13 Section 7 of the Finnish Companies Act.

Approximately EUR 6 million was provided by issuing new shares in Glaston and EUR 4.0 million in junior debt with maturity of three years.

The Board of Directors of Glaston resolved by virtue of the authorization granted by the Annual General Meeting on 13 April, 2010 to conduct a directed share issue and to offer a maximum number of 6.8 million new shares for subscription against payment to experienced and professional Finnish investors. Among others, Varma Mutual Pension Insurance Company and Finnish Industry Investment Ltd. subscribed for the shares. The subscription price for each share issued in the directed issue was the trade volume-weighted average price of the Glaston share less 4.9 percent for a time period of five days

preceding the payment date, i.e. 28 February, 2011. New shares issued in the directed share issue will be registered in the Trade Register on or about 4 March, 2011 and trading in the Main market of NASDAQ OMX Helsinki Ltd will commence on or about 7 March, 2011.

Glaston had also entered into agreement with Varma and Finnish Industry Investment Ltd. on conversion of Glaston convertible bond held by them into shares in Glaston with the conversion rate EUR 1.30 per share as determined in the terms and conditions of the convertible bond. Thus the amount of the convertible bond held by Varma, EUR 9.0 million, and Finnish Industry Investment, EUR 6.25 million, in total EUR 15.25 million, were converted into 11,730,768 shares in Glaston. To compensate Varma and Finnish Industry Investment Ltd. for the difference of the conversion rate and recent share price trading level, Glaston has agreed to provide the investors 21 cents per share as additional consideration. This offer will be extended to all convertible loan investors. The total issued amount of convertible bond was EUR 30 million.

The converted amount of the convertible bond is recorded in reserve for invested unrestricted equity. In accordance with IAS 32, the compensation to Varma and Finnish Industry Investment Ltd related to the conversion of the bond resulted in approximately EUR 2.5 million financial expense recognized in the income statement. However, the expense has no effect on Glaston’s equity.

The Board of Directors intends to propose the Annual General Meeting to be held on 5 April, 2011 to authorise the Board of Directors to issue new shares. As a part of contemplated authorisation, the new shares may be issued without payment for the purpose of aforementioned compensation for the convertible bond investors. Glaston’s largest shareholders Oy G.W.Sohlberg Ab and GWS Trade Oy have separately agreed that they will support the proposal of the share issue without payment at the Annual General Meeting.

The Board of Directors of Glaston approved the subscriptions made in the directed share issue resolved on 25 February, 2011 and conversion of the convertible bond into shares. 6,8 million new shares were sub-

scribed for in the directed share issue and it was fully subscribed for. The subscription price of the new shares was EUR 0.88 per share. The subscription price was based on the trading volume weighted average price in Helsinki Stock Exchange between 21- 25 February, 2011 less 4.9 percent. In the conversion of the convertible bond into shares for the value of EUR 15,250,000 11,730,768 new shares were issued.

Glaston intends to have the new shares registered in the Trade Register on or about 4 March, 2011. The new shares will carry the same rights as the existing shares of the company. After registration of the shares in the Trade Register Glaston has 97,880,768 shares. The new shares are subject to trade in Helsinki Stock Exchange on or about 7 March, 2011. After registration of the shares issued in the directed share issue and conversion of the convertible bond Glaston share capital comprises of 97,880,768 shares. Each share entitles its holder to one vote. Thus, the total number of votes is 97,880,768.

Glaston Corporation received a disclosure under Chapter 2, Section 9 of the Securities Markets Act, according to which the total number of Glaston shares owned by Finnish Industry Investment Ltd. and Varma Mutual Pension Insurance Company had through share subscriptions on 25 February, 2011 for both companies risen above 5 percent of the total number shares in Glaston. The companies had on 25 February 2011 subscribed for the shares in Glaston in a directed share issue and converted the convertible bond held by them into shares.

The holding of Finnish Industry Investment Ltd. after registration of the shares is according to the disclosure:

Number of shares	Percent (%) of total shares	Percent (%) of voting rights
8,139,692	8.32%	8.32%

The holding of Varma Mutual Pension Insurance Company after registration of the shares is according to the disclosure:

Number of shares	Percent (%) of total shares	Percent (%) of voting rights
8,137,549	8.31%	8.31%

Parent Company Financial Statements

INCOME STATEMENT OF THE PARENT COMPANY (FAS)

EUR thousand

	Note	1 January-31 December	
		2010	2009
Net sales	2	3,561	4,200
Other operating income	3	769	664
Personnel expenses	4	-3,323	-4,227
Depreciation, amortization and impairment losses	5	-1,519	-2,424
Other operating expenses	6	-3,897	-3,704
Operating result		-4,409	-5,490
Total financial items	7	-338	-644
Profit /loss before appropriations and taxes		-4,747	-6,134
Appropriations	8	158	125
Income taxes	9	218	1,431
Profit / loss for the financial year		-4,371	-4,578

BALANCE SHEET OF THE PARENT COMPANY (FAS)

EUR thousand

	Note	2010	2009
Assets			
Non-current assets			
Intangible assets	10	4,182	4,681
Tangible assets	10	2,367	2,783
Investments	11, 12	78,838	81,803
Total non-current assets		85,387	89,267
Current assets			
Non-current receivables	13	2,592	2,336
Current receivables	13	89,022	83,106
Cash and bank		511	1,946
Total current assets		92,125	87,388
Total assets		177,512	176,655
Equity and liabilities			
Equity			
Share capital		12,696	12,696
Share premium fund		25,270	25,270
Reserve for invested unrestricted equity		102	209
Treasury shares		-3,308	-3,518
Retained earnings		50,948	55,520
Profit / loss for the financial year		-4,371	-4,578
Total equity		81,336	85,599
Accumulated appropriations	15	31	189
Liabilities			
Non-current liabilities	16	30,000	23,750
Current liabilities	17	66,144	67,117
Total liabilities		96,144	90,867
Total equity and liabilities		177,512	176,655

PARENT COMPANY CASH FLOW STATEMENT (FAS)

EUR thousand

	1 January-31 December	
	2010	2009
Cash flow from operating activities		
Profit / loss for the financial period	-4,371	-4,578
Adjustments:		
Depreciation, amortization and impairment	1,519	2,424
Financial income and expenses	3,138	644
Other adjustments	1,081	-1,548
Cash flow operating activities before change in net working capital	1,368	-3,057
Change in net working capital		
Change in current interest-free receivables	492	-2,254
Change in current interest-free liabilities	-174	-608
Cash flow from operating activities before financial items and taxes	1,686	-5,919
Interests paid and payments made for other financial items		
Interests paid and other financial expenses	-15,936	-2,218
Dividends received	8,495	2
Interest received	5,037	5,795
Income taxes paid	-314	2,426
Cash flow from operating activities before extraordinary items	-1,033	85
Cash flow from extraordinary items	-	5,067
Cash flow from operating activities	-1,033	5,152
Cash flow from investing activities		
Investments in tangible and intangible assets	-605	-2,245
Investments in subsidiaries	-	-438
Received purchase price refund	166	-
Proceeds from sale of other investments	-	3
Cash flow from investing activities	-439	-2,680
Cash flow from financing activities		
Drawn-down of non-current loans	6,188	23,750
Repayments of non-current loans	-	-6,425
Change in current intra-group receivables	-5,778	-31,020
Change in current intra-group loans	-6,884	3,463
Drawn-down of current loans	10,000	11,346
Repayments of current loans	-3,489	-
Dividends paid	-	-3,923
Cash flow from financing activities	37	-2,809
Change in cash and cash equivalents	-1,435	-337
Cash and cash equivalents at the beginning of the period	1,946	2,283
Cash and cash equivalents at the end of the period	511	1,946
Change in cash and cash equivalents	-1,435	-337

NOTE 1 Summary of Significant Accounting Policies

Glaston Corporation is a public limited liability company organized under the laws of Republic of Finland. From 1 January, 2011 Glaston's shares have been publicly traded in the NASDAQ OMX Helsinki Ltd. Small Cap in Helsinki, Finland. In 2010, Glaston's share was publicly traded in NASDAQ OMX Helsinki Ltd. Mid Cap. Glaston Corporation is domiciled in Hämeenkyrö, Finland and its registered office is Vehmaistenkatu 5, 33730 Tampere, 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.

Share-based incentive plan

The share-based incentive plan of Glaston Corporation is a combination of shares and a cash payment. Glaston has the option to settle the possible reward in cash in its entirety. The expenses arising from the incentive plan of 2007, which were related to the personnel of Glaston Corporation, were recorded in full in profit or loss in the separate financial statements of Glaston Corporation in 2008, when the shares were surrendered, though the earning period for the shares ends in early 2010. The expenses arising from the incentive plan of 2009, were recorded in full in profit or loss in the separate financial statements of Glaston Corporation in 2010, when the shares were surrendered,

Convertible bonds

In Glaston Corporation's separate financial statements the convertible bonds are accounted for entirely as liabilities.

NOTE 2 Net Sales

EUR thousand

	2010	2009
Net sales by country by destination		
Finland	1,829	2,147
Other EMEA	1,732	1,967
Americas	-	64
Asia	-	22
Total	3,561	4,200

EMEA = Europe, the Middle East and Africa

Americas = North, Central and South America

Asia = China and the rest of the Asia-Pacific area, India, Pakistan, Bangladesh, Sri Lanka

NOTE 3 Other Operating Income

EUR thousand

Charges from group companies	767	664
Proceeds from sale of fixed assets	0	-
Other income	1	-
Total other operating income	769	664

NOTE 4
Personnel Expenses

EUR thousand

	2010	2009
Salaries and fees	-2,691	-3,609
Pension expenses	-553	-453
Other personnel expenses	-78	-165
Total	-3,323	-4,227

Salaries and remuneration paid to members of the Board of Directors and Managing Director	-640	-1,124
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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, management and administrative personnel	22	29
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NOTE 5
Depreciation, Amortization and Impairment Losses

EUR thousand

Depreciation and amortization according to plan

Intangible assets		
Intangible rights	-692	-550
Other capitalized expenditure	-176	-208
Tangible assets		
Buildings and structures	-118	-112
Machinery and equipment	-348	-355
Total depreciation and amortization according to plan	-1,334	-1,224

Impairment losses

Impairment loss of other capitalized expenditure	-186	-1,200
Total depreciation and amortization according to plan and impairment losses	-1,519	-2,424

NOTE 6
Other Operating Expenses

EUR thousand

Loss on sale of fixed assets	-	-2
Rents	-393	-427
Information and communications technology expenses	-898	-882
Travel expenses	-377	-240
Other expenses	-2,228	-2,152
Total other operating expenses	-3,897	-3,704

Fees paid to auditors

Fees paid to principal auditors for audit	-41	-56
Fees paid to principal auditors for other services	-183	-41
Total	-224	-97

**NOTE 7
Net Financial Items**

EUR thousand	2010	2009
Dividend income		
from group companies	8,492	-
from external parties	2	2
Total dividend income	8,495	2
Interest and other financial income		
from group companies	9,027	4,265
from external parties	73	63
Interest income and other financial income	9,101	4,328
Total interest and other financial income	17,595	4,329
Interest expenses and other financial expenses		
to group companies	-2,216	-2,487
impairment losses of investments in non-current assets	-8,800	0
to external parties	-6,917	-2,486
Total interest expenses and other financial expenses	-17,933	-4,973
Total net financial items	-338	-644
Other financial income and expenses include foreign exchange gains and losses (net)	752	-272

**NOTE 8
Appropriations**

EUR thousand		
Difference between depreciation and amortization according to plan and depreciation and amortization in taxation	158	125
Total	158	125

**NOTE 9
Income Taxes**

EUR thousand		
Income taxes for operations	376	-117
Change in deferred tax assets	-157	1,548
Total	218	1,431

NOTE 10
Fixed Assets

EUR thousand

	Intangible rights	Other capitalized expenditure	Advance payments and investments in progress	Total
Intangible assets				
Acquisition cost 1 January, 2010	3,824	1,098	2,414	7,336
Additions	15	-	539	555
Disposals	-	-	-	-
Reclassifications	994	25	-1,019	-
Acquisition cost 31 December, 2010	4,832	1,123	1,935	7,890
Accumulated amortizations 1 January, 2010	-1,365	-450	-840	-2,655
Amortization for the period	-692	-176	-	-867
Impairment losses	-	-186	-	-186
Accumulated amortizations 31 December, 2010	-2,057	-811	-840	-3,708
Carrying amount at 31 December, 2010	2,775	312	1,095	4,182
Carrying amount at 31 December, 2009	2,458	648	1,575	4,681

	Land and water areas	Buildings	Machinery and equipment	Other tangible assets	Total
Tangible assets					
Acquisition cost 1 January, 2010	1,033	1,806	1,662	26	4,527
Additions	-	-	51	-	51
Disposals	-	-	-46	-	-46
Acquisition cost 31 December, 2010	1,033	1,806	1,667	26	4,532
Accumulated depreciations 1 January, 2010	-	-722	-995	-26	-1,744
Accumulated depreciations of disposals and transfers	-	-	45	-	45
Depreciation for the period	-	-118	-348	-	-466
Accumulated depreciations 31 December, 2010	-	-840	-1,298	-26	-2,165
Carrying amount 31 December, 2010	1,033	966	369	-	2,367
Carrying amount at 31 December, 2009	1,033	1,084	667	-	2,783

NOTE 11
Investments

EUR thousand

	Shares Group companies	Shares Others	Total
Acquisition cost 1 January, 2010	81,549	254	81,803
Increase	6,000	-	6,000
Decrease	-166	-	-166
Acquisition cost 31 December, 2010	87,383	254	87,638
Impairment	-8,800	-	-8,800
Carrying amount at 31 December, 2010	78,583	254	78,838
Carrying amount at 31 December, 2009	81,549	254	81,803

NOTE 12
Shares and Holdings Owned by the Parent

Subsidiary shares	Ownership %	Number of shares	Nominal value	Carrying amount
Uniglass Engineering Oy, Tampere, Finland	100.0%	20,000	400	6,351
Glaston Services Ltd. Oy, Tampere, Finland	100.0%	1,800,000	3,600	51,953
Albat+Wirsam Software GmbH, Linden, Germany	100.0%	1,500,000		20,280
Total				78,583
Other				
Kiinteistö Oy Torikyrö, Finland	63.4%	804	68	240
Other shares and holdings				14
Total				254

NOTE 13
Receivables

EUR thousand

	2010	2009
Non-current receivables		
Receivables from external parties		
Deferred tax assets	2,592	2,336
Total non-current receivables	2,592	2,336
Current receivables		
Receivables from external parties		
Trade receivables	32	-
Prepaid expenses and accrued income	958	1,470
Total	990	1,470
Receivables from group companies		
Trade receivables	2,421	1,805
Loan receivables	83,897	78,322
Other receivables	-	1,203
Prepaid expenses and accrued income	1,715	307
Total	88,032	81,637
Total current receivables	89,022	83,106
Prepaid expenses and accrued income		
Personnel expenses	7	67
Interest income	1,715	273
Indirect taxes	-	33
Financial items	850	1,213
Prepaid insurances	-	65
Other	101	124
Total prepaid expenses and accrued income	2,673	1,777

NOTE 14**Equity**

EUR thousand

	2010	2009
Share capital 1 January	12,696	12,696
Share capital 31 December	12,696	12,696
Share premium fund 1 January	25,270	25,270
Share premium fund 31 December	25,270	25,270
Reserve for invested unrestricted equity 1 January	209	177
Loss on disposal of treasury shares / gain on disposal of treasury shares and return of treasury shares	-107	32
Reserve for invested unrestricted equity 31 December	102	209
Treasury shares 1.1	-3,518	-3,487
Return / disposal of treasury shares ^{l**}	210	-32
Treasury shares 31.1	-3,308	-3,518
Retained earnings 1 January	50,942	59,432
Dividends	-	-3,927
Dividends not drawn	5	15
Retained earnings 31 December	50,948	55,520
Profit / loss for the financial year	-4,371	-4,578
Equity at 31 December	81,336	85,599
Distributable funds at 31 December		
Reserve for invested unrestricted equity ^{l†}	102	209
Treasury shares	-3,308	-3,518
Retained earnings	50,948	55,520
Profit / loss for the financial year	-4,371	-4,578
Distributable funds	43,371	47,633

^{l†} Reserve for invested unrestricted equity can not be distributed as dividends.

^{l**} Shares acquired for the share bonus scheme. Share acquisition and scheme management have been outsourced to an external service provider. The shares are the property of the external party until the shares are transferred to key individual within the framework of the bonus scheme. Irrespective of the legal form of the procedure, it has been treated in the financial statement as if Glaston would have acquired its own shares.

NOTE 15**Accumulated Appropriations**

EUR thousand

	2010	2009
Accumulated depreciation difference 1 January	189	315
Increase (+) / decrease (-)	-158	-125
Accumulated depreciation difference 31 December	31	189

NOTE 16
Non-current Liabilities

EUR thousand

	2010	2009
Convertible bond	30,000	23,750
Total non-current liabilities	30,000	23,750

The terms of the convertible bond are presented in Notes 4 and 22 of the consolidated financial statements.

NOTE 17
Current Liabilities

EUR thousand

	2010	2009
Liabilities to external parties		
Loans from financial institutions	51,865	45,365
Trade payables	267	235
Other liabilities	66	128
Accrued expenses and deferred income	1,762	1,735
Total liabilities to external parties	53,961	47,463
Liabilities to group companies		
Trade payables	10	86
Other liabilities	12,164	19,513
Accrued expenses and deferred income	9	56
Total liabilities to group companies	12,183	19,654
Total current liabilities	66,144	67,117
Accrued expenses and deferred income		
Salary and other personnel expense accruals	537	564
Interests	1,163	1,049
Other	71	177
Total accrued expenses and deferred income	1,771	1,790

NOTE 18
Contingent Liabilities

EUR thousand

	2010	2009
Leasing liabilities		
Maturity within one year	51	116
Maturity later than one year	3	105
Total	54	221

The leasing agreements have normal terms.

Other rental liabilities

Maturity within one year	228	228
Maturity later than one year	152	380
Total	380	608

Pledges

On behalf of group companies	10,966	6,028
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Loans secured with mortgages

Loans from financial institutions	51,865	41,865
Mortgages given	4,000	4,000
Carrying amount of pledged securities	78,583	54,753
Carrying amount of pledged group receivables	84,648	-
Pledged deposit	30	-

NOTE 19

Derivative Instruments

EUR thousand

Currency derivatives	2010		2009	
	Nominal value	Fair value	Nominal value	Fair value
Forward contracts	-	-	1,584	-31
Intra-group currency derivatives				
Forward contracts	-	-	1,584	31

Board of Director's Proposal for the Distribution of Profits

The distributable funds of Glaston Corporation, the parent of Glaston Group, are EUR 43,370,581 of which EUR 4,370,565 represents the net loss for the financial year.

The Board of Directors proposes to the Annual General meeting that no dividend will be distributed from the net loss for the year and from retained earnings. EUR 43,370,581 will be left in distributable funds.

Helsinki, 1 March, 2011

Andreas Tallberg
Chairman of the Board

Christer Sumelius
Deputy Chairman of the Board

Claus von Bonsdorff

Klaus Cawén

Carl-Johan Rosenbröjjer

Jan Lång

Teuvo Salminen

Arto Metsänen
CEO

Auditor's report

To the Annual General Meeting of Glaston Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Glaston Corporation for the year ended 31 December, 2010. 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 and 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 1 March 2011

Ernst & Young Oy
Authorized Public Accountant Firm

Harri Pärssinen
Authorized Public Accountant

