glaston
seeing it through

ANNUAL REPORT 2010

compre-
hensive
solutions
for glass
industry

Content

Information for share-holders

Annual General Meeting
The Annual General Meeting of Glaston Corporation will be held on Tuesday 5 April 2011 at 4 p.m. at the hotel Hilton Helsinki Kalastajatorppa in Helsinki, Finland. Shareholders entered in the company's shareholders register, held by Euroclear Finland Oy, on 24 March 2011 are entitled to attend the Annual General Meeting. Shareholders who wish to attend the Annual General Meeting must notify their intention to attend at the latest by 4 p.m. on 31 March 2011:

- at Glaston Corporation's website www.glaston.net
- by e-mail to the address tania.spare@glaston.net or
- by telephone to number + 358 10 500 6438 or
- by telefax to number + 358 10 500 6515 or
- in writing to the address Glaston Oyj Abp, Yliopistonkatu 7, FI-00100 Helsinki, Finland.

Dividend
The Board of Directors propose that no dividend be distributed for the financial year 2010.

Financial reporting in 2011
- Financial Statements 1 January – 31 December 2010 on Tuesday 1 March
- Annual Report 2010 in Week 11
- Interim Report 1 January – 31 March on Wednesday 4 May
- Interim Report 1 January – 30 June on Thursday 11 August
- Interim Report 1 January – 30 September on Wednesday 26 October

Glaston publishes financial reports and bulletins in Finnish and English, and they are also available on the company's website www.glaston.net.

Further information
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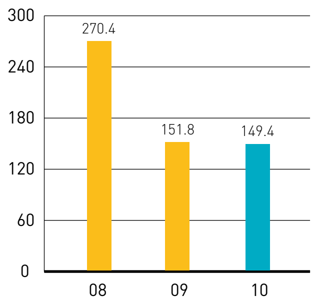
Year 2010 in Brief

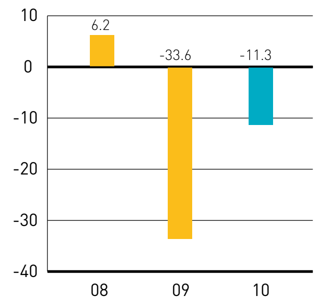
In the demand for glass processing machinery, subtle signs of market recovery could be seen. The challenging market conditions, operating losses and the shift of focus in demand into the emerging markets required changes to be made in Glaston's operating methods. In order to improve profitability, the efficiency of sourcing activities was increased, flexibility was enhanced and the sales and service network was strengthened. In addition, various adjustment measures were carried out, some of which will generate visible results in 2011.

- The demand remained brisk in Asia and South America. In North America and Europe the market conditions continued to be challenging.
- Net sales remained on the 2009 level at EUR 149.4 million (EUR 151.8 million).
- Operating result excluding non-recurring items was EUR -11.3 (-33.6) million i.e. -7.5% (-22.2)% of net sales.
- The Machines segment yielded a negative result whereas the Services segment and Software Solutions rose to a positive level.
- Investments in product development continued, and the new product launches were well received by the customers.
- The headcount decreased by 17.5%, to 957 employees. This reduction took place mainly in the European operations, whereas in Asia, the headcount increased.

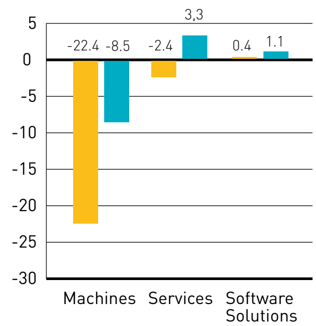
Net sales
EUR million



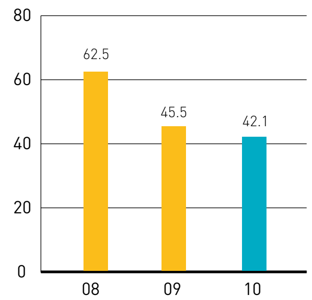
Operating result excl. non-recurring items EUR million



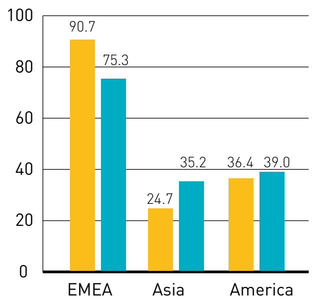
Operating result by segment
EUR million



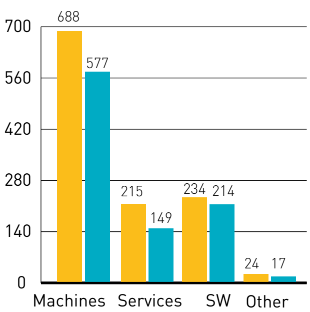
Order book
EUR million



Sales by market area
EUR million



Personnel at year-end



Glaston in Brief

Glaston is one of the world's leading glass technology providers. Its comprehensive offering encompasses machinery, services and software solutions. Thanks to its broad product range, Glaston can offer its customers comprehensive factory or production line solutions as well as services covering the entire life cycle of machinery. Glaston's aim is to be the most valued partner for its customers. Its most important customer groups are construction, solar energy and automotive glass manufacturers as well as the furniture industry.

A global company
Glaston operates globally and its extensive customer service network consists of over 20 sites worldwide. Glaston manufactures glass processing technology in four countries on three continents. Glaston's head office is located in Finland. Glaston's business is divided into three reportable segments: Machines, Services and Software Solutions. Glaston's share (GLA1V) is listed on the NASDAQ OMX Helsinki Small Cap list.

A pioneer in technology
Glaston's solutions and services support customer's operations throughout the entire life cycle of products. Glaston is a market leader in several product segments. In technologically demanding products, its position is particularly strong. Glaston's products are known in the market under several strong brands.

Glaston's success is based on the long-term development of new products and their features. Its aim is to develop technical solutions benefitting both customers and the environment. In glass processing, the most significant requirements are energy efficiency and optimal use of materials. With Glaston's solutions it is possible to process glass types that reduce energy consumption in buildings as well as glass types used for solar energy production.

An important industry developer
Glaston is an important developer in its industry, and its operations are supported by close cooperation with clients and other players in the field. Glaston organises the Glass Performance Days (GPD) event, a meeting place for all stakeholders in the glass processing chain. The target of this unique event is to gather and distribute the latest news among the players in the industry as well as to promote the development of new applications and technological features.

Reliability

Top quality products and services from the wide product range to serve different customer needs.

Service

Extensive, global customer service network for all customer needs.

The **Machines** segment offers a wide range of production machinery and tools for the glass industry. Glaston's product range includes machines for glass cutting and drilling, edge-shaping and polishing, horizontal tempering, bending, bend tempering and lamination. Bavelloni is Glaston's brand for glass pre-processing machines, and Tamglass and Uniglass are tempering, bending and lamination machine brands. Bavelloni and AAA are Glaston's tool brands.

Machines

63%

Share of net sales

The **Services** segment provides services that enable customers to take their production capacity in full and undisturbed use during the entire lifetime of their machines. Glaston's services include contracted services, spare parts, service work, machinery relocation services, machine upgrades and modernizations, machinery and software upgrades, as well as training and consulting services.

Services

21%

Share of net sales

Software Solutions

16%

Share of net sales

The **Software Solutions** segment provides the glass processing and window manufacturing industry with software solutions sold under the Albat+Wirsam and Cantor brands. The segment's software offering covers the customer's entire supply chain by comprising enterprise resource planning systems, commercial process management systems, and monitoring systems. Software solutions can be tailored for single machines but also for fully integrated and automated product lines.

Quality

Premium quality of glass processed with our technology.

Supporting Growth and Profitability

Glaston's strategy supports the company's growth and profitability targets as well as its aspiration to continue to be a pioneer in its field. In 2010, Glaston focused on strengthening its growth potential and profitability.

Changes in the operating environment require that Glaston has the ability to adjust quickly to changing market conditions and respond to new challenges. The most significant challenges are related to the shift of emphasis to developing markets and increasing demand for technology suited for the production of even more high-quality glass types. In 2010, Glaston strongly focused on expanding its sales and service network, optimizing production close to growing markets, optimizing the supply chain, and strengthening its product range and product management.

Growing customer segments

Glaston operates in growing markets, and the company's most significant customer segments, the construction industry, solar energy market, and automotive, are growing industries in the long term. In these customer segments, Glaston is able to utilize its existing strong market position and expertise. Glaston continued to focus on serving its customers in 2010 by developing its products and services, and moving towards an agent and distributor-based operating model.

Strong market position in Asia

The focal point of Glaston's operations has quickly shifted from the mature markets in Europe and North America to the growing markets in Asia and South America. Glaston's goal is to strengthen its market position in growing markets, particularly China and Asia in general. In 2010, Glaston continued to boost its service ability in rapidly developing market areas, where production and product development resources were increased, as operations in Europe and North America were adjusted to the prevailing market situation.

Developing services

Glaston's goal is to serve its customers throughout the entire life cycle of its machines and equipment. Its competitiveness and solid market position are strengthened by a more comprehensive product and service range than its competitors offer, including maintenance services, and consulting and training services concerning machines and equipment as well as software and glass technology. In 2010, Glaston continued to develop its services by e.g. launching new products that improve end product quality and by strengthening its service network.

Sustainable development through a vast range of products and services

Glaston's product and service range includes glass processing machines, services, and software solutions. Thanks to its broad product range, Glaston can offer its customers comprehensive factory or production line solutions. Glaston is also a pioneer in glass processing technology and maintenance services for glass processing machinery; the company has over 20 service and sales locations worldwide. Customer needs are the starting point in product development and products are constantly developed to meet market demands. Energy efficiency and quality are the key elements in product development.

Glaston has several strong brands in the market. Tamglass and Uniglass are the bands for safety glass machines and Bavelloni for pre-processing machines. Glaston's well-known brand for software solutions is Albat+Wirsam, and Bavelloni and AAA in tools for pre-processing machines.

"We achieved some clear financial gains from optimizing our sourcing operations and developing our supply chain in 2010.

Focus on improving efficiency of operations

Our starting point at the beginning of 2010 was challenging, because the demand for our products and services was still very low and our operations were clearly unprofitable. We already began to improve the efficiency of our operations in 2009, but most of the work to return to profitability has been done in 2010. Indeed, the past year brought along many changes to Glaston; vigorous cost savings and significant workloads.

Glaston's markets remained challenging as a whole, even though some areas saw some very strong growth. Demand in our most important market area, Europe, remained low, with the exception of Germany's improving market situation. There was significant growth in China and Brazil, whereas the markets in the rest of South and North America remained unstable. Tight competition continued in the sector. Glaston managed to slightly increase the profit margins of its machine deals by excluding itself from very low-price transactions.

The investment needs of our clients' – the glass processors – are above all directed by developments in the demand for glass. Even though the use of glass increased as the construction and auto industries recovered, our clients were able to fulfill the increased demand mainly through their existing production capacity. The rise in the capacity utilization rate, in turn, translated into a demand for services and software solutions. However, over the long term the demand for glass will require investments in new, more efficient production machinery. Processed glass is also the most important component in the solar panel industry. Significant investments planned into this renewable energy also entail massive future growth potential for Glaston's products.

Improved profitability

Glaston's net sales remained on the 2009 level at EUR 149.4 million (EUR 151.8 million in 2009). Our operating result improved significantly, but remained in the red at EUR -11.3 million (EUR -33.6 million). Non-recurring expenses related mainly to adjustment measures amounted to EUR 13.7 million. Our improved result is proof of the effectiveness of our adjustment and efficiency measures. The Services segment already achieved good results and Software Solutions rose to a satisfactory level, but the Machines segment yielded a negative result, further aggravated by an impairment loss of goodwill amounting to EUR 5.8 million.

The past years have also been very challenging for our personnel. We have had to improve the efficiency of our operations and conduct two rounds of employer-employee negotiations. As a result, our personnel has already been reduced by 203 employees mainly in Europe. On the other hand, we have recruited new employees in our locations in China. Our organization and Executive Management Group have also undergone changes during the past year. Our number of employees was 957 at the end of the year, but this figure will decrease slightly further due to adjustment measures initiated at the end of 2010.

Focus on developing markets

Glaston has production plants in Finland, Italy, China, and Brazil. As part of the changes in our organization and operating methods, we have put more focus to the booming markets in Asia and South America. It is efficient to locate glass production close to the end user, and therefore it is also important that the technology supplier and service provider operates close to the client. We have strengthened production, sourcing and product development in our plants in China and Brazil. We have designed the optimal products for these growing markets and achieved a strong market position in both countries.

Flexibility through cooperation

In line with Glaston's flexible operating methods, we will focus on product development and final assembly in machine production. We will utilize our global network of subcontractors in sourcing parts and components. We achieved some clear financial gains from optimizing our sourcing operations and developing our supply chain in 2010. Our comprehensive network of agents and dealers, whose capacities we improved over the past year, also strengthen our sales, marketing and maintenance organizations.

Leaps ahead in product development

Glaston has a strong position in developing glass technology, and our brands are very well known in the market. Thanks to our product development, we are a pioneer in many products, such as heat treatment technology and production software. We took major leaps ahead in product development in 2010. We launched successfully several new products, that all focus on significantly improving our customers' production and energy efficiency and, naturally, high quality. However, protecting the products through patents is also vital. At the end of the year, we won a trial in Canada concerning the violation of two patents for tempering and bending technology.

Expectations for growth

Our most important goal for 2011 is to improve the profitability of our operations. Thanks to the significant measures we have taken, our starting point is relatively solid. We already have the prerequisites for profitable operations, but we will further improve our focus on customers, supply chain, and our personnel's competence. Our goal is a stronger, more unified Glaston.

Our expectations concerning market developments for this year are still conservative, although brighter. The market still looks challenging at the beginning of the year, but we are already expecting the second half of 2011 to be busier. The use of glass, which directs the industry's development over the long term, seems to be increasing significantly, and the demand for various developed glass solutions is bringing some new potential into the market. Glass offers considerable advantages in the battle for energy efficiency and against climate change.

I would like to extend my warm thanks to everyone at Glaston for your good work, and to our cooperation partners and shareholders for your trust in our work. We will strive to exceed your expectations in the future.

Arto Metsänen
CEO and President

Growth potential in the market

Glaston serves the flat glass processing industry through developing and supplying glass processing machines, services for the machines' entire life cycle, and production software. Glaston has a worldwide operating network and its client base includes the most significant glass processors. Developments in demand for flat glass and thus, glass industry investment needs, affect the demand for Glaston's products.

After an exceptionally dramatic decline that began in late 2008, there were slight signs of recovery in demand for glass processing technology in 2010. Customers were more willing to invest, negotiations increased, and certain delayed projects were restarted. Demand for machine upgrades also grew. However, the recovery in demand was reserved and geographically fragmented. In many areas, there was still significant overcapacity in glass production. In addition, financing difficulties still presented a challenge especially at the beginning of the year.

Glaston has divided its market areas into EMEA, Asia, and America. EMEA, in other words Europe, Africa, the Middle East, Russia and other CIS countries, is still Glaston's most significant market area. In 2010, it generated approximately half of Glaston's net sales. Developments were uneven in Europe; demand increased in Germany and Eastern Europe, but investments remained low elsewhere due to overcapacity in glass processing. Asia is a rapidly growing market area, whose contribution to net sales increased to 24%. Particularly customers that produce glass for the solar power and construction industry actively invested in new production lines. At the same time, demand focused more on efficient, reliable machines that produce top quality glass.

The American market is divided into North America, which has slightly declined in recent years, and the rapidly developing South America. America's share of net sales was 26% in 2010. Demand picked up in South America, but new competitors emerged simultaneously, tightening competition. The weakening of the euro compared to many local currencies boosted the competitiveness of Glaston's machines and software products manufactured in Europe. The North American market, in turn, remained unstable, and investments remained low because of a decline in the construction industry. There was still overcapacity in the glass processing industry, making customers focus on increasing the efficiency of their operations.

Long-term investments

Glass processing machines are long-term investments, as depending on the machine, their life cycle may be as long as 15–20 years. Therefore, efficiency, reliability and adaptability are the most important factors to consider when choosing a machine. A significant share of the machines' operating costs comes from the price of energy; placing greater importance of the machines' production capacity and energy-efficiency from the customer's perspective. Energy-efficient technology also reduces CO_2 emissions.

Materials are another considerable part of production costs, so it is important to ensure the high quality of the end product, such as the horizontality of the glass, in order to minimize wastage. Modern machinery is an absolute prerequisite for quality in manufacturing technologically demanding glass. The upgrading and maintenance of machines enable the production of high quality glass. The availability and quality of services are increasingly important competitive factors in the sales of glass technology.

Fragmented competition

The glass technology market is still fragmented and Glaston has many competitors. However, due to the challenging market situation, consolidation has accelerated in recent years. Small operators have suffered most from the tightening competition, but the narrowing of the market and margins have affected the capacity of all suppliers. Chinese competitors have also presented a significant challenge. In China, local suppliers have managed to catch up with Western companies and companies that have been in the business longer in terms of technological expertise.

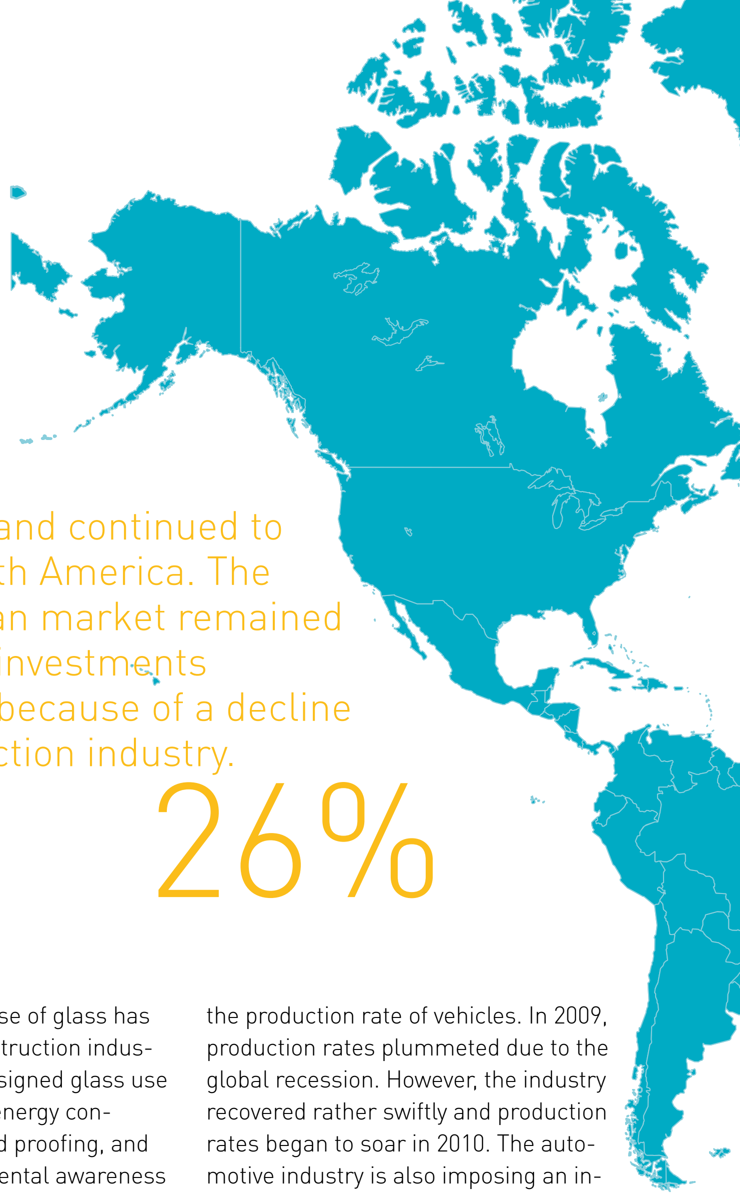
Increasing demand for glass

In 2009, the total flat glass market amounted to approximately 52 million tons, approximately EUR 22 billion in value. The market value of processed glass edged up to approximately EUR 52 billion. In the long term, the use of glass has increased annually by about 4–5%. During the past 20 years, growth in the demand for glass has surpassed the average growth of gross domestic product, and during the past 10 years, the growth rate has been up to 3% higher than that of the economy. However, during 2008–2009, demand for glass dropped. The use of glass slightly picked up again in 2010, but recovery was slow.

Construction industry as the biggest user of glass

The construction industry accounts for about 80% of glass consumption, so investments in glass technology clearly follow cycles in the construction industry. This consumption is divided in half between new construction and renovation projects. The automotive industry is another significant customer group. It accounts for approximately 10% of glass consumption. The remaining 10% is used by various other industries, such as furniture, equipment, and the solar panel industry.

The number of new construction and renovation projects is directly linked to demand for glass technology. Normally construction increases at a rate a few percentage points above GNP growth.



America Demand continued to pick up in South America. The North American market remained unstable, and investments remained low because of a decline in the construction industry.

26%

On the other hand, the use of glass has clearly increased in construction industry, because correctly designed glass use can reduce a building's energy consumption, improve sound proofing, and increase light. Environmental awareness and energy prices are the most significant factors contributing to the increase in glass use. The use of glass as construction material has also increased due to people's personal preferences.

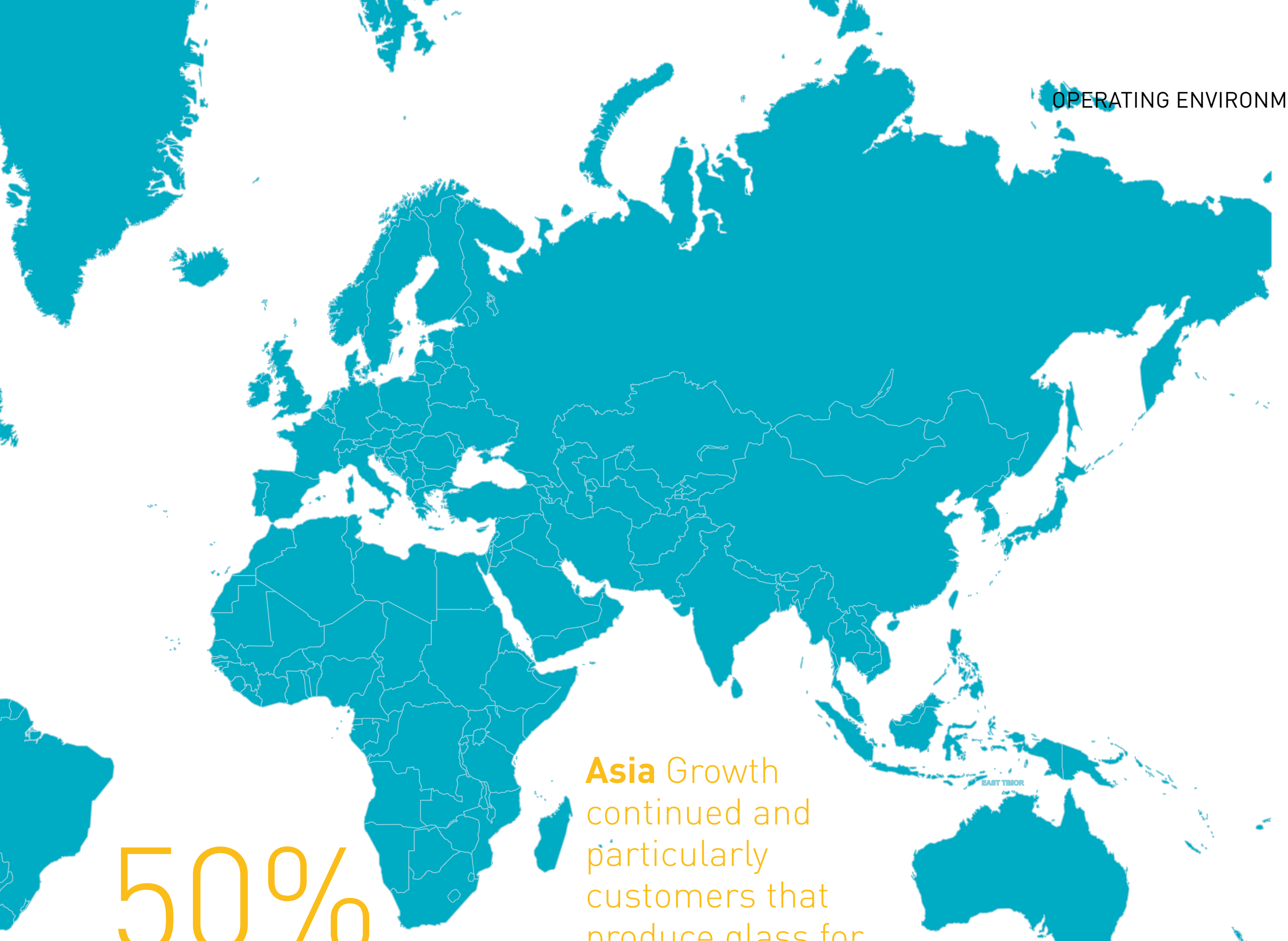
Requirements for glass used in construction change constantly, so the use of more demanding, versatile, and high quality glass types is increasing. The use of insulating and energy saving glass is increasing in an effort to achieve energy saving targets. Various types of safety glass are used because of security regulations. In general, glass size, coating, and bendability requirements are increasing, and the need for highly processed glass is growing.

Safety glass for the automotive industry

The amount of glass consumed by the automotive industry is directly related to the production rate of vehicles. In 2009, production rates plummeted due to the global recession. However, the industry recovered rather swiftly and production rates began to soar in 2010. The automotive industry is also imposing an increasing number of requirements concerning glass properties as glass surfaces in vehicles increase, for example.

Solar energy is a significant market

The importance of alternative energy sources is increasing, because fossil fuel sources are diminishing and combating climate change requires increased use of energy solutions that support sustainable development. The use of solar panels is a strong alternative for cleaner energy production. Many governments subsidize the use of solar panels in order to achieve the set emissions targets. On the other hand, investments in solar power decreased significantly during the recession due to financing difficulties in the industry. However, by the end of 2010 there were signs of recovering interest from solar panel manufacturers.



50%

Developments were uneven in **Europe** and demand remained low.

Asia Growth continued and particularly customers that produce glass for the solar power and construction industry actively invested in new production lines.

24%

Focus on developing markets

The biggest markets for glass are in China, where companies are also building new production capacity the most. Asia consumes approximately 60% of all glass produced. Europe is the second largest market area, accounting for approximately 16% of glass consumption. The total share of North and South America together is 12%. The remaining approximately 10% is divided between Russia, other CIS countries, Australia, and Africa. The use of glass and particularly high quality, processed glass is expanding in developing markets, such as Asia and parts of South America, whereas developed markets will see more steady growth.

Market potential in Asia

Even though the use of glass and especially the need for processed glass seems to be increasing in the future, interest in investing is not expected to dramatically increase in the industry for the next few years. Financing difficulties still present a challenge and economic uncertainty keeps investors cautious in many regions.

Since transporting glass is uneconomical, glass processing is usually centralized close to its market. Therefore, the greatest potential lies in Asia, where the need for glass is increasing more rapidly due to booming construction, the increased use of solar power, and the recovery of the automotive industry. Glaston's production facility in China enables the production of competitive products for the local market.

Customer investments are expected to increase slightly in Europe and elsewhere in the EMEA region in certain areas like Central Europe, Russia, and some Eastern European countries. In Europe, investments are often targeted at ensuring end product quality. Many uncertainty factors still remain in North America, whereas new orders are expected to come in from South America.

Machines

The Machines segment has developed a wide range of glass processing machinery for the glass industry. The segment's expertise covers glass pre-processing and safety glass technologies, as well as tools used in pre-processing machines. Glaston's product range includes machines for glass cutting and drilling, edge-shaping and polishing, flat tempering, bending, bend tempering and lamination. Certain pre-processing technologies are also used in stone processing.

2010 was still a challenging year for the Machines segment, even though certain markets showed signs of recovery. However, developments in the market were fragmented, as there was still overcapacity in glass processing in some market areas. Customers still experienced financing difficulties in many market areas due to the instability of the financial market. The segment's net sales increased to EUR 95.0 million, representing a 3% rise from 2009 (EUR 92.5 million). The segment's operating loss also decreased to EUR -8.5 million (EUR -22.4 million).

Adjustment and efficiency measures first introduced in 2009 were continued in order to improve profitability. The segment managed to cut production costs by increasing production in low-cost locations and by optimizing sourcing, but the adjustment measures also called for personnel cuts. At the end of 2010, the number of employees in the segment was 577 (688), but due to employer-employee negotiations held in December, this figure will be reduced slightly further at the beginning of 2011. At the end of 2010, the segment's order book was EUR 37.4 million (EUR 39.8 million).

Renewed interest in investing

Demand for glass processing machines developed unevenly in different market areas. Active demand continued in Asia, where both the construction and automotive industry needed increasing quantities of glass. The production of solar panels picked up again, but also continued to shift to Asia and China, in particular. This translated into an increase in demand in Asia, where local competitors also became more active, tightening competition in the market area. There were also signs of economic recovery in other Asian countries, such as India. The South American market remained active thanks to Brazil, in particular. There were also some signs of recovery in North America, although the market as whole still remained subdued compared to the beginning of the 21st century.

As demand for glass picked up and the overall outlook improved, glass processors began to show an increased interest in investing. Demand for tools also increased as the utilization rates of glass processing machines rose. Projects that had previously been interrupted were restarted and new negotiations began on several fronts, with demand focusing rather evenly on all Glaston products. Despite increased negotiations, investors remained cautious, which translated into lengthy decision-making periods.

An industry leader

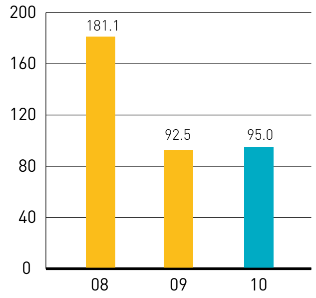
Glaston is a clear market leader in safety glass machines based on heat treatment technology whereas in pre-processing technology Glaston is one of the world's leading companies. Bavelloni is Glaston's brand for glass pre-processing machines, and Tamglass and Uniglass are tempering, bending and lamination machine brands. Bavelloni and AAA are Glaston's tool brands. Pre-processing machines are primarily sold as standard products, but tempering, bending, and lamination machines are also available as custom-made solutions.

Several new launches

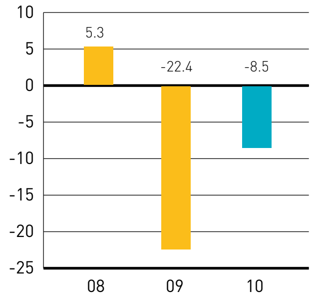
Glaston actively expanded its machine product range in 2010. Three new flat tempering machines, a new automatic quality control system for flat tempering machines, a new control system and two new cutting lines were launched.

Tamglass FC500™ is a machine designed for tempering high-quality Low-E glass at large production quantities, and it also has a patented energy-saving heating system. Tamglass RC200™, in turn, is a competitively priced machine that meets customers' basic needs. The product also reaches new customer groups that were not previously in the financial position to produce safety glass themselves. RC200™ has been particularly well received among Asian customers. Tamglass Power Control™ was launched in early 2010 for the growing South American Low-E glass market. The new horizontal tempering machines attracted great interest among customers. As the use of larger-scale glass products has also become more common in South America, production of the ProE MAGNUM™ product group was expanded to Brazil in addition to Finland. Glaston also launched a new iControL control and automation system for safety glass machines, which improves the usability of the machines and the efficiency and reliability of the customer's production process, among other things.

Sales



Operating profit



As volumes increase, Asian customers have begun to automate process phases in order to improve efficiency. As the focus of the market shifted, Glaston relocated the production of glass cutting machines from Italy to China. The production of the Bavelloni Dragon™ and Bavelloni ProCut™ cutting lines, developed specifically for the Asian market, began well.

In fall 2010, Glaston and the Finnish company Beneq Oy signed a cooperation agreement concerning the development and delivery of production technology for thin-film-coated solar panel glass. The unique Beneq-Glaston TFC 2000™ series developed by both companies was presented at the Glasstec fair in September 2010.

Increasing customer demand

The Machines segment's broad client base is comprised of glass processors serving the construction, automotive, appliance, and solar energy industry. Glaston's competitive advantages are strong technological expertise, top quality products, a cutting-edge product range, and a comprehensive sales and service network. The product range is based on self-developed technologies, many of which create a clear competitive advantage. Customer demand concerning glass quality and properties are continuously rising. Customers are also asking for increasingly bigger glass products.

Quality is a major priority for customers in glass processing technology. Glass processing machines are long-term investments for customers. Profitable production requires both low production costs and high quality end products. Glaston's efficient production technology enables high capacity in production, low material wastage, energy efficiency, top quality end products and an undisturbed production process.

Production close to customers

Glaston manufactures glass processing machines in Italy, Brazil, China, and Finland. Tool production is centralized in Italy, China and Brazil. The production facilities in these countries are equipped in different ways, so they mainly focus on the production of certain machines. Glaston is responsible for the entire supply chain in tool production, but machine production facilities focus on final assembly, testing, and quality control.

Glaston offers a comprehensive range of diamond and grinding tools used in pre-processing machines. They are suited for versatile glass production for the construction, furniture, automotive, and energy glass industries. Tool production is based on Glaston's own product development and production. Glaston's tools are also compatible with other manufacturers' machines.

Glaston has considerable expertise in glass grinding. An example of this is the V series grinding machines, which are suitable for the production of high quality architectural, appliance and solar power glass. Glass grinding machines are manufactured at Glaston's production plant in Italy.

Glaston actively expanded its machine product range in 2010.

Glaston utilizes its wide-ranging network of suppliers and sub-contractors in its production. Locating production close to end users makes it possible to shape the product range according to customers' needs, cut transport costs and customs duties, and shift the focus of production to lower-cost locations. Glaston has taken further steps to relocate production to its factory in China, and it is still strengthening its local network of suppliers.

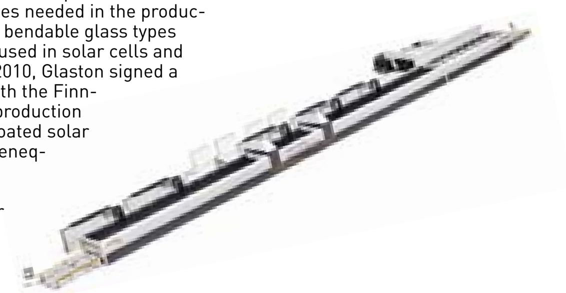
Aiming to improve profitability

The Machines segment's market shows signs of continued recovery in 2011. Demand is expected to remain strong in Asia and South America, in particular. The outlook is also positive in Eastern Europe and Russia. In addition, there will be a great deal of potential in North America if the economic upturn begins. Even though there is tough competition in the industry, prices are expected to normalize gradually thanks to increasing demand. Glaston's competitive product range, new launches and comprehensive services solidify its position against its competitors, especially as customer needs and end product quality requirements increase.

The segment's goal is to focus on improving its profitability. Decreased production costs and efficiency measures make it possible to turn the segment's operating result positive. The segment will continue to optimize its product range and expand its offering within product groups. New launches are in the works and the iControL control and automation system will be offered for other types of machinery as well. Measures to improve flexibility in production by developing production methods will be continued, and the subcontractor chain will be strengthened by centralizing purchases more efficiently.

The use of safety glass in construction is increasing. Using energy glass cuts heating costs considerably and reduces CO_2 emissions. The high capacity flat tempering line Tamglass FC 500™ is suited for tempering high quality Low-E glass, and it includes an energy-saving convection system.

Glaston has solid expertise in the production technology of special glass types needed in the production of solar power. Highly bendable glass types of high optical quality are used in solar cells and collectors. In September 2010, Glaston signed a cooperation agreement with the Finnish Beneq Oy concerning production technology for thin-film-coated solar panel glass. The unique Beneq-Glaston TFC 2000™ series was presented at the Glasstec fair in September 2010.



Services

Glaston provides services that enable customers to make full and undisturbed use of their production capacity throughout the entire lifetime of their machines. Glaston's services include contracted services, spare parts, service work, machinery relocation services, machinery and software upgrades, as well as training and consulting services.

The market recovered in 2010 after the previous year's slump. The number of service agreements increased, as did the demand for upgrades and modernization services, in particular. The Services segment's net sales were EUR 32.0 million (EUR 37.7 million). The segment's operating result increased to a positive EUR 3.3 million (EUR -2.4 million). Profitability improved thanks to internal efficiency measures, the segment's product mix, and regional marketing campaigns.

Proactive sales

Glaston's goal is to expand its service business and increase its share of the company's net sales. The segment strove to increase net sales through active marketing campaigns and offering services more actively in connection with machine purchases. The segment's client base did indeed expanded during the year, and service agreements were more frequently signed in connection with machinery purchases. Approximately half of Glaston's machines are already serviced by Glaston.

Glaston launched also two new upgrade products which are iLooK™ online measurement system for optical quality and dimension of glass, and Vortex Pro™ convection system. iLooK™ can be installed to a flat tempering line and it measures the size and optical quality of the glass according to pre-defined quality levels and produces compehensive reports. With iLooK™ every glass processor can create his own individual quality standard and deliver always the right kind of glass quality to the customer, thus improving both the production process and customer satisfaction. Vortex Pro™ convection system increases production line capacity and improves glass quality through unique targeted heat transfer. Both new launches were well received, and Glaston's competitors do not offer similar products.

Solid technological expertise

Glaston's services are based on extensive expertise in glass processing technology and production processes and on understanding customer needs. The Services segment employs approximately 150 professionals in regional offices and delivery centers all over the world. A network of agents and dealers complements the service network. Operating close to customers, and the capacity to response quickly and prompt spare part deliveries are important competitive advantages in maintenance services. Glaston's ratings in customer satisfaction surveys indicate that it has succeeded very well as a service provider.

Customers value a reliable service provider that can guarantee the production line efficiency and support for the entire lifetime of the machinery. The most significant production costs in glass processing come from energy, materials and personnel costs. The correct control of the production line has a great impact on both costs and the end product quality. As quality requirements and glass properties increase, the need for services increases. Existing production lines can be upgraded and modernized to meet current demands.

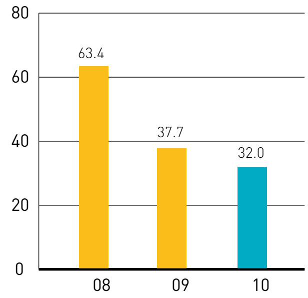
Glaston's services also support new machine sales. Other technology providers do not offer a comparable range of services, and big customers in particular consider the availability of services a condition to machine purchases. In addition, through services Glaston keeps in constant contact with its customers and receives necessary information for its product development.

Growth potential on many fronts

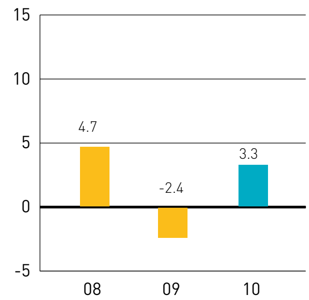
Compared to the previous year the starting point for operations in 2011 is better. The market outlook is more positive, profitability has increased and the segment's order book is reasonably solid. The segment's goal is to expand further and increase its share in Glaston's net sales. To achieve these goals active sales, cost efficiency, and the development of new products is needed.

Glaston's wide, strong customer relationships and the installed machine base represent the biggest potential for growth. Customers' trend to outsource operations that are not directly linked to their core business also offer opportunities for growth. In addition the manufacturer of the latest technology is able to provide also the best expertise for the new technology. Glaston's broad range of upgrading products and technological expertise give customers the opportunity to extend their products' lifetime, increase energy efficiency and higher quality.

Sales



Operating profit



Software Solutions

The Software Solutions segment provides the glass processing and window manufacturing industry with software solutions sold under the Albat+Wirsam and Cantor brands. The segment's software offering covers the customer's entire supply chain by comprising enterprise resource planning systems, commercial process management systems, and monitoring systems. Software solutions can be tailored for single business operation but also for fully integrated and automated business solutions.

For production management, the segment offers software for production optimization systems, machinery control, and control of material and production processes. For the management of commercial processes, the product range comprises software for customer relationship management, quotations and orders, production and capacity planning, cost calculation, material management, and invoicing. In the individual work areas, the processes are supported by monitoring systems, up to the complete networking of machinery to control the material and work flow.

The most significant group using Glaston's software solutions includes large, globally operating glass processors and window manufacturers with high standards for their end products.

Operating profit on the rise

Demand for software solutions has recovered in Central Europe, whereas other market areas have seen a slight decline in demand. Towards the end of the year, software sales picked up due to new machine investments. As a result, the segment managed to keep its net sales to EUR 23.9 million (EUR 23.9 million). Furthermore, the operating profit climbed to EUR 1.1 million (EUR 0.4 million). Due to market trends, the segment implemented personnel reductions in declining market areas, still maintaining its solid service ability in all markets. At the end of the year, the segment employed a total of 214 employees.

Comprehensive expertise in glass processing

One of the industry's leading suppliers of software solutions, Glaston provides an offering that is generally wider and more comprehensive than that of the competition. The segment's products can be used in several glass and window industry sectors, and they are also used in production machinery manufactured by Glaston's competitors.

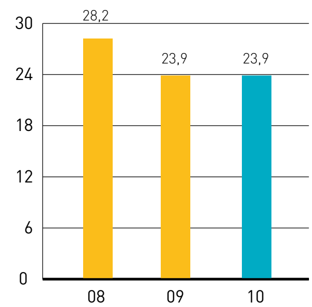
The compatibility of the business and production processes in the glass and window industry improves the efficiency of the customer's supply chain. In addition, Glaston's overall expertise in glass and window production promotes the development of software products. The software can cover the planning of an entire factory's production and work flow with the corresponding integrated software solutions. The segment also offers easy-to-operate software for customers who are not equipped with the machinery for high automation.

Glaston's software solutions can help customers to boost the profitability of their production by reducing material loss, increasing capacity, and decreasing production costs. The segment's software can control the entire work flow of glass and window production online in real time, whereas its competitors rely on batch-processing methods.

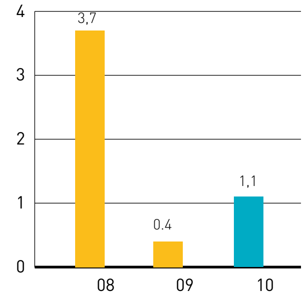
Growing need for automation

The segment's extensive clientele consists of glass processors and window manufacturers. The most significant group using Glaston's software solutions includes large, globally operating glass processors and window manufacturers with high standards for their end products, short delivery times, and a need for flexible production. Software solutions play a particularly central role in the production of demanding architectural and solar energy glass as well as for the production of windows for the construction industry. The greatest customer potential lies in Central Europe where automation is used to enhance competitiveness in production. Customers in Eastern Europe and the Asia-Pacific region tend to require systems that are more standardized and straightforward.

Sales



Operating profit



The outlook for 2011 gives reason to expect moderate growth in the segment. Large global customers have already started making investments. Furthermore, the need for automation will continue to grow particularly in the segment's most important market area, Europe, where the working-age population is declining rapidly and cost of labour is high.

Technological leadership

Glaston is one of the leading glass technology suppliers in the world. It has a particularly strong position in the development of products which are technologically more challenging. The starting points in Glaston's product development are customers' needs and demands, which are ever increasing along with changes in the operating environment. Constant product development and support for innovation are indeed vital for Glaston to maintain its pioneer status.

Each segment is in charge of developing its own products, and product development is done in four countries. There is active cooperation between segments in product development; information and experiences from maintenance services are utilized in developing new products and components.

A year of several new launches

In 2010, the costs of product development were EUR 9.8 million (EUR 13.6 million), which corresponds to approximately 6.6% of the Group's net sales (8.9%). Product development focused on launching new products in 2010. Several new solutions were launched during the year, the most significant of which were the flat tempering machines Tamglass FC500™ and Tamglass RC200™, Tamglass Power Control™, cutting lines Bavelloni Dragon™ and Bavelloni ProCut™, as well as the iControL™ automation system, the iLooK™ online quality measuring system, and the Vortex Pro™ convection system. In addition, new features were developed for the AWFactory and Panorama software solutions.

The Tamglass FC500™ flat tempering machine, developed by the Machines segment, is suited for the tempering of high quality Low-E glass, and it includes an energy-saving heating system patented by Glaston. Tamglass RC200™ is a more affordable flat tempering machine for less demanding needs. Tamglass Power Control™ was developed especially for the growing South American energy glass market. The iControL™ control and automation system developed for horizontal tempering machines ensures production efficiency and reliability. In addition, the Bavelloni Dragon™ and Bavelloni ProCut™ cutting lines were developed especially for the Chinese market.

The iLooK™ online quality measuring system, launched by the Services segment, gives feedback online and thus improves the end product quality and improves the production capacity. The Vortex Pro™ convection system also enables improved production capacity and higher quality glass production.

Cooperation in product development

Glaston engages in product development in close cooperation with both its customers and its many partners, including research institutions, colleges and universities of technology.

In September 2010, Glaston signed a cooperation agreement with Finnish Beneq Oy concerning the development of production technology for thin-film-coated solar panel glass. The first result of their collaboration, the Beneq-Glaston TFC 2000™ series was presented at the Glasstec fair in 2010.

Customer needs as the starting point in development

Glaston strives to improve its competitiveness by developing more efficient technology that corresponds to changing customer and market needs. As the customers' operating environment change, the requirements imposed on production technology increases. Materials and energy constitute the most significant production costs for customers, so by reducing material waste and energy consumption, customers can reduce production costs. In addition to these development areas, machine capacity, flexibility, usability, and particularly the high quality of the end product are significant factors in glass processing production.

Increasingly strict requirements concerning quality and versatility are imposed on customers' end products. Production machinery must indeed be suited for the production of larger, thinner and more demanding glass products. Production must also be adaptable to the manufacture of different types of glass, and the level of automation is rapidly increasing.

The needs of glass end users also differ. Some of the most significant trends in the construction industry are the increased use of larger glass sizes and energy-saving Low-E glass. In terms of solar power, the central goals from the perspective of glass processing machines concern efficient technology. There are no standards for technology yet in the industry, so Glaston plays a significant role in this development.

Leading the way in technology

Glaston is the leading technology supplier in glass tempering and bending, with a very strong patent position, covering some 100 patent families and over 500 patents. The glass processing industry has traditionally respected patent rights, but their supervision is also important. In late 2010, Glaston won a major trial related to a dispute over the violation of two of Glaston's patents. These patents concern the unique tempering and bending technology developed by Glaston.

In order to strengthen its competitiveness through product development, Glaston also strives to reduce the production costs of its products through the design of its components and development of production methods. Glaston's products are perceived to be of top quality, and in order to ensure this quality, a certified quality and environmental system is in place in Finland, Italy and China. Sub-contractors' and suppliers' operations are also audited carefully.

By improving
the energy-efficiency
of buildings, energy
savings of up to

30 %

can be generated.

More energy-efficient solutions

As a leading technology supplier in its industry, Glaston aims to promote sustainable development both through the solutions it offers to customers and through its own operations. Glaston's own production operations cause a very limited environmental burden, and further measures are constantly taken to decrease it. Energy consumption generates the biggest environmental impact of Glaston's operations. From an environmental perspective, the most significant factors are indeed the energy-efficiency of Glaston's machines and the impact of the produced glass on energy consumption and production.

Glaston has been developing the energy-efficiency of its products for years and its technologies are progressive in terms of energy use. In addition to using energy-efficient glass processing machines, customers can reduce their energy consumption by using Glaston's services and software that improve the efficiency of production processes. More energy-efficient production is a more profitable, cleaner solution as energy prices increase. Saving energy decreases the harmful effects of energy production as well as CO_2 emissions.

Energy-efficient technology

As Glaston's glass processing machines have a long life cycle, the efficiency impact during the entire life cycle is significant from an environmental perspective. Glass processing machines are designed and made to withstand continuous use at high production capacity. Regular maintenance intervals increase the products' life cycle and safety. Modernizing machines with new technology also lengthens their life cycle and reduces energy consumption in glass processing.

Glaston pays particular attention to the recyclability of the machines' materials, especially that of wear and tear components that must be replaced often.

The use of energy glass slows down climate change

Heating and cooling in buildings account for approximately half of the world's energy consumption. By improving the energy-efficiency of buildings, energy savings of up to 30% can be generated. The glass industry has actively developed products that considerably reduce the need for heating and cooling. Energy-saving glass reflects thermal radiation back inside the building to a great extent, whereas solar protection glass reduces the penetration rate of solar energy, thus also reducing the need for cooling.

The biggest potential for reducing energy consumption lies in the modernization of existing buildings. Replacing one old window with energy glass reduces the CO_2 emissions from heating and cooling by approximately 90 kilograms per year, as the CO_2 emissions resulting from the manufacture of an individual window are only approximately 25 kilograms. Rising energy prices and tightening legislation are paving the way towards the use of energy glass in new construction and renovation projects. Glaston's machines are also suited for the manufacture of advanced types of energy glass, and finding the best solutions for the production of these glasses is a focal point in Glaston's product development.

Cleaner energy from solar panels

As the world's population increases, the need for energy is predicted to almost double, and currently known oil reserves are expected to run dry by 2050. At the same time, the reduction of CO_2 emissions, necessary for the fight against climate change, requires the partial replacement of fossil fuels with renewable energy sources, such as solar power. At present, solar power only accounts for approximately 1% of the world's energy needs. Government subsidies have been aimed at increasing the production of solar power, which is estimated to increase considerably over the next few decades.

Glaston has solid expertise in production technology, software and services concerning special glass types needed in the production of solar energy. These glass types are used in solar cells and collectors. Glass types used in the production of solar power must be highly bendable and of high optic quality. Glaston is actively developing more efficient production technologies for the production of solar power glass.

Competent and committed personnel

Developing and harmonizing the global human resource processes continued throughout year 2010 according to the set plan. Development focus was on reward and recognition practices, talent management, defining Glaston's values and enhancing selected key competences. At the end of 2010 Glaston had 957 employees.

Personnel development

Supporting sales personnel continued through product trainings covering the full Glaston offering and focusing especially on new products, like iControL™ and iLooK™ and the new flat tempering offering. In a similar manner, service and installation trainings focused on the newly launched products. In addition, a learning program for developing product management competences was designed and the learning activities will be launched in 2011. On an overall level, the competence development activities were directed towards a more regional mode for being able to focus more on specific local topics.

Glaston also introduced a new global annual talent management process, which analyses the organization and identifies the organization's key roles and competences. This process ensures functionality of the organization and sustainable resourcing – having the right competences and committed people, especially in key roles, now and in the future. Analysis and the planning phase of this process was completed at the end of the year and in 2011 Glaston management and HR will kick-off the consequent actions.

Glaston Way

To develop and unify Glaston's organization and its working culture, an initiative to discover and define common values for the whole corporation globally was launched. Several employee workshops were held for gathering employees' insight on what the Glaston Way should be. All Glaston employees had a chance to give their input and over 300 employees participated in the workshops. The feedback from the workshops was very unanimous and therefore the final decision on the Glaston Way was easy to make for Glaston's top management. Taking the Glaston Way into use started in the latter part of year 2010 and continues in 2011.

Glaston Way, the driving force for how we operate, is:

Passion for glass

- We are enthusiastic about glass and explore the vast opportunities of the glass business.
- We listen and understand customer needs – Customer 1st. We actively learn and create new solutions to help customers make better business.
- We enjoy and take pride in our work. We believe in the things we do.

Seeing it through

- We take ownership. We do what we promise with a sense of urgency.
- As a reliable partner we take care of our customers.
- We work together in a transparent, open and constructive way.

One Glaston

- We work together to meet common goals for the benefit of the whole company.
- We openly deal between colleagues. When issues arise, we address and solve them constructively.
- Together we celebrate and are proud of our successes.
- We trust and respect our colleagues, also our diversity.

Building the future

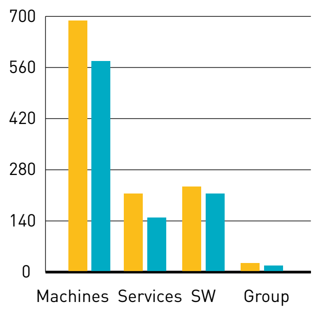
- We work for a safe, green and visual environment. Everything we do builds a sustainable and profitable future.
- We work to add value to glass, our products, customers and shareholders.
- We believe in continuous learning. Everybody's contribution counts.

Pay for performance and future potential

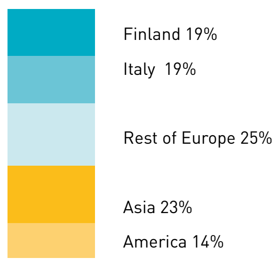
Glaston continued to develop reward & recognition practices in 2010 by defining a pay philosophy and by aligning rewarding with the company´s values and strategic objectives. Recognition and reward plays an important role in attracting, retaining and motivating employees and it is one of the biggest levers in performance management. A lot of effort has been put into communicating and educating rewarding principles. Transparency is also an important element of compensation at Glaston.

Glaston has a Total Compensation approach, which means that all aspects of compensation are considered as a whole. This includes base salary, short term incentives, long term incentives and all other benefits. Other aspects of rewarding, such as learning and career opportunities are also taken into account.

Personnel at the year-end



Personnel by geographical areas



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 GWS Trade Oy and MD of Oy G.W.Sohlberg Ab, both significant shareholders of the company.

Share ownership at 31.12.2010:
no shares

Main occupation: Oy G.W. Sohlberg Ab, Managing Director since 2007

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

Christer Sumelius, b. 1946
M.Sc. (Econ.)
Deputy Chairman of the Board, member since 1995
Dependent of the company, independent of significant shareholders

Share ownership at 31.12.2010:
2,624,200 shares including also shares of 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, Finnpap (Singapore), 1980–1981

Klaus Cawén, b. 1957
Master of Laws (LL.M.),
Independent of the company and significant shareholders
Member of the board since 2004

Share ownership at 31.12.2010:
6,000 shares

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

Primary work experience: KONE Corporation since 1983
General Counsel of KONE Corporation 1991–2001

Carl-Johan Rosenbröijer, b. 1964
Dr.Sc. (Econ.)
Member of the board since 1996
Dependent of the company, independent of significant shareholders

Share ownership at 31.12.2010:
12,600 shares

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

Primary work experience:
Swedish School of Economics and Business Administration, teacher and researcher, 1990-2001
Oulu University, Teacher, 2001–2003
Head Consulting Oy, Senior Consultant, 2001–2003

Claus von Bonsdorff, b. 1967
M.Sc.(Econ.), M.Sc. (Eng.)
Independent of the company and significant shareholders
Member of the board since 2006

Share ownership at 31.12.2010:
122,600 shares

Main occupation: Head of strategy, business development and marketing, Nokia Siemens Networks, Customer Operations, since 2007

Primary work experience: Nokia plc, expert and management positions, 1994–2007
Nokia Siemens Networks, management positions, since 2007

Jan Lång, b. 1957
M.Sc. (Econ.)
Independent of the company and significant shareholders
Member of the board since 2008

Share ownership at 31.12.2010:
no shares

Main occupation: Ahlstrom Corporation, President and CEO, 2008–

Primary work experience: President and CEO, Uponor Corporation, 2003–2008.
Various management positions at Huhtamäki Group during 1982–2003

Teuvo Salminen, b. 1954
M.Sc. (Econ.), APA
Independent of the company and significant shareholders
Member of the board since 2010

Share ownership at 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 President & CEO,1999–2009
Head of Infrastructure & Environment business group, 1998–2000
Head of Construction business group, 1997–1998
CFO, 1988–1999

Executive Management Group








Arto Metsänen, b. 1956
President & CEO
M.Sc. (Mining Engineering and Mineral Processing)
Employed by Glaston and chairman of the Executive Management Group since 2009

Share ownership at 31.12.2010:
50,000 shares

Primary working experience: President and CEO, CPS Colour Group, 2005–2009
President and CEO, Consolis Oy, 2005
President, Sandvik Tamrock Oy, 2003–2005
President, Sandvik Mining and Construction, U.S, and Mexico, 2002–2003
President, Sandvik Mining and Construction, Southern Europe and the Middle East, 1998-2002

Topi Saarenhovi, b. 1967
Senior Vice President, Machines
M.Sc. (Eng.)
Employed by Glaston and Member of the Executive Management Group from 2007 to 31 January 2011

Share ownership at 31.12.2010:
8,225 shares

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
Senior Vice President, Software Solutions
B.Sc. (Eng.)
Employed by Glaston and member of the Executive Management Group since 2007

Share ownership at 31.12.2010:
no shares

Primary working experience: more than 35 years in the glass industry, of which last 20 at Albat+Wirsam

Tapio Engström, b. 1963
CFO
M.Sc. (Econ.)
Employed by Glaston and member of the Executive Management Group since 1 July 2010

Share ownership at 31.12.2010:
no shares

Primary working experience: CFO, CPS Color Holding Oy, 2009–2010
Director, Business Development, Vaisala Oyj, 2007–2008
CFO, Aspocomp Group Oyj, 2006–2007
CFO, Vaisala Oyj, 2002–2006
Regional Finance Manager, North America, Vaisala Inc, 2000–2002
Andritz Oy, Business Controller, Service, 1998–2000
Asko Kodinkone Oy, Finance Manager 1994–1998
Tunturipyörä Oy, Financial Management Positions 1990-1994

Juha Liettyä, b. 1958
Senior Vice President, Services
B.Sc. (Eng.)
Employed by Glaston since 1986, member of the Executive Management Group since 2007

Share ownership at 31.12.2010:
no shares

Primary working experience: Glaston Corporation Director, Quality and Business Development 2008–2009
Vice President, Technology, Kyro Corporation, 2003–2007
Managing Director, Tamglass Engineering Ltd. Oy ,1999–2003
Management positions, Tamglass Ltd. Oy, 1991–2003
Vice President, Service, Tamglass Engineering Oy, 1989–1991
Project Engineer, Tamglass Engineering Oy, 1986–1989
Design and Project Engineer, Insinööritoimisto Kupari Oy, 1984–1986

Frank Chengdong Zhang, b. 1968
General Manager, Asia
EMBA
Employed by Glaston since 2008 and member of the Executive Management Group since 2010.

Share ownership at 31.12.2010:
no shares

Primary working 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

Tapani Lankinen, b. 1968
Senior Vice President, Human Resources
MA
Employed by Glaston and member of the Executive Management Group since October 2010

Share ownership at 31.12.2010:
no shares

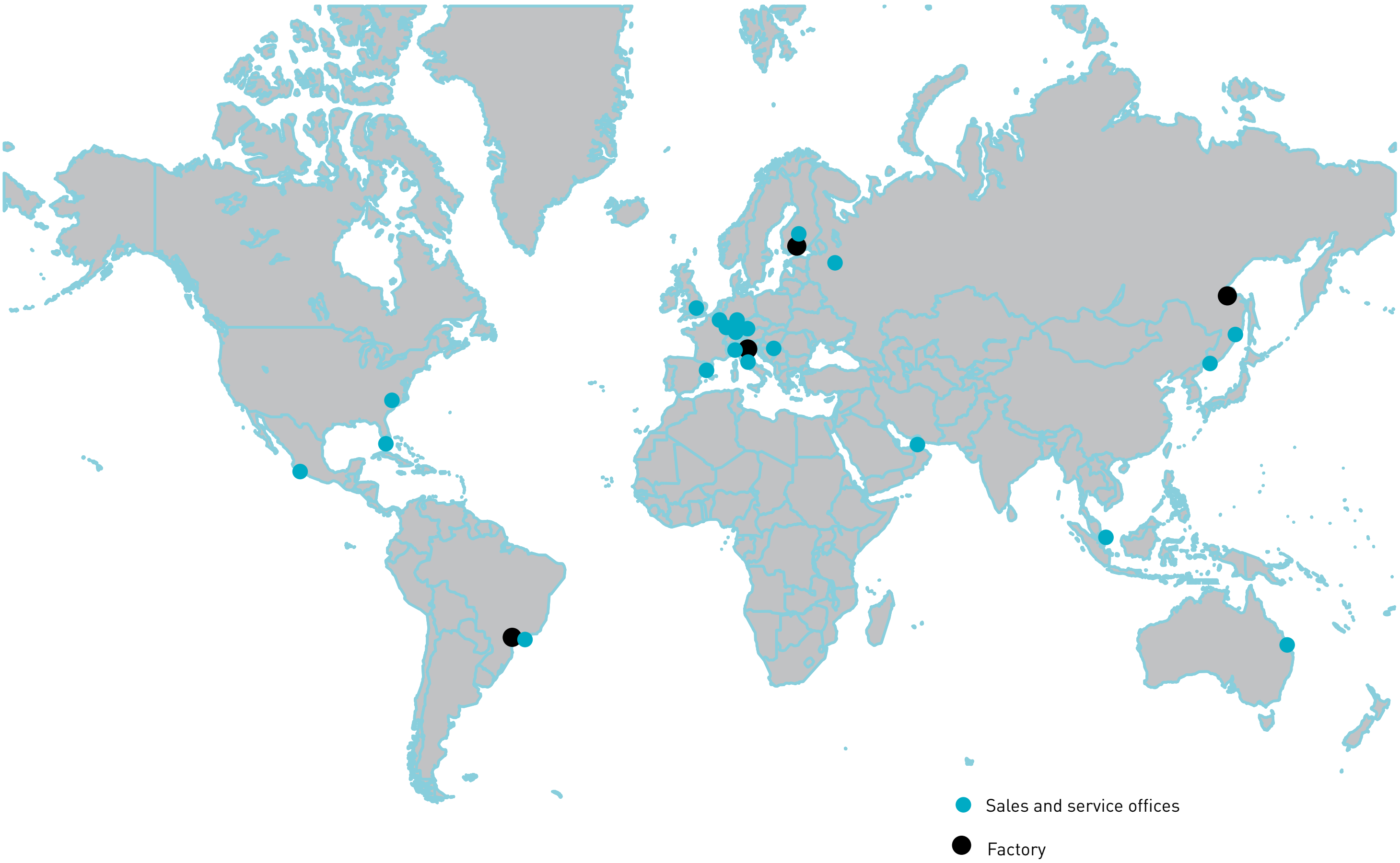
Primary working experience:
Vice President, Human Resources, EMEA, Cargotec Corporation, 2008–2010
Head of HRD, MEA, Nokia Siemens Networks, 2007–2008
HR Management positions, Nokia Corporation, 2004–2007
Human Resources Consultant. Mercuri Urval, 1998–2004

Pekka Huuhka, b. 1956
Senior Vice President, Supply Chain
M.Sc. (Eng.)
Employed by Glaston and member of the Executive Management Group since August 2010

Share ownership at 31.12.2010:
no shares

Primary working experience:
Managing Partner, Swot Consulting Finland Ltd. Oy, 1998–2010
President, Tamrock Region Europe, Germany, 1993–1998
Product Management, Tamrock Corp.,1991–1993
Manufacturing Management positions, Tamrock Corp., 1991–1993

Locations



seeing it through

FINANCIAL STATEMENTS 2010

compre-
hensive
solutions
for glass
industry

Contents

(* 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 a 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			
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 *)	**0.00**	0.00	0.05
Dividend payout ratio, % *)	**-**	-	-43.0
Dividend yield, % *)	**-**	-	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

*) 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 performance 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 General 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 Sumelius 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 effectiveness 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' Review 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, Myllykoski 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 Papperbruksföreningen, Finnpap (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; Tunturipyörä 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 sevices 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 [*)]		
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	-

[*)] 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	Cumu-lative exchange difference	Attribut-able 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	Attribut-able 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**
Business combinations		
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**
Acquired net assets		
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

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

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

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

NOTE1
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 eliminated to the extent of the Group's interest in the entity. Unrealized losses are eliminated in the similar way as unrealized gains, but only to the extent that there is no evidence of impairment.

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

Foreign Subsidiaries

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

The exchange difference arising from translating the income statements, statements of comprehensive income and statements of financial position using the different exchange rates is recognized as other comprehensive income and included in equity as cumulative exchange difference. Exchange differences arising from the translation of the net investments in foreign subsidiaries, 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 period. Investments, for which fair values cannot be measured reliably, such as unlisted equities, are reported at cost or at cost less impairment. If the available-for-sale asset is impaired, impairment loss is recognized immediately in profit or loss.

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

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

Cash and Cash Equivalents

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

Financial Liabilities Measured at Amortized Cost

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

Financial liabilities measured at amortized cost include convertible bond, pension loans, loans from financial institutions, finance lease liabilities, 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, intercompany 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 useful 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 recording the impairment loss a positive change has occurred in the estimates of the recoverable amount, the impairment loss made in prior years is reversed no more than up to the value which would have been determined for the asset, net of amortization or depreciation, had not impairment loss been recognized in prior years. For goodwill, a recognized impairment loss is not reversed.

Cash flow projections have been calculated on the basis of reasonable and supportable assumptions. They are based on the most recent financial plans and forecasts that have been approved by management. Estimated cash flows are used for a maximum of five years. Cash flow projections beyond the period covered by the most recent plans and forecasts are estimated by extrapolating the projections 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 redetermined 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 aggregated in accordance with the criteria of IFRS 8.12. Operating segments have been aggregated, when the nature of the products and services is similar, the nature of the production process is similar, as well as the type or class of customers. Also the methods to distribute products or to provide services are similar.

The reportable segments are disclosed in more detail in Note 5 to the consolidated financial 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 is its 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 doller 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

		Change in currency rate	
EUR million	**Gross position**	**-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 +1/-0.5 percentage point change in the interest rates was assessed, with all other factors remaining unchanged. The effect of the change on the Group's result before taxes considering the level of debt with flexible interest rates on the 31 December, 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 management 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 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. 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	Maturing in 1-2 years	Maturing in > 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	Maturing in 1-2 years	Maturing in > 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-bearing debt to equity. The Group's equity ratio is also used as a measure for the capital structure. It is calculated as the ratio between equity to the total assets adjusted with advance payments received. Additionally, the 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, 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. 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 been 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	**78,527,308**	**78,522,224**
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

	2010	2009
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

	2010	2009
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

	2010	2009
Dividend per share, EUR	0.00	0.00

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 Christierson 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**	

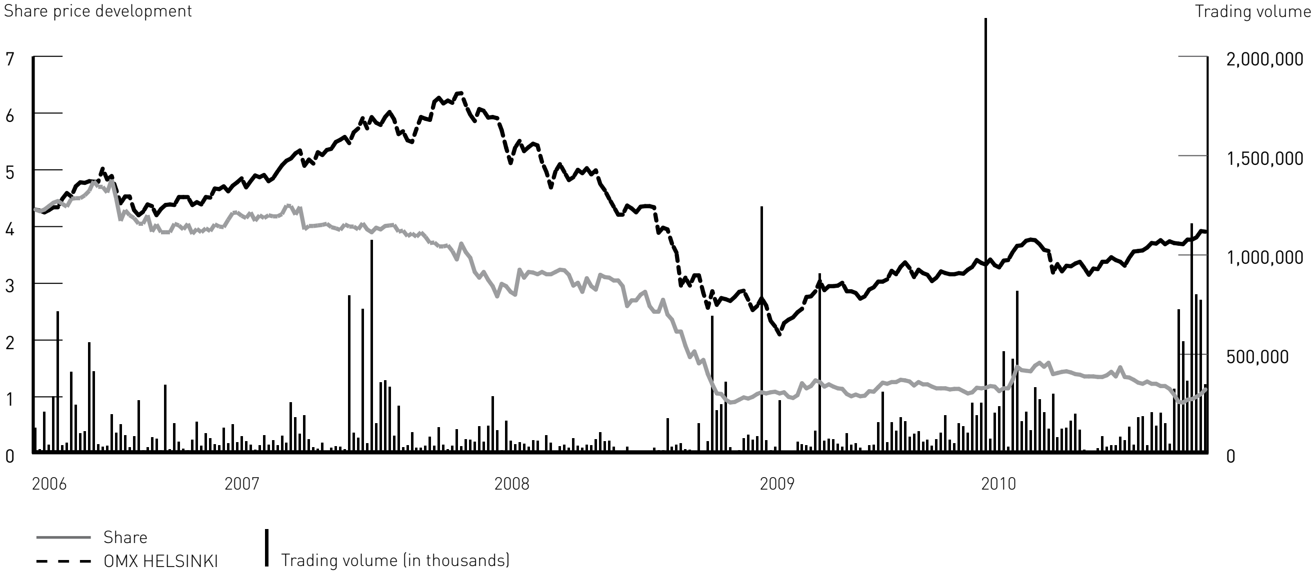
Ownership distribution 31 December, 2010

	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 consists 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 preprocessing machines sold under the Bavelloni 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 as sociates	-	-	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

	2010	2009
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.

Order book	**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**

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**

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
Recognized in profit or loos		
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**
Derivatives recognized in profit or loss		
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
Recognized in other comprehensive income		
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
Income tax charge in income statement		
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**

	2010	2009
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**

Reconciliation of income tax expense calculated at statutory tax rates with income tax expense in the income statement	2010	2009
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, totalling 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.

Tax assets and tax liabilities	2010	2009
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 (*	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**

(* 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	Reclassi-fication	Charge in income statement (+ tax expense)	Recog-nized in equity	Recognized in other comprehen-sive 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)	Recog-nized in equity	Recognized in other comprehen-sive 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)	Recog-nized in equity	Recognized in other comprehen-sive 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 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 acccount 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 geographcial 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 unchaged, 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.

2010	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and assets under construction	2010 total
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**

2009	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and assets under constructions	2009 total
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.

			Group ownership, %		Carrying amount	
Associates and joint ventures			**2010**	**2009**	**2010**	**2009**
INTERPANE Glass Oy	Tampere	Finland	-	50	-	370
Bitec GmbH Büro fur Informationstechnik	Chemnitz	Germany	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:

Share of assets and liabilities of joint ventures	**2010**	**2009**
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**

Share of income and expenses of joint ventures	**2010 (***	**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**

(* For the period 1 January - 31 March, 2010

Joint venture balances	**2010**	**2009**
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.

Transactions with joint venture	**2010 (***	**2009**
Sales to joint venture	-	12
Rental income from joint venture	96	276
Interest income from joint venture	104	295
Other financial expenses	-3,300	-

(* 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 comperehensive income and they are included in the fair value reserve in equity until the assets are disposed, at which time the cumulative gain or loss is reclassified to profit or loss as an reclassification item. Certain unlisted equities and investments, for which fair values can not be measured reliably, are recognized and measured at cost or at cost less impairment.

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

NOTE 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 recievables	64	-
Non-current loan receivables (*	4,480	5,935
Total receivables	**47,572**	**58,163**

(* 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

			Past due			
	Carrying amount of trade receivables after recognizing allowance account	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.

Actuarial assumptions	**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
Non-current interest-bearing liabilities		
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 convertible 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.

[*] Fair value measurement hierarchy	2010	2009
Available-for-sale shares		
Level 1	79	77
Level 3	252	252
	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	252	258

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

	2010	2009
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
Loans secured with mortgages or pledges		
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

	2010	2009
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.

	2010	2009
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
Total contingent liabilities	**275,752**	**132,309**

Operating leases

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

	2010	2009
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 wa 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 Service period	EBIT (weight 60%) and sales growth (weight 40%) Service period	EBIT (weight 60%) and sales growth (weight 40%) Service period	EBIT (weight 50%) and working capital (weight 50%) 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
Excercisable 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
Excercisable 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 incentinve 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 2009, 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 (*		
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	-

(* from 1 September, 2009

CEO Mika Seitovirta (*		
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

(* 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 temination 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 business 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	Glaston shares 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 Rosenbröijer	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 31.12.2010 total	Glaston shares 31.12.2009 total	of which received based of the share-based incentive plan (*
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.

Finanacing 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 subscribed 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 Investmant 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

		1 January-31 December	
	Note	**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

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

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 assets	Intangible rights	Other capitalized expenditure	Advance payments and investments in progress	Total
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

Tangible assets	Land and water areas	Buildings	Machinery and equipment	Other tangible assets	Total
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 (**	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 (*	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**

(* Reserve for invested unrestricted equity can not be distributed as dividends.

(** 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.

	2010	2009
Other rental liabilities		
Maturity within one year	228	228
Maturity later than one year	152	380
Total	**380**	**608**

	2010	2009
Pledges		
On behalf of group companies	10,966	6,028
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

	2010		2009	
Currency derivatives	**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 Rosenbröijer	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

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