Glaston Corporation's Board of Directors' Review and Financial Statements 2012

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Contents

*) Not part of official Board od Directors´ Review or Financial Statements

Board of Directors' Review 1 January–31 December 2012

Markets

Glaston's market situation and operating environment remained challenging in 2012 as a consequence of general economic development and uncertainty. After a weak start to the year, demand picked up towards the end of the year and particularly in the final quarter. Price competition intensified in both machine sales and services. In South America, the market was stable. Global economic instability adversely affected the development of the Asian market at the beginning of the year. Demand in the area turned, however, to modest growth in the second half of the year. There were indications of a revival of the North American market, with particular growth of demand for machine upgrade and modernisation products. In the EMEA area, the difficult situation continued, with significant regional differences.

Machines

The market situation of the Machines segment was challenging in 2012. The Asian and EMEA markets levelled off during the first half of the year, but picked up in the third quarter and particularly in the fourth quarter of the year. In Europe, sales directed at Eastern Europe in particular grew, boosted by Russia. In North America, the gradual recovery from a low level continued. In South America, development was stable.

The Machines segment's product development investments continued. In pre-processing machines, the new UC 300 and UC 500 automatic cutting lines were launched to the market. The range of tools was supplemented by the SolarTech™ and White Tech™ diamond grinding wheels, which are particularly suitable for the grinding of solar panel, home appliance and furniture glass. In heat treatment machines, the most significant new products were the Glaston Air™ air floatation technology concept for tempering two millimetre glass as well as a global cooperation agreement with the German company Arcon relating to the reduction of anisotropy, namely iridescence, in glass. By developing production line efficiency, Glaston managed by the end of the year to reduce the delivery time of basic tempering machines from six months to around 15 weeks, which gave the company an important competitive advantage.

The unstable economic outlook was reflected in customers' investment activity, which affected the Machines segment's growth. Orders received in the Machines segment totalled EUR 86.3 (89.2) million in 2012. In January-December, net sales totalled EUR 84.7 (90.0) million. The January-December operating result was a loss of EUR 7.4 (1.7 loss) million, and the operating result excluding non-recurring items was a loss of EUR 2.6 (1.9 loss) million. At the end of 2012, the segment had 461 (541) employees.

Services

The Services segment's market was challenging in 2012. Owing to overcapacity, demand was focused on quality-improving and cost-saving products. Price competition continued to be very intense.

The market in North America developed positively, with demand being directed over the entire product range. In the EMEA area, the market was stable. Signs of recovery were perceptible in Russia, the Middle East and in Poland and Germany. In South America, the year was challenging, particularly in Brazil. In Asia, the year began quietly, but demand picked up in the second half of the year. In the Pacific area, Glaston concluded in the third quarter its largest ever single deal of the Services segment, valued at around EUR 0.9 million.

During the year, the Services segment continued its actions aimed at developing the coverage of its service network, reducing delivery times and improving reliability. During the year, the Services segment launched a number of new products connected with improving end product quality and increasing capacity. The beginning of the year saw the introduction of the CCS™ preheating chamber upgrade product and HS Extension, which improves the quality of thick, heat-strengthened glass. The revamped Glaston Care service contract product range, which has four different service levels, was also launched. At the Glasstec fair, Glaston presented the RC200-zone™ upgrade product, which enables the modernisation of old or damaged chambers of tempering machines, as well as iControl™ (iC™), an automation system upgrade for Glaston flat tempering machines.

Orders received in the Services segment totalled EUR 31.8 (31.4) million in 2012. January-December net sales totalled EUR 32.3 (31.2) million. The January-December operating result was EUR 5.8 (5.4) million, and the operating result excluding non-recurring items was EUR 5.9 (5.3) million. At the end of 2012, the segment had 130 (122) employees.

Continuing Operations' Orders Received and Order Book

Orders received in the review period totalled EUR 118.1 (120.6) million. Of orders received, the Machines segment accounted for 73% and the Services segment for 27%.

Glaston's order book on 31 December 2012 was EUR 34.2 (35.8) million. Of the order book, the Machines segment accounted for EUR 33.1 (34.6) million and the Services segment EUR 1.1 (1.2) million.

Continuing Operations' Net Sales and Operating Result

Glaston's January-December net sales totalled EUR 115.6 (119.7) million. The Machines segment's net sales in the review period were EUR 84.7 (90.0) million and the Services segment's net sales EUR 32.3 (31.2) million.

Operating result excluding non-recurring items was a loss of EUR 3.4 (3.4 loss) million, i.e. -3.0 (-2.8)% of net sales. In January-December, the Machines segment's operating result excluding non-recurring items was a loss of EUR 2.6 (1.9 loss) million and the Services segment's operating result excluding non-recurring items was a profit of EUR 5.9 (5.3) million.

Continuing Operations' operating result in January-December was a loss of EUR 8.8 (3.1 loss) million. A goodwill impairment loss of EUR 3.0 million directed at the Pre-processing operating segment was recognised as a non-recurring item in the first quarter. In the final quarter of the year, non-recurring items totalling EUR -2.4 million were recognised as a result of restructuring measures.

In January-December, Continuing Operations' result was a loss of EUR 18.3 (16.4 loss) million. The result, after the result of Discontinued Operations, was a loss of EUR 22.4 (14.4 loss) million. In January-December, the return on capital employed (ROCE) was -12.5 (0.3)%.

Earnings per Share

Continuing Operations' earnings per share were EUR -0.17 (-0.16), while Discontinued Operations' earnings per share were EUR -0.04 (0.02), i.e. a total of EUR -0.21 (-0.14).

Financial Position, Cash Flow and Financing

At the end of the review period, the consolidated asset total was EUR 158.0 (187.2) million. The equity attributable to owners of the parent was EUR 30.6 (52.8) million, i.e. EUR 0.29 (0.50) per share. The equity ratio on 31 December 2012 was 21.8 (31.1)%.

Return on equity in January–December was -53.3 (-31.2)%.

Cash flow from the operating activities of Continuing and Discontinued operations, before the change in working capital, was EUR -1.1 (-7.7) million in the review period. The change in working capital was EUR -2.3 (12.2) million. Cash flow from investing activities was EUR -5.5 (-5.5) million. Cash flow from financing activities in January-December was EUR -0.5 (3.8) million.

The Group's liquid funds, including cash equivalents classified as held for sale, totalled EUR 10.9 (18.6) million at the end of the review period. Interest-bearing net debt totalled EUR 57.7 (49.7) million and net gearing was 186.6 (93.5)%.

The Group's loan agreements contain covenant terms and other commitments that are linked to consolidated key figures. The covenants in use are EBITDA/net financial expenses (interest cover), net debt/EBITDA, cash and cash equivalents and gross capital expenditure. During the review period, Glaston renegotiated some of the loan covenants with lenders.

Order Book, EUR million	**31.12.2012**	**31.12.2011**	**31.12.2010**
Machines	**33.1**	34.6	37.4
Services	**1.1**	1.2	1.2
Continuing Operations, total	**34.2**	35.8	38.6
Software Solutions	**1.4**	1.8	2.9
Total	**35.6**	37.6	41.5

Net Sales, Continuing Operations, EUR million	**2012**	**2011** restated	**2010** restated
Machines	**84.7**	90.0	95.0
Services	**32.3**	31.2	32.1
Parent, eliminations	**-1.4**	-1.5	-1.5
Total	**115.6**	119.7	125.6

Operating Result, Continuing Operations, EUR million	**1–12/2012**	**1–12/2011** restated	**1–12/2010** restated
Machines	**-2.6**	-1.9	-8.5
Services	**5.9**	5.3	3.0
Parent, eliminations	**-6.7**	-6.8	-7.1
Total	**-3.4**	-3.4	-12.6
Non-recurring items	**-5.4**	0.3	-14.1
Operating result, including non-recurring items	**-8.8**	-3.1	-26.7

	2012	**2011** restated	**2010** restated
Operating result, EUR million	**-8.8**	-3.1	-26.7
Operating result, % of net sales	**-7.6**	-2.6	-21.2
Profit/loss for the year attributable to owners of the parent, EUR million	**-22.4**	-14.4	-32.0
Profit/loss for the year attributable to owners of the parent, % of net sales	**-19.4**	-12.1	-25.4
Return on capital employed (ROCE), %	**-12.5**	0.3	-19.0
Return on equity, %	**-53.3**	-31.2	-58.7
Earnings per share, Continuing Operations, EUR	**-0.17**	-0.16	-0.40
Earnings per share, Discontinued Operations, EUR	**-0.04**	0.02	0.01
Earnings per share, basic and diluted, total, EUR	**-0.21**	-0.14	-0.39

In addition, the Group has initiated measures to strengthen its financial position. The planned measures include share issue, new long-term financial package as well as negotiations with holders of the convertible and debenture bonds to convert the bonds into equity. Glaston has summoned an extraordinary shareholders' meeting to be held on 12 February 2013. The Board of Directors proposes that the Extraordinary General Meeting authorizes the Board of Directors to resolve on issuances of shares. Glaston estimates that the share issue and the other measures to improve financial position will take place during the first quarter of 2013.

On 7 February 2013, Glaston has agreed with the current lenders on new long-term financial package, which will be in force when certain conditions, such as the share issue and conversion of the convertible and debenture bonds into equity, have been fulfilled. Glaston has received commitments from sufficient number of shareholders participating in the extraordinary shareholders' meeting to ensure, that the shareholders' meeting will approve the share issue. Glaston has also sufficient commitments to ensure, that the minimum required number of shares will be subscribed in the share issue and that the debenture bonds and the majority of convertible bonds will be converted into equity.

Adjustment Measures

During 2012 Glaston enhanced and adjusted its operations according to the market situation. In the second quarter, production capacity in Asia was adjusted to correspond with demand through a reduction in personnel. In Italy, temporary layoffs of personnel continued.

At the end of the year, Glaston initiated negotiations on the adjustment of its operations to the new structure and to the prevailing market situation. Negotiations with personnel covered all Glaston personnel in all operations world-wide, with the focus being on Finland and Brazil. The result of the negotiations was a personnel reduction of around 50 employees. The annual savings of the adjustment programme will be around EUR 5 million and they will be realised in full during 2013.

	2012	2011	2010
Equity ratio, %	**21.8**	31.1	22.1
Gearing, %	**221.8**	128.5	228.6
Net gearing, %	**186.6**	93.5	189.0
Interest-bearing net debt, EUR million	**57.7**	49.7	74.6

During the final quarter, the pre-processing product line in Italy streamlined its organisation. The goal was a simpler and more operational organisation. In Brazil, production of pre-processing machines was discontinued, but Glaston will continue to sell pre-processing machines in Brazil. Measures to boost tool production and increase volumes were initiated in China.

Research and Product Development

In 2012 the research and product development expenditure of Glaston's Continuing Operations totalled EUR 5.3 (5.0) million, i.e. 4.6 (4.2)% of net sales. The focus of product development was on tempering of thin (2 mm) glass, improving end product quality and energy efficiency, and on capacity-increasing products.

At the beginning of the year, Glaston launched the Glaston RC350™ and CCS1000™ flat tempering machines. The benefits of the RC350™ machine to the customer are high productivity in the tempering of all Low-E coatings, energy efficiency, and ease of use. The CCS1000™ tempering line is a second-generation double-chamber tempering line, whose advantages are nearly double capacity and excellent end-product quality. A new upgrade product, the CCS™ preheating chamber, was also launched to the market. This product increases significantly production line capacity, end product quality and energy efficiency of the process. A preheating chamber can be added to nearly all flat tempering machine models. Glaston also launched a completely new method, HS Extension, for improving the quality of thick, heat-strengthened glass.

In October, at the Glasstec fair, the glass industry's main event, a Glaston-developed new air floatation technology intended for the tempering of two millimetre glass was presented. The innovation revolutionises the tempering of thin glass by solving a number of technical challenges relating to end product quality and energy efficiency. In addition, the company announced a global cooperation agreement with the German company Arcon on technology that reduces anisotropy, i.e. polarisation reflections in glass, as well as a measuring device with which anisotropy can be numerically verified for the first time. Glaston IriControl™ technology and measuring devices are sold as options for new flat tempering machines and also as an upgrade product. The Pre-processing product line introduced the new UC 300 and UC 500 automatic cutting lines, the GlasWash series of washing machines, as well as the SolarTech™ and White Tech™ diamond grinding wheel product lines, which deliver excellent performance, grinding speed and quality. The new wheels are highly suitable for the grinding of solar panel, home appliance and furniture glass. The Services segment introduced, among other things, the RC200-zone™ upgrade product, which facilitates the modernisation of a tempering machine's old or broken chamber. The company also launched a new automation system upgrade, iControl™ (iC™), for Glaston's flat tempering machines. iControl™ improves process management and increases productivity.

Discontinued Operations' research and product development expenditure totalled EUR 2.5 (3.1) million.

Capital Expenditure, Depreciation and Amortisation

The gross capital expenditure of Glaston's Continuing and Discontinued Operations totalled EUR 5.6 (5.7) million. The most significant investments in 2012 were in product development.

In 2012, depreciation and amortisation of Continuing Operations on property, plant and equipment and on intangible assets totalled EUR 5.4 (5.5) million. A EUR 3.0 million goodwill impairment loss, directed at the Machines business area, was recognised in the first quarter.

Discontinued Operations

Discontinued Operations consists of the Software Solutions business area. On 12 November 2012, Glaston announced in a stock exchange release the sale of the Software Solutions business area, and the sale was completed on 4 February 2013.

Discontinued Operations' revenue in the review period totalled EUR 20.1 (22.9) million and the result before taxes was a loss of EUR 3.5 (2.0 profit) million. Discontinued Operations' result includes a EUR 5.2 million goodwill impairment loss, which arose from the remeasurement of net assets held for sale at fair value less costs to sell. Discontinued Operations' order book on 31 December 2012 was EUR 1.4 (1.8) million. Discontinued Operations' orders received in the review period totalled EUR 16.5 (20.8) million.

	2012	2011	2010
Research and development expenditure, Continuing Operations, EUR million	**5.3**	5.0	5.7
Research and development expenditure, Discontinued Operations, EUR million	**2.5**	3.1	3.9
Research and development expenditure, total, EUR million	**7.8**	8.1	9.6
Capitalised development expenditure in the financial year, Continuing and Discontinued Operations, EUR million	**4.4**	4.2	2.8
Research and development expenditure, Continuing Operations, % of Continuing Operations' net sales	**4.6**	4.2	4.5

	2012	2011	2010
Gross capital expenditure, Continuing Operations, EUR million	**2.5**	3.2	2.6
Gross capital expenditure, Discontinued Operations, EUR million	**3.1**	2.5	2.0
Gross capital expenditure, total, EUR million	**5.6**	5.7	4.6
Gross capital expenditure, Continuing Operations, % Continuing Operations' net sales	**2.2**	2.7	2.1
Depreciation and amortisation, Continuing Operations, EUR million	**5.4**	5.5	5.6
Impairment losses, Continuing Operations, EUR million	**3.0**	0.2	7.7

	2012	2011	2010
Salaries and wages, Continuing Operations, EUR million	**23.8**	27.2	32.6
Employees at end of year, Continuing Operations	**602**	675	749
Employees at end of year, Discontinued Operations	**175**	195	208
Employees at end of year, total	**776**	870	957
Average number of employees	**820**	899	1,028

Changes in the Company's Management

In order to accelerate the implementation of its strategy as well as business growth, Glaston strengthened its Executive Management Group and changed the roles of the Group's members as of 1 July 2012. Roberto Quintero was appointed Senior Vice President, Machines Business Area, Pre-processing and Tools product lines, and he also became a member of the Executive Management Group. He transferred to the post from his duties as SVP, Heat Treatment product line. SVP, Services Juha Liettyä was appointed SVP, Machines Business Area, Heat Treatment product line, and SVP, Supply Chain Pekka Huuhka was appointed SVP, Services.

Sasu Koivumäki was appointed as the company's Chief Financial Officer as of 1 October 2012, following Tapio Engström's departure from Glaston to join a new employer. Koivumäki transferred to the post from his role as Glaston's Vice President, Sales & Service, North America. Glaston's Senior Industrial Advisor Günter Befort left Glaston on 15 November 2012. Senior Vice President, Human Resources Tapani Lankinen left Glaston on 31 December 2012 to join a new employer. A new group-level Senior Vice President, Human Resources has not been appointed.

Employees

During the year, measures to adjust personnel numbers to the market situation continued. The measures were targeted particularly at Finland and Brazil.

On 31 December 2012, Glaston's Continuing Operations has a total of 602 (675) employees, of whom 23% worked in Finland and 26% elsewhere in the EMEA area, 32% in Asia and 18% in the Americas. The average number of employees was 634 (703). On 31 December 2012, the Software Solutions segment had a total of 175 (195) employees. Continuing and Discontinued Operations had an average total of 820 (899) employees in 2012.

Group Structural Changes in 2012

In 2012 the following Group companies were liquidated: Glaston Australia Pty. Ltd. in Australia and Albat+Wirsam Software GmbH branches in Austria and Belgium.

In December, Albat+Wirsam Software GmbH sold the shares of Glaston Germany GmbH to Glaston Services Ltd. Oy.

Environment

The energy efficiency of glass processing machines and, moreover, the energy-efficiency of the end products manufactured with them are highly significant from an environmental perspective. Glaston aims to be as environmentally friendly as possible in its operations. The company's operations may give rise to minor environmental effects, such as noise. The company does not cause air pollution or create emissions into land or water areas. Glaston's glass processing machines and the components used in them have been designed to withstand intense use. The life cycle of machines and equipment may be measured in decades. In addition, maintenance services, maintenance contracts, machine upgrades and modernisations further extend the life cycle of machines and equipment.

Energy efficiency and its development play a key role in product development. In the new Glaston RC350™ flat tempering machine, energy efficiency in the heating process has been achieved by controlling convection while taking into account the oscillation of the glass in the oven, enabling the amount of compressed air used in convention to be minimised. The machine is suitable for the manufacture of all temperable coated glass, such as the tempering of low-emissivity (Low-E) glass.

The GlastonAir™ air floatation technology enables the tempering of glass as thin as two millimetres with the lowest possible cooling power, yielding a significant energy saving compared with traditional solutions. The uses of two millimetres tempered glass are, for example, solar panels and CSP mirrors.

Shares and Share Price

Glaston Corporation's paid and registered share capital on 31 December 2012 was EUR 12.7 million and the number of issued and registered shares totalled 105,588,636. The company has one series of share. At the end of the year, the company held 788,582 of the company's own shares (treasury shares), corresponding to 0.75% of the total number of issued and registered shares and votes. The counter book value of treasury shares is EUR 94,819.

Every share that the company does not hold itself entitles its owner to one vote at a General Meeting of Shareholders. The share has no nominal value. The counter book value of each registered share is EUR 0.12.

On 31 December 2012, the market capitalisation of the company's registered shares, treasury shares excluded, was EUR 27.2 (47.2) million. During 2012, approximately 17.7 million of the company's shares were traded, i.e. around 17% of the average number of registered shares. The lowest price paid for a share was EUR 0.23 (0.40) and the highest price EUR 0.74 (1.27). The volume-weighted average price of shares traded during January–December was EUR 0.39 (0.84). The closing price on 31 December 2012 was EUR 0.26 (0.45).

The share issue-adjusted equity per share attributable to owners of the parent was EUR 0.29 (0.50).

Shareholders

Glaston Corporation's largest shareholders on 31 December 2012, the distribution of ownership by shareholder group on 31 December 2012, and the distribution of share ownership by number of shares are presented in Note 4 of the consolidated financial statements. Information on the Glaston Corporation shares owned by Members of the Board of Directors and the President & CEO is presented in Note 30 of the consolidated financial statements.

Glaston Corporation is unaware of any shareholder agreements or arrangements relating to share ownership or the exercise of votes. Glaston's largest shareholders Oy G.W.Sohlberg Ab and GWS Trade Oy have separately undertaken not to claim minority dividends as prescribed in Chapter 13 Section 7 of the Finnish Companies Act.

Share-based Incentive Plans

On 12 December 2011, Glaston's Board of Directors decided on a new share-based incentive plan for the Group's key personnel. The share bonus plan has three performance periods, namely the calendar years 2012, 2013 and 2014. The company's Board of Directors will decide on the plan's performance criteria and the targets set for them at the beginning of each performance period. The possible bonus of the plan for performance period 2012 was based on the Glaston Group's operating result (EBIT) and net profit. In 2012 the performance criteria were not fulfilled. The share bonus plan's target group consists of around 25 people.

The President & CEO also has a separate share bonus arrangement, according to which 50,000 Glaston Corporation shares were transferred to him one year after the beginning of his employment relationship, namely in September 2010. The shares earned cannot be transferred for two years from the date of acquisition of the shares. If the President & CEO's employment ends during the restriction period, the shares will be returned to the company. The performance period of this plan ended in 2012.

Decisions of the Annual General Meeting

Glaston Corporation's Annual General Meeting was held in Helsinki on 27 March 2012. The Annual General Meeting adopted the financial statements and consolidated financial statements for the period 1 January–31 December 2011. In accordance with the proposal of the Board of Directors, the Annual General Meeting resolved that no dividend be distributed for the financial year ending 31 December 2011. The Annual General Meeting discharged the members of Board of Directors and the President & CEO from liability for the financial year 1 January–31 December 2011.

The number of the Members of the Board of Directors was resolved to be six. The Annual General Meeting decided to re-elect Claus von Bonsdorff, Teuvo Salminen, Christer Sumelius, Pekka Vauramo and Andreas Tallberg as Members of the Board of Directors for the following term ending at the closing of the next Annual General Meeting, and to elect Anu Hämäläinen, M.Sc.(Econ.), as a new Member of the Board of Directors.

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

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

The Annual General Meeting resolved in accordance with the proposal of the Board of Directors to amend Articles 10 and 11 of the Articles of Association.

Share-issue Adjusted per Share Data	2012	2011	2010
Equity per share attributable to owners of the parent, EUR	**0.29**	0.50	0.48
Dividend per share, EUR [*]	**0.00**	0.00	0.00
Price / earnings (P/E) ratio	**-1.2**	-3.1	-2.9
Price / equity attributable to owners of the parent per share	**0.89**	0.89	2.37
Share price at end of year, EUR	**0.26**	0.45	1.13
Market capitalisation, end of year, EUR million	**27.2**	47.2	88.8
Share turnover (1,000 shares)	**17,736**	8,447	15,419
Share turnover, % of average number of shares	**16.9**	8.5	19.6
Number of shares at end of the year	**105,588,636**	105,588,636	79,350,000
Average number of shares, excluding treasury shares	**104,800,054**	104,825,545	82,144,592
Average number of shares, including dilution effect of convertible bond and excluding treasury shares	**111,530,823**	110,537,735	104,646,445

[*] Board of Directors' proposal to the Annual General Meeting

Definitions of key ratios are presented in the consolidated financial statements.

Article 10 was amended so that General Meetings of Shareholders shall be held in the place where the company is domiciled or in Espoo. In addition, a mention was added to the article whereby the Chairman of the General Meeting shall have the right to determine the method of voting in the event of a matter being resolved by a vote at a General Meeting. Article 11 was amended so that the notice to a General Meeting of Shareholders shall be published on the company's website. In addition, the Board of Directors may decide on the publishing of the notice to a General Meeting in a newspaper.

At its organising meeting on 27 March 2012, 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.

Events after the Review Period

On 20 December 2012, Glaston announced in a stock exchange release that it will initiate measures to strengthen the company's financial position. The arrangements require a decision of an Extraordinary General Meeting. On 22 January 2013, Glaston published a notice to an Extraordinary General Meeting. The meeting will be held on 12 February 2013. The Board of Directors proposes that the General Meeting authorises the Board of Directors to decide on one or more issuances of shares. The authorisation contains the right to issue new shares or to dispose of shares held by the company up to 86,000,000 shares.

On 4 February 2013, Glaston announced in a stock exchange release that it had completed the sale of Albat+Wirsam Software GmbH. On the same day, changes in the Executive Management Group were also announced. Senior Vice President, Software Solutions, Uwe Schmid resigned from the Executive Management Group and General Counsel Taina Tirkkonen was appointed to the Executive Management Group.

On 7 February 2013, Glaston announced in a stock exchange release a new long-term credit facility agreement, securing financing for at least the following 12 months. The credit facility will be in force when certain conditions, such as the share issue and conversion of the convertible and debenture bonds into equity, have been fulfilled. Glaston has received commitments from a sufficient number of shareholders participating in the Extraordinary General Meeting to ensure that the shareholders' meeting will approve the share issue. Glaston has also sufficient commitments to ensure that the minimum required number of shares will be subscribed in the share issue and that the debenture bonds and the majority of convertible bonds will be converted into equity.

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 loss of the Group's market shares, particularly in Europe as well as in the most strongly developing markets in Asia and South America. The arrival of a competing machine and glass processing technology on the market in connection with technological development, which would require Glaston to make considerable product development investments, as well as changes to legislation regulating the company are also strategic risks. Glaston's most significant operational risks include cost development relating to Glaston's operations, management of large customer projects, the availability of components, management of the contractual partner and subcontractor network, product development, succeeding in the effective protection of intellectual property rights and efficient production as well as the availability and permanence of expert personnel. Glaston continually develops its information systems and despite careful planning, temporary disruptions to operations might be associated with the introduction stages.

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

The measures initiated to strengthen Glaston's financial position will improve significantly the group's liquidity.

The Group's loan agreements include covenant 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 termination of financial agreements. The covenants in use are interest cover, net debt /EBITDA, cash reserves and gross capital expenditure. The covenants are monitored regularly. During the financial year and in the end of the fourth quarter Glaston renegotiated some of the loan covenants with lenders. The covenant terms of the new loan agreement signed on 7 February 2013 are mainly the same as in the previous loan agreement, but the levels of the covenant terms are more favourable to Glaston.

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.

Assessment of Going Concern

When preparing financial statements, Glaston's management assesses Glaston's ability to continue as a going concern. It is the opinion of the management and Board of Directors of Glaston that the most significant factor which could endanger Glaston's ability to continue as a going concern would be insufficient funding, but the measures taken in the latter part of 2012 and in early 2013 have decreased the risk significantly. Glaston's financial position will be strengthened by a decrease of net debt and an increase of equity. Net debt has been decreased by the funds received from sale of the Software Solutions business. The sale was closed in early February 2013. Also, the funds to be received from the sale of Tampere real estate in Finland will be used to pay back debt. The sale is estimated to be finalised during the first quarter of 2013.

On 22 January 2013, the Board of Directors of Glaston Corporation summoned an Extraordinary General Meeting of Shareholders to be held on 12 February 2013. The Board of Directors proposes that the Extraordinary General Meeting authorises the Board of Directors to resolve on one or more issuances of shares. The authorisation contains the right to issue new shares or dispose of the shares in the possession of the company up to 86,000,000 shares. The share issue will improve Glaston's equity.

In addition, the Board of Directors of Glaston Corporation initiated negotiations at the end of 2012 with the holders of the convertible bond and of the debenture bond on the conversion of the bonds into Glaston shares. The majority of the holders of the convertible bonds and the holders of the debenture bond have committed to convert the bonds into shares.

Glaston's financing has been secured for at least the following 12 months with the new long-term credit facility agreement signed on 7 February 2013. The credit facility will be in force when certain conditions, such as the share issue and conversion of the convertible and debenture bonds into equity, have been fulfilled. Glaston has received commitments from a sufficient number of shareholders participating in the Extraordinary General Meeting to ensure that the shareholders' meeting will approve the share issue. Glaston has also a sufficient number of commitments to ensure that the share issue will be subscribed.

Glaston's management has no information of other events or circumstances which may cast significant doubt on Glaston's ability to continue as a going concern.

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 the shares are separated from each other.

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

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

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 review period, Glaston had no related party loans.

Corporate Governance Statement

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

Separate Financial Statements of the Parent Company

The separate financial statements of Glaston Corporation have been prepared according to the Finnish Accounting Act, the Accounting Ordinance and other laws and regulations relating to financial

Parent Company Information, EUR million	2012	2011	2010
Net sales	**3.7**	3.7	3.6
Operating result	**-3.1**	-3.6	-4.4
Result before taxes and appropriations	**-11.1**	-33.0	-4.7
Income taxes for the financial year	**-0.0**	-0.2	0.2
Result for the financial year	**-11.1**	-33.1	-4.4
Balance sheet total	**113.1**	120.9	177.5
Shareholders' equity	**63.9**	75.0	81.3
Salaries and bonuses paid	**1.5**	1.6	2.7
Average number of employees	**12**	13	22

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 3.7 (3.7) million and the operating result was a loss of EUR 3.1 (3.6 loss) million. Net financial expenses were EUR -8.1 (-29.4) million, of which EUR -6.2 million consisted of impairment losses on shares in subsidiaries and on receivables from group companies. The result for the financial year was a loss of EUR 11.1 (33.1 loss) million.

The parent company had an average 12 (13) employees in the financial period and 11 (12) employees at the end of the year.

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

Uncertainties and Risks in the Near Future

Glaston's business environment remains challenging. Slower economic growth and uncertainty in the financial markets could affect the timing of large machine orders. The general economic uncertainty continues to affect customers' investment activity.

The recession of 2008/2009 reduced production volumes of float glass worldwide. The underlying nature of the sector, however, is expected to be unchanged, so production volumes are forecast to grow in the coming years.

Global economic uncertainty in late 2012 and its impact on development of the sector have been taken into account in the short-term forecasts. If the recovery of the sector is delayed further or slows, this will have a negative effect on future cash flows.

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

General business risks and risk management are outlined in more detail in Glaston's 2012 Annual Report and on the company's website www.glaston.net.

Outlook

Our expectations for the development of the market in 2013 are cautiously positive. In North America, outlook for construction in particular is more positive than a year ago. In Europe, the economic outlook remains uncertain. We expect that the cautiously positive development that began in Asia in late 2012 will continue. Stable development in South America is expected to continue.

As a result of economic uncertainty and overcapacity, the market for new machines will continue to be challenging. The development of the service market is expected to remain positive.

We will focus in future on our core operations, namely on glass processing machines and related services. This strategic decision will allow us to capitalise on our strong expertise and resources in the best possible way. Following the cost-cutting and restructuring programmes implemented in 2012, we start 2013 on a more stable foundation. The prerequisites for profitable operations exist. Despite the discontinuation of unprofitable product groups, we expect a slight growth in net sales.

Glaston expects 2013 net sales to be on the 2012 level and the operating result to be positive.

Board of Directors' Proposal on the Distribution of Profits

The distributable funds of Glaston Corporation, the parent of Glaston Group, total EUR 25,909,633, of which the loss for the review period is EUR -11,101,550. The company has no funds available for dividend distribution.

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, and that equity is not returned from the reserve for invested unrestricted equity. EUR 25,909,633 will be left in distributable funds.

Helsinki, 7 February 2013
Glaston Corporation
Board of Directors

Corporate Governance Statement 2012

(pp. 10–17 not included in the Report of the Board of Directors and the 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. The Finnish Corporate Governance Code, published by the Securities Market Association, is publicly available at the website www.cgfinland.fi.

This report has been prepared in accordance with Chapter 2 Section 6 of the Securities Markets Act and Recommendation 54 of the Finnish Corporate Governance Code. The report has been approved by the Company's Board of Directors and audited by the auditor.

Duties and Responsibilities of Governing Bodies

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

General Meeting of Shareholders

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

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

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

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

Extraordinary General Meeting 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 shall have the right to make proposals and ask questions on the matters being dealt with.

A shareholder shall have the right to participate in a General Meeting if the shareholder is registered in the Company's register of shareholders eight days before a General Meeting. Owners of nominee-registered shares may be temporarily registered in the Company's list of shareholders for participation in a General Meeting. A shareholder may attend a General Meeting personally or through an authorised representative. A shareholder may also have an assistant at a General Meeting.

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 has a quorum if more than half of its members are present at the meeting.

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

The main duties and operating principles of the Board of Directors are defined in the board charter approved by the Board. It is the Board's duty to prepare the matters to be dealt with by a General Meeting and to ensure that the decisions made by a General Meeting are appropriately implemented. It is also the Board's task to ensure the appropriate arrangement of the control of the Company's accounts and finances. In addition, the Board directs and supervises the Company's executive management, appoints and dismisses the CEO, 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 issues are the Group's strategy, approving the Group's budget and action plans and monitoring their implementation, acquisitions and the Group's operating structure, significant capital expenditures, internal control systems and risk management, key organisational issues and incentive schemes.

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

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

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

Independence of Members of the Board

According to an independence assessment performed by the Company's Board of Directors, all of the Board's six members are, in principle, independent of the Company. Excluding Andreas Tallberg, the Members of the Board are independent of the Company's significant shareholders. Andreas Tallberg is Chairman of the Board of GWS Trade Oy (GWS Trade Oy's ownership of Glaston Corporation shares was 12.74% on 31 December 2012) and Managing Director of Oy G.W. Sohlberg Ab (Oy G.W. Sohlberg Ab's ownership was 12.14% on 31 December 2012). Based on an overall assessment, however, the Board considers that Christer Sumelius is not independent of the Company, because he has served as a Member of the 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.

Committees of the Board of Directors

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

President & CEO

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

Executive Management Group

On 1 January 2013, the Company's Executive Management Group comprised the President & CEO, the Senior Vice Presidents of the Machine Segment product lines, the Senior Vice Presidents of the Software Solutions and Services segments, the General Manager, Asia and the Chief Financial Officer. The Members of the Executive Management Group report to the President & CEO and assist him in implementing the Company's strategy, operational planning and management, and in reporting the development of business operations.

The Executive Management Group meets under the direction of the President & CEO.

The Chairman of the Company's Board of Directors appoints, on the proposal of the President & CEO, the Members of the Executive Management Group and confirms their remuneration and other contractual terms. The Company's President & CEO acts as the Chairman of the Executive Management Group. The Executive Management Group handles the Group's and segments' strategy issues, capital expenditure, product policy, Group structure and control systems, and supervises the Company's operations. 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, Members of the Executive Management Group are also permanent insiders with a duty to disclose their ownership in Glaston.

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

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

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

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

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

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

Risk Management

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

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

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

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

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

Segment and group-level risk management is included in the regularly repeated group-wide risk management process . The process can also 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 Report of the Board of Directors on pages 7–8. The management and organisation of the Group's financial risks are presented in more detail in Note 3 of the consolidated financial statements on pages 37–40.

Corporate Governance in 2012

Annual General Meeting

Glaston Corporation's Annual General Meeting was held in Helsinki, Finland, on 27 March 2012. The Annual General Meeting was attended by 89 shareholders, representing a total of 57,002,318 shares and votes.

The Annual General Meeting confirmed the financial statements and discharged the President & CEO and the Members of the Board of Directors from liability for financial year 2011. 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 Annual General Meeting confirmed that the Board of Directors shall have six members. Claus von Bonsdorff, Teuvo Salminen, Christer Sumelius, Andreas Tallberg and Pekka Vauramo were re-elected as Members of the Board. Anu Hämäläinen was elected to the Board of Directors as a new member.

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

The personal information of Members of the Board and information on their ownership of Glaston's shares are presented at the end of this statement.

In 2012 Glaston's Board of Directors held 12 meetings, of which 4 were via telephone conference. The attendance of Members of the Board at meetings was 97%.

President & CEO and Executive Management Group

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

The composition of Glaston's Executive Management Group changed during 2012, and on 1 January 2013 the Executive Management Group had seven members. The composition of the Executive Management Group, the personal information of its members, and information on their ownership of Glaston's shares are presented at the end of this statement.

The Executive Management Group met 11 times in 2012.

Remuneration of Board of Directors and the Executive Management Group

Remuneration of the Board of Directors

The 2012 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 on the Board of Directors. The Members of the Board are covered by voluntary pension insurance accrued from their Board of Directors' remuneration. The value of the pension insurance corresponds with the Finnish TyEL pension scheme. Remuneration paid to the Board of Directors is outlined in more detail in Note 30 of the consolidated financial statements and in a separate Salaries and Bonuses Report.

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 plan (variable salary component) intended as a long-term reward. The annual bonus is determined on the basis of Glaston's financial performance. The indicator's used are the Group's result and the business area's or business unit's result as well as functional targets. The maximum amount of the President & CEO's annual bonus is 50% of annual salary. For the other members of the Executive Management Group, the maximum amount of annual bonus is 40% of annual salary.

In addition, the President & CEO has a separate share bonus plan, on the basis of which he received one year after the start of his employment relationship, i.e. on 3 September 2010, a total of 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 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 shall have the right to terminate his employment contract with 1 month's notice, in which case he shall be paid one-off severance pay of EUR 200,000.

The President & CEO has the opportunity to retire at 63 years of age. The President & CEO and one member of the Executive Management Group are entitled to a supplementary pension that exceeds the statutory scheme. The retirement age of other members of the Executive Management Group is in accordance with normal local legislation.

The table on page 15 presents the total paid remuneration of the President & CEO and the Members of the Executive Management Group in 2012.

On 12 December 2011, Glaston's Board of Directors decided on a new share-based incentive plan for the Group's key personnel. The share bonus plan has three performance periods, namely the calendar years 2012, 2013 and 2014. The Company's Board of Directors will decide on the plan's performance criteria and the targets set for them at the beginning of each performance period. The possible bonus of the plan for performance period 2012 was based on the Glaston Group's operating result (EBIT) and net profit. In 2012 the performance criteria were not fulfilled. The share bonus plan's target group consists of around 25 people. The bonuses payable on the basis of the plan will correspond during three years to a maximum of 4.8 million Glaston Corporation shares.

Auditing

At the 2012 Annual General Meeting, the auditing 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 2012 the Group's auditing costs totalled EUR 538 thousand, of which Ernst & Young received EUR 446 thousand. Ernst & Young Oy's auditing expenses for the audit for financial year 2012 totalled EUR 328 thousand. In addition, auditing units belonging to Ernst & Young have provided other advice to Group companies to a total value of EUR 106 thousand.

Salaries and bonuses paid to the Group's Executive Management Group

EUR	**2012**	**2011**
President & CEO Arto Metsänen		
Paid salary	355,530	325,955
Paid bonuses	84,000	105,168
Total salary	439,530	431,123
Fringe benefits	18,065	16,117
Total	**457,595**	**447,240**
Statutory pension contributions (TyEL or similar scheme)	82,367	79,161
Voluntary pension contributions	57,162	40,320
Other Executive Management Group, total *)		
Paid salaries	1,293,328	1,163,756
Severance pay	540,000	94,482
Paid bonuses	185,576	198,455
Total salaries	2,018,904	1,456,693
Fringe benefits	99,731	42,441
Total	**2,118,635**	**1,499,134**
Statutory pension contributions (TyEL or similar scheme)	192,886	181,346
Voluntary pension contributions	71,767	51,242

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

Share ownership of the Board of Directors and Executive Management Group on 31 December 2012

Hämäläinen, Anu	-	Huuhka, Pekka	-
Salminen, Teuvo	50,000	Koivumäki, Sasu	-
Sumelius, Christer **)	3,838,933	Liettyä, Juha	-
Tallberg, Andreas	-	Metsänen, Arto	86,394
von Bonsdorff, Claus	122,600	Schmid, Uwe	-
Vauramo, Pekka	10,000	Quintero, Roberto	-
		Zhang, Frank	-

**) Includes also shares owned by related parties or companies controlled by the person in question.

Board of Directors 1 January 2013

Andreas Tallberg
b. 1963

Chairman of the Board, since 2007

M.Sc.(Econ.)

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.

Share ownership on 31.12.2012:
no shares

Main occupation: G.W. Sohlberg Corporation, Chief Executie since 2007

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

Key positions of trust:
GWS Trade Oy, Chairman of the Board, 2007-
Detection Technology Oy, Chairman of the Board, 2007–
Lite-On Mobile Plc, Deputy Chairman of the Board, 2008–
Svenska Handelsbanken AB (publ), Finnish branch, Member of the Board 2008–
StaffPoint HoldingOy, Member of the Board, 2012–
Wulff Group Plc, Chairman of the Board, 2012–
Nissala Oy, Chairman of the Board, 1999–

Christer Sumelius
b. 1946

Deputy Chairman of the Board, since 1995

M.Sc.(Econ.)

Dependent of the company, independent of significant shareholders

Share ownership on 31.12.2012:
3,838,933 shares, including shares in the ownership of related parties and controlling interest companies

Main occupation: Chairman of the Board, Oy Investsum Ab, since 1984

Primary work experience:
Se-Center Oy, Managing Director, 1987–2007
Graphex GmbH, Director, 1979–1988
Pyramid Advertising Co. Ltd. (Lagos), Chairman, 1983–1985
Pyramid Paper Products Ltd. (Lagos), Managing Director, 1982–1984
Pyramid Inks Manufacturing Co. Ltd. (Lagos), Director, 1981–1985
Finska Papperbruksföreningen, Finnpap, (Singapore), Area Representative, 1980–1981

Key positions of trust:
Oy Investsum Ab, Chairman of the Board, 1984–
Tecnotree Corporation, Member of the Board, 2001–
Finnish Association of Professional Board Members, Member, 2003–
Chemdyes Sdn. Bhd. Penang (Malaysia), Member of the Board, 2006–
Xemet Oy, Member of the Board, 2008–
Nikolai Sourcing Ltd., Member of the Board, 2008–
I-Hygiene Solutions (Malaysia), Member of the Board, 2009–

Claus von Bonsdorff
b. 1967

Member of the Board, since 2006

M.Sc.(Eng.), M.Sc.(Econ.)

Independent of the company and of significant shareholders

Share ownership on 31.12.2012:
122,600 shares

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

Primary work experience:
Nokia Siemens Networks, Management positions, since 2007
Nokia Plc, Expert and management positions, 1994–2007

Key positions of trust: -

Anu Hämäläinen
b. 1965, M.Sc.(Econ.)

Member of the Board, since 2012

Independent of the company and of significant shareholders

Share ownership on 31.12.2012:
no shares

Main occupation: Wärtsilä Corporation, Vice President, Group Control, since 2010

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

Key positions of trust: -

Teuvo Salminen
b. 1954

Member of the Board, since 2010

M.Sc.(Econ.), APA

Independent of the company and of significant shareholders

Share ownership on 31.12.2012:
50,000 shares

Main occupation: Professional Board Member

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

Key positions of trust:
CapMan Plc, Member of the Board 2001–2005, Deputy Chairman of the Board 2005–
Holiday Club Resorts Oy, Chairman of the Board 2008–
Havator Oy, Chairman of the Board, 2010–
Cargotec Plc, Member of the Board, 2010–
Evli Bank Plc, Member of the Board, 2010–
Tieto Corporation, Member of the Board, 2010–
3Stepit Oy, Member of the Board, 2011–

Pekka Vauramo
b. 1957

Member of the Board, since 2011

M.Sc.(Mining)

Independent of the company and of significant shareholders

Share ownership on 31.12.2012:
10,000 shares

Main occupation: Cargotec Corporation, MacGregor, Chief Operating Officer (COO)

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

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

Executive Management Group 1 January 2013







Arto Metsänen
b. 1956

President & CEO

M.Sc.(Eng.)

Employed by the company and Chairman of the Executive Management Group, since 2009

Share ownership on 31.12.2012:
86,394 shares

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

Pekka Huuhka
b. 1956

M.Sc.(Eng.)

Senior Vice President, Services segment, since 1 July 2012

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

Share ownership on 31.12.2012:
no shares

Primary work experience:
Glaston Finland Oy, Senior Vice President, Supply Chain, 2010–30.6.2012
Swot Consulting Finland Oy, Managing Partner, 1998–2010
Tamrock Region Europe, Area Sales Director, Germany, 1993–1998
Tamrock Oy, Product Management, 1991–1993
Tamrock Oy, Production Management positions, 1982–1991

Sasu Koivumäki
b. 1963

Chief Financial Officer,
since 1 October 2012

M.Sc.(Econ.)

Employed by the Company since 2002, Member of the Executive Management Group, since 1 October 2012

Share ownership on 31.12.2012:
no shares

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

Juha Liettyä
b. 1958

Senior Vice President, Heat Treatment Product Line, since 1 July 2012

B.Sc.(Eng.)

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

Share ownership on 31.12.2012:
no shares

Primary work experience:
Glaston Finland Oy, SVP, Services, 2009–30 June 2012
Glaston Corporation, SVP, Quality and Business Development, 2007–2009
Kyro Corporation, SVP Technology, 2003–2007
Tamglass Engineering Ltd Oy, Managing Director, 1999–2003,
Tamglass Ltd Oy, several management positions 1991–2003
Tamglass Engineering Ltd Oy, Maintenance Manager, 1989–1991
Tamglass Engineering Ltd Oy, Project Engineer, 1986–1989

Roberto Quintero
b. 1975

Senior Vice President, Preprocessing and Tools Product Lines, since 1 July 2012

B.Sc.(Eng.)

Employed by the Company since 2008, Member of the Executive Management Group, since 1 July 2012

Share ownership on 31.12.2012:
no shares

Primary work experience:
Glaston Finland Oy, Product Line Director, Heat Treatment, 2010–30 June 2012
Glaston Finland Oy, Managing Director, 2011–2012
Glaston Finland Oy, Product Development Director, 05.2009–12.2009
Glaston Finland Oy, Director, Quality and Business Development, 2008–04.2009
Metso Minerals Oy, Sales and Marketing Director, CIS, 2006–2007
Metso Minerals Oy, Business Development Director, Mining Industry, 2005–2006
Metso Minerals Oy, several product management positions, 2000–2005

Frank Chengdong Zhang
b. 1968

General Manager, Asia

EMBA, B.Sc. (Power Machinery Engineering)

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

Share ownership on 31.12.2012:
no shares

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

Uwe Schmid
b. 1963

Senior Vice President,
Software Solutions

Ph.D.(Physics)

Employed by the Company and Member of the Executive Management Group since 2011- 4 February 2013

Share ownership on 31.12.2012:
no shares

Consolidated Financial Statements

Consolidated Statement of Financial Position

EUR thousand	Note	at 31 December 2012	2011
Assets			
Non-current assets			
Goodwill	12,14	36,843	52,601
Intangible assets	14	10,736	18,155
Property, plant and equipment	15	7,292	18,663
Holdings in associates	16	-	50
Available-for-sale financial assets	17	329	330
Loan receivables	19	1,819	4,447
Deferred tax assets	11	6,747	6,923
Total non-current assets		**63,765**	**101,169**
Current assets			
Inventories	18	21,767	25,240
Assets for current tax	11	886	1,336
Trade and other receivables	19	31,163	40,811
Cash and cash equivalents			
Cash		10,583	18,601
Assets of disposal group classified as held for sale	13	29,830	-
Total current assets		**94,229**	**85,987**
Total assets		**157,994**	**187,157**
Equity and liabilities			
Equity			
Share capital		12,696	12,696
Share premium account		25,270	25,270
Other restricted equity reserves		5	1
Reserve for invested unrestricted equity		26,805	26,805
Treasury shares	4	-3,308	-3,308
Fair value reserve		50	47
Other unrestricted equity reserves		53	-
Retained earnings and exchange differences		-8,568	5,726
Net result attributable to owners of the parent		-22,374	-14,430
Attributable to owners of the parent		**30,628**	**52,807**
Non-controlling interest		297	346
Total equity		**30,925**	**53,153**
Non-current liabilities			
Convertible bond	22	8,224	7,937
Non-current interest-bearing liabilities	22	4,075	37,740
Non-current interest-free liabilities	24	0	0
Non-current provisions	23	1,171	918
Deferred tax liabilities	11	1,459	3,553
Defined benefit pension and other defined long-term employee benefit liabilities	21	941	1,059
Total non-current liabilities		**15,870**	**51,207**
Current liabilities			
Current interest-bearing liabilities	22	56,230	22,620
Current provisions	23	3,519	4,139
Trade payables and other current interest-free liabilities	24	46,434	55,328
Liabilities for current tax	11	302	710
Liabilities of disposal group classified as held for sale	13	4,715	-
Total current liabilities		**111,199**	**82,797**
Total liabilities		**127,069**	**134,004**
Total equity and liabilities		**157,994**	**187,157**

Consolidated Statement of Profit or Loss

EUR thousand	Note	1 January–31 December 2012	2011 restated
Net sales	5	115,637	119,711
Other operating income	7	1,061	883
Changes in inventories of finished goods and work in process	18	-1,887	-2,225
Own work capitalized		53	6
Materials	8	-45,964	-45,005
Personnel expenses	9	-30,984	-35,159
Other operating expenses	8	-38,318	-35,639
Share of results of associates	16	-	-
Depreciation, amortization and impairment charges	12	-8,433	-5,671
Operating result, continuing operations		**-8,837**	**-3,099**
Financial income	10	1,026	1,251
Financial expenses	10	-9,629	-12,028
Net financial expenses		-8,603	-10,777
Profit / loss before income taxes, continuing operations		**-17,440**	**-13,876**
Income tax expense	11	-818	-2,517
Profit / loss for the year, continuing operations		**-18,258**	**-16,393**
Profit / loss after tax for the period, discontinued operations	**13**	**-4,163**	**1,947**
Profit / loss for the year		**-22,421**	**-14,446**
Attributable to non-controlling interest		-47	-16
Attributable to owners of the parent		**-22,374**	**-14,430**
Total		-22,421	-14,446
Earnings per share, EUR, continuing operations		-0.17	-0.16
Earnings per share, EUR, discontinued operations		-0.04	0.02
Earnings per share, EUR, basic and diluted (*		**-0.21**	**-0.14**

Earnings per share (EPS)

		2012	2011
Net result attributable to owners of the parent, EUR thousand		-22,374	-14,430
Average number of shares (1,000 shares) (*		104,800	100,826
Earnings per share (EPS), EUR, basic and diluted		**-0.21**	**-0.14**

(* Share-issue adjusted

Consolidated Statement of Comprehensive Income

	1 January–31 December	
EUR thousand	2012	2011
Profit / loss for the period	**-22,421**	**-14,446**
Other comprehensive income		
Total exchange differences on translating foreign operations	189	474
Fair value changes of available-for-sale assets	3	-1
Income tax on other comprehensive income	0	1
Other comprehensive income for the year, net of tax	**192**	**474**
Total comprehensive income for the year	**-22,229**	**-13,972**
Attributable to:		
Owners of the parent	-22,180	-13,981
Non-controlling interest	-49	9
Total comprehensive income for the year	**-22,229**	**-13,972**

Consolidated Statement of Changes in Equity

EUR thousand

	Note	Share capital	Share premium account	Other restricted equity reserves	Reserve for invested unrestricted equity	Fair value reserve	Treasury shares	Retained earnings	Cumulative exchange difference	Attributable to owners of the parent	Non-controlling interest	Total equity
Equity 1 January, 2011		**12,696**	**25,270**	**1**	**102**	**47**	**-3,308**	**4,622**	**-287**	**39,142**	**337**	**39,478**
Total comprehensive income for the year	20	-	-	0	-	0	-	-14,000	19	-13,981	9	-13,972
Reversal of unpaid dividends		-	-	-	-	-	-	27	-	27	-	27
Share-based incentive plan		-	-	-	-	-	-	-235	-	-235	-	-235
Share-based incentive plan, tax effect		-	-	-	-	-	-	61	-	61	-	61
Share issue		-	-	-	5,867	-	-	-	-	5,867	-	5,867
Conversion of convertible bond, net of costs		-	-	-	20,836	-	-	-2,344	-	18,492	-	18,492
Cost effect of the share price compensation related to convertible bond conversion		-	-	-	-	-	-	3,433	-	3,433	-	3,433
Equity 31 December, 2011		**12,696**	**25,270**	**1**	**26,805**	**47**	**-3,308**	**-8,435**	**-269**	**52,807**	**346**	**53,153**

	Note	Share capital	Share premium account	Other restricted equity reserves	Reserve for invested unrestricted equity	Fair value reserve	Other unrestricted equity reserves	Treasury shares	Retained earnings	Cumulative exchange difference	Attributable to owners of the parent	Non-controlling interest	Total equity
Equity 1 January, 2012		**12,696**	**25,270**	**1**	**26,805**	**47**	**-**	**-3,308**	**-8,435**	**-269**	**52,807**	**346**	**53,153**
Total comprehensive income for the year	20	-	-	0	-	2	-	-	-22,374	191	-22,180	-49	-22,229
Reversal of unpaid dividends		-	-	-	-	-	-	-	4	-	4	-	4
Share-based incentive plan		-	-	-	-	-	-	-	-4	-	-4	-	-4
Share-based incentive plan, tax effect		-	-	-	-	-	-	-	1	-	1	-	1
Reclassifications and other changes		-	-	4	-	-	53	-	-56	-	-	-	-
Equity 31 December, 2012		**12,696**	**25,270**	**5**	**26,805**	**50**	**53**	**-3,308**	**-30,864**	**-77**	**30,628**	**297**	**30,925**

Distributable equity of the parent (FAS)

EUR thousand

	2012	**2011**
Reserve for invested unrestricted equity [*]	26,805	26,805
Retained earnings	13,514	46,604
Treasury shares	-3,308	-3,308
Net profit / loss for the period	-11,102	-33,093
Total	**25,910**	**37,007**
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 2012	2011
Cash flows from operating activities		
Net result attributable to owners of the parent - continued operations	-18,210	-16,377
Net result attributable to owners of the parent - discontinued operations	-4,163	1,947
Adjustments to net result attributable to owners of the parent [1	13,169	7,812
Depreciation, amortization and impairment	15,588	8,105
Interest received	2,199	952
Interest paid	-4,513	-5,970
Dividends received	6	6
Other financing items	-1,546	-1,811
Income taxes paid	-1,392	-2,413
Cash flows from operating activities before change in net working capital	**1,138**	**-7,749**
Change in net working capital		
Change in inventories	2,022	1,224
Change in current receivables	1,869	3,896
Change in interest-free current liabilities	-6,144	7,067
Change in net working capital, total	**-2,252**	**12,187**
Cash flows from operating activities	**-1,114**	**4,439**
Cash flows from investing activities		
Business combinations less of acquired cash and cash equivalents	-60	-15
Capital expenditure in property, plant and equipment and intangible assets	-5,608	-5,709
Proceeds from sale of property, plant and equipment and intangible assets	159	235
Cash flows from investing activities	**-5,509**	**-5,489**
Cash flow before financing	**-6,624**	**-1,051**
Cash flows from financing activities		
Share issue and conversion of convertible bond, net	-	5,799
Draw-down of non-current loans	148	47,870
Repayments of non-current loans	-1,597	-3,352
Change in non-current loan receivables (decrease +, increase -)	22	35
Change in current loan receivables (decrease +, increase -)	49	54
Draw-down of current loans	11,168	34,915
Repayments of current loans	-10,252	-81,479
Other financing	-	-25
Cash flows from financing activities	**-462**	**3,817**
Effect of exchange rate fluctuations	**-634**	**164**
Net increase (- decrease) in cash and cash equivalents	**-7,720**	**2,930**
Cash and cash equivalents at end of period	10,880	18,601
Cash and cash equivalents at beginning of period	18,601	15,670
Net increase (- decrease) in cash and cash equivalents	**-7,720**	**2,930**

[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).

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

Supplemental Information for Statement of Cash Flows

	1 January–31 December	
EUR thousand	2012	2011
Business combinations		
Purchase consideration of acquisitions made in previous years	-60	-15
Cash flow on acquisitions net of cash acquired	**-60**	**-15**
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	-60	-15
Cash flow on acquisitions net of cash acquired	**-60**	**-15**

Per Share Data

	2012	2011 restated	2010 restated
Earnings per share, EUR, continuing operations	-0.17	-0.16	-0.40
Earnings per share, EUR, discontinued operations	-0.04	0.02	0.01
Earnings per share, EUR, basic and diluted	-0.21	-0.14	-0.39
Dividend per share, EUR [1]	0.00	0.00	0.00
Equity attributable to owners of the parent per share, EUR	0.29	0.50	0.48
Price per earnings per share (P/E) ratio	-1.2	-3.1	-2.9
Price per equity attributable to owners of the parent per share	0.89	0.89	2.37
Dividends paid, EUR million [1]	0.0	0.0	0.0
Number of shares at the end of the year	105,588,636	105,588,636	79,350,000
Number of shares at the end of the year, treasury shares excluded	104,800,054	104,800,054	78,561,418
Weighted average number of shares, treasury shares excluded	104,800,054	100,825,545	82,144,592
Weighted average number of shares, excluding treasury shares, dilution effect of the convertible bond taken into account	111,530,823	110,537,735	104,646,445

[1] The 2012 dividend is the Board of Directors' proposal to the Annual General Meeting.

Share price and turnover

	2012	2011	2010
Share price, year high, EUR	0.74	1.27	1.65
Share price, year low, EUR	0.23	0.40	0.80
Share price, volume-weighted year average, EUR	0.39	0.84	1.17
Share price, end of year, EUR	0.26	0.45	1.13
Number of shares traded (1,000)	17,736	8,447	15,419
% of average number of registered shares	16.9%	8.5%	19.6%
Market capitalization, end of year, EUR million	27.2	47.2	88.8

Financial Ratios

EUR thousand	2012	2011 restated	2010 restated
Income statement and profitability			
Net sales	115,637	119,711	125,613
Operating result	-8,837	-3,099	-26,684
% of net sales	-7.6%	-2.6%	-21.2%
Operating result, non-recurring items excluded	-3,434	-3,403	-12,565
% of net sales	-3.0%	-2.8%	-10.0%
Financial income and expenses (net)	-8,603	-10,777	-6,950
% of net sales	7.4%	9.0%	5.5%
Result of continuing operations before income taxes and non-controlling interests	-17,440	-13,876	-33,634
% of net sales	-15.1%	-11.6%	-26.8%
Income taxes	-818	-2,517	827
Result of discontinued operations	-4,163	1,947	845
Net profit / loss attributable to owners of the parent	-22,421	-14,430	-31,939
% of net sales	-19.4%	-12.1%	-25.4%
Return on capital employed (ROCE), %, total of continuing and discontinued operations	-12.5%	0.3%	-19.0%
Return on equity, %	-53.3%	-31.2%	-58.7%
Research and development expenses, continuing operations	5,267	4,970	5,698
% of net sales of continuing operations	4.6%	4.2%	4.5%
Research and development expenses, discontinued operations	2,500	3,107	3,876
Research and development expenses, continuing and continuing operations	7,767	8,077	9,574
% of net sales of continuing and discontinued operations	5.7%	5.7%	6.4%
Gross capital expenditure, continuing operations	2,493	3,185	2,608
% of net sales of continuing operations	2.2%	2.7%	2.1%
Gross capital expenditure, discontinued operations	3,115	2,524	1,969
Gross capital expenditure, continuing and discontinued operations	5,608	5,709	4,577
% of net sales of continuing and discontinued operations	4.1%	4.0%	3.1%
Order book, continuing operations, EUR million	34.2	35.8	38.6
Order book, discontinued operations, EUR million	1.4	1.8	2.9
Order book, EUR million	35.6	37.6	41.5
Statement of financial position and solvency			
Property, plant and equipment and intangible assets	18,028	36,818	38,311
Goodwill	36,843	52,601	52,598
Non-current assets total	63,765	101,169	104,634
Equity attributable to owners of the parent	30,628	52,807	39,142
Equity (includes non-controlling interest)	30,925	53,153	39,479
Liabilities	127,069	134,004	155,438
Total assets	157,994	187,157	194,917
Capital employed	99,503	121,449	129,746
Net interest-bearing debt	57,698	49,696	74,596
Equity ratio, %	21.8%	31.1%	22.1%
Gearing, %	221.8%	128.5%	228.6%
Net gearing, %	186.6%	93.5%	189.0%
Personnel			
Personnel, average	820	899	1,028
Personnel, continuing operations, at the end of the period	602	675	749
Personnel, discontinued operations, at the end of the period	175	195	208
Personnel, at the end of the period, total	776	870	957
in Finland	140	145	179

Definitions of Key Ratios

Per share data

Earnings per share (EPS), continuing operations

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

Earnings per share (EPS), discontinued operations

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

Earnings per share (EPS)

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

Diluted earnings per share

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

Dividend per share

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

Dividend payout ratio

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

Dividend yield

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

Equity attributable to owners of the parent per share

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

Average trading price

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

Price per earnings per share (P/E)

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

Price per equity attributable to owners of the parent per share

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

Share turnover

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

Market capitalization

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

Number of shares at period end

Number of issued shares - treasury shares

Financial ratios

EBITDA

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

Operating result (EBIT)

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

Operating result (EBIT) excluding non-recurring items

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

Cash and cash equivalents

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

Net interest-bearing debt

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

Financial expenses

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

Equity ratio, %

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

Gearing, %

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

Net gearing, %

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

Return on capital employed, % (ROCE)

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

Return on equity, % (ROE)

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

Notes to the Consolidated Financial Statements

Note 1 Summary Of Significant Accounting Policies – Consolidated Financial Statements

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

Basic Information

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

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

The Board of Directors of Glaston Corporation has in its meeting on 7 February, 2013, 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, 2012:

- 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 but it increases the disclosure information in the consolidated financial statements.

Other new or amended standards or interpretations applicable from 1 January, 2012 are not material for Glaston Group.

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

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurements
- Amendment to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income
- IAS 19 (revised) Employee Benefits
- IAS 27 (revised) Separate Financial Statements
- IAS 28 (revised) Investments in Associates and Joint Ventures
- Annual Improvements to IFRSs 2009–2011 Cycle, published in May 2012

The revised and amended standard shall be applied for annual periods beginning on or after 1 January, 2013, except that revised IAS 1 shall be applied for annual periods beginning on or after 1 July, 2012.

IFRS 10 Consolidated Financial Statements standard changes the definition of control in other entities. Control is the basis for including an entity in the consolidated financial statements. The application of IFRS 10 does not affect the consolidated financial statements of Glaston.

IFRS 12 Disclosure of Interests in Other Entities standard increases the disclosure information of group companies in the consolidated financial statements.

IFRS 13 Fair Value Measurements standard increases the disclosure information in the consolidated financial statements but has otherwise no material effect on Glaston's consolidated financial statements.

Amended to IAS 1 Presentation of Items of Other Comprehensive Income standard changes the presentation of other comprehensive income in the consolidated financial statements but has otherwise no effect on Glaston's consolidated financial statements.

Revised IAS 19 Employee Benefits standard changes the recognition of actuarial gains and losses. The corridor method is no longer allowed in recognizing actuarial gains and losses but they are recognized in other comprehensive income. Only current and past service costs as well as net interest on net defined benefit liability can be recorded in profit or loss. Other changes in net defined benefit liability are recognized in other comprehensive income with not subsequent recycling to profit or loss. The revised IAS 19 standard is applied retrospectively. As a result of applying the revised IAS 19, Glaston's liabilities from defined benefit plans increase approximately EUR 0.4 million and equity decreases approximately EUR 0.5 million.

Other new or amended standards or interpretations applicable from 1 January, 2013 are not material for Glaston Group.

Consolidation Principles

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

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

Other shares, i.e. shares in companies in which Glaston owns less than 20 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 are eliminated to the extent of the Group's interest in the entity. Unrealized losses are eliminated in the similar way as unrealized gains, but only to the extent that there is no evidence of impairment.

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

Foreign Subsidiaries

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

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

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

Transactions in Foreign Currency

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

Financial Assets and Liabilities

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

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

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

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

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

Derivatives are recorded in the statement of financial position at their fair values. Fair values of publicly traded derivatives are calculated based on quoted market rates at the end of the reporting period. All Glaston's derivatives are publicly traded. Fair values of forward contracts are determined using forward exchange market rates at the end of the reporting period. At the end of the reporting periods 2012 and 2011, Glaston had electricity forward contracts.

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

If the hedge accounting criteria are fulfilled, derivatives are reported as cash flow hedges in accordance with IAS 39 hedge accounting principles. Hedge accounting was not applied during the reporting periods 2012 and 2011.

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 2012 or 2011.

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

Other Assets and Liabilities at Fair Value through Profit or Loss

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

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

Loans and Receivables

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

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

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

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

Available-for-sale Financial Assets

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

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

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

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

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

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

Cash and Cash Equivalents

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

Financial Liabilities Measured at Amortized Cost

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

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

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

Glaston's convertible bond is 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 bond is presented in Note 25 to the consolidated financial statements. Even though the convertible bond is listed, there weren't any transactions with the bond in 2012 or 2011. In 2011 part of the convertible bonds were converted into shares, and the fair value of the remaining bond was measured using the conversion price adjusted with the extra compensation given to those who converted their bonds into shares. In 2012 the fair value of the convertible bond is calculated using a new conversion price, which the Board of Directors of Glaston has proposed to holders of the bond.

Revenue Recognition

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

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

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

Pensions and Other Long-term Employee Benefits

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

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

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

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

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

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

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.

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

Share-based Payments

On 12 December, 2011 the Board of Directors of Glaston decided to establish a long-term share ownership plan as a part of the remuneration and commitment program for the key personnel. The vesting criteria are the Group's operating result and net result. The reward from the plan shall be paid to the key personnel as a combination of shares and cash payment after the end of the earning period. For the year 2012 the share-based incentive plan expired as the vesting criteria were not met.

Glaston's 2010 share-based incentive plan had one earning period covering the years 2010 and 2011, and the earnings criterion was the development of the Group's operating profit. The share-based incentive plan expired as the vesting criterion was not met.

The CEO's share-based incentive plan was a combination of shares and a cash payment. The CEO was not allowed to transfer the shares within two years from date of the reward payment. This period was considered to be part of the vesting period of the plan. The vesting period ended in September 2012.

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 29 to the consolidated financial statements.

Current and Deferred Taxes

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

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

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

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

Non-recurring Items

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

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

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

Intangible Assets

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 capitalised as part of the acquisition cost of intangible assets if the intangible assets are qualifying assets as defined in IAS 23 Borrowing Costs. In 2012 or 2011 Glaston did not have any qualifying assets.

Goodwill

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

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

In accordance with IFRS 3 Business Combinations, goodwill is not amortized. The carrying amount of goodwill is tested annually for impairment. The testing is made more frequently if there are indications of impairment of the goodwill. Any possible impairment loss is recognized immediately in profit or loss.

Glaston's goodwill has been allocated to reportable segments. The goodwill allocated to the Machines reportable segment, is allocated further to the operating segments within the Machines reportable segment (Heat Treatment, 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 capitalised as part of the acquisition cost of tangible assets if the tangible assets are qualifying assets as defined in IAS 23 Borrowing Costs. In 2012 or 2011 Glaston did not have any qualifying assets.

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

A discontinued operation is a segment or a unit representing a significant geographical area, which has been disposed of or is classified as held for sale.

The profit for the period attributable to the discontinued operation is presented separately in the consolidated income statement. Also post-tax gains and losses recognized on the measurement to fair value less costs to sell or on the disposal of the asset or disposal group are presented in the income statement as result of discontinued operations. Comparative information has been restated.

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

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

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

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

Impairment of Assets

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

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

Inventories

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

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

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

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

Government Grants

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

Accounting for Leases

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

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

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

The Group has acquired machinery and equipment under finance leases.

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

Provisions

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

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

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

Segment Information

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

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

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

Critical Accounting Estimates and Judgements

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

In addition, management uses 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 and loan receivables; recognition and measurement of deferred taxes; estimates of the amount and probability of provisions and actuarial assumptions used in defined benefit plans.

The critical accounting estimates and 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 share-issue adjusted 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 share-issue adjusted average number of shares outstanding during the year is adjusted by the effect of the convertible bond on the number of shares.

Earnings per share arising from continuing and discontinued operations are presented separately.

Order Book

Glaston's order book includes the binding undelivered orders of the Group at the end of the reporting period. Orders for new machines and machinery upgrades are recognized in the order book only after receiving a binding agreement and either a down payment or a letter of credit. Also orders of software licenses of discontinued operations have been 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, which has been reclassified as discontinued operations, orders received include binding undelivered software license orders as well as the net sales of software services.

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. It is the opinion of the management and board of directors of Glaston that the most significant factor which could endanger Glaston's ability to continue as going concern would be insufficient funding, but the measures taken in the latter part of 2012 and in early 2013 have decreased the risk remarkably. Glaston's financial position will be strengthened with decrease of net debt and improvement of equity. Net debt has been decreased with the funds received from sale of Software Solutions business. The sale was closed in early February 2013. Also, the funds to be received from the sale of Tampere real estate in Finland will be used to pay back debt. The sale is estimated to be finalized during the first quarter of 2013.

The Board of Directors of Glaston Corporation has summoned on January 22, 2013 an extraordinary shareholders' meeting to be held on 12 February, 2013. The Board of Directors proposes that the Extraordinary General Meeting authorizes the Board of Directors to resolve on one or more issuances of shares. The authorization contains the right to issue new shares or dispose of the shares in the possession of the company up to 86,000,000 shares. The share issue will improve Glaston's equity.

In addition, the Board of Directors of Glaston Corporation started at the end of 2012 negotiating with the holders of the convertible bond and of the debenture bond on conversion of the bonds into Glaston shares. The majority of the holders of the convertible bonds and the holders of the debenture bond are committed to convert the bonds into shares.

Glaston's financing has been secured for at least the following 12 months with the new long term credit facility agreement signed on 7 February, 2013. The credit facility will be in force when certain conditions, such as the share issue and conversion of the convertible and debenture bonds into equity, have been fulfilled. Glaston has received commitments from sufficient number of shareholders participating in the extraordinary shareholders' meeting to ensure that the shareholders' meeting will approve the share issue. Glaston has also sufficient number of commitments to ensure that the share issue will be subscribed.

Glaston's management has no information of other events or circumstances which may cast significant doubt on Glaston's ability to continue as going concern.

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 loan covenants are described in more detail in Note 3 to the consolidated financial statements.

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

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

Glaston capitalizes development costs of new products. In addition to other capitalization criteria, management has to estimate the future economic benefits arising from the development cost. If management estimates that there will not be future economic benefits, the development cost is recognized in profit or loss. Whether a development cost is capitalized or recognized immediately in profit or loss can have an effect on the result of the reporting period. At the end of the reporting period of 2012, Glaston's continuing operations had EUR 7.5 million (in 2011 total of continuing and discontinued operations EUR 13.9 million) of capitalized development expenditure in the statement of financial position.

Measurement of inventories and trade and loan receivables includes some management estimates. Inventories are measured at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Net realisable value is used in testing the recoverable amount of inventories in order to avoid the inventories being carried in excess of amount expected to be realized from their sale or use. If management estimates that carrying amount of a trade or loan receivable exceeds its fair value, an impairment loss is recognized. For example payment defaults or late payments are considered as indications of impairment of the receivable. The carrying amount of continuing operations' inventory was at the end of the reporting period EUR 21.8 million (in 2011 total of continuing and discontinued operations EUR 25.2 million), the carrying amount of trade receivables continuing operations was EUR 23.9 million (in 2011 total of continuing and discontinued operations EUR 30.9 million) and the carrying amount of loan receivables was EUR 2.6 (4.5) million.

Recognition and measurement of deferred tax liabilities and assets include management estimates, especially deferred tax assets arising from confirmed tax losses of group companies or from other temporary differences. Deferred tax assets are recognized for deductible temporary differences and tax losses to the extent that it is probable that taxable profit will be available against which tax credits and deductible temporary differences can be utilized. All tax liabilities and assets are reviewed at the end of the reporting period and changes are recognized in profit or loss. At the end of the reporting period, the carrying amount of deferred tax assets of continuing operations was EUR 6.7 million (in 2011 total of continuing and discontinued operations EUR 6.9 million) and the carrying amount of deferred tax liabilities of continuing operations was EUR 1.5 million (in 2011 total of continuing and discontinued operations EUR 3.6 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 provision at the end of the reporting period was warranty provision of continuing operations, EUR 2.5 million (in 2011 total of continuing and discontinued operations EUR 4.0 million). The management's estimate of the warranty provision is based on previous experience. The estimate of the restructuring provision is based on the restructuring plan in which the locations and personnel concerned have been identified. If possible, external experts have been used in estimating the amount of the provision. If the management has estimated that it is unlikely, that Glaston has an obligation, a contingent liability is presented in the notes to the consolidated financial statements.

Calculation of defined benefit pensions and other defined long-term employee benefits requires choosing certain assumptions which actuaries use in calculation of the obligations arising from defined benefit plans. These assumptions include, among other things, discount rates used in the measurement of plan assets and liabilities as well as other actuarial assumptions such as future salary increases and mortality rate. Actual results, which differ from the initial estimates and assumptions, have been 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 actuarial gains and losses has not been material. The most significant defined benefit plan is the severance plan of Glaston's Italian subsidiary. The carrying amount of the liability of this plan was EUR 1.3 (1.0) million at the end of the reporting period. The revised IAS 19 Employee Benefits, which will be applied from 1 January, 2013, and which will be applied retrospectively, will change recognition of actuarial gains and losses. From 1 January, 2013 on, actuarial gains and losses will be recognized in Other Comprehensive Income and they will affect equity.

Note 3
Management of Financial Risks

Financial Risk Management

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

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

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

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

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

EUR million	Gross position	Change in currency rate -10 percent	Change in currency rate + 10 percent
USD/EUR	0.4	0.0	0.0
BRL/EUR	1.9	0.2	-0.2
CNY/EUR	-4.8	-0.5	0.4
GBP/EUR	0.2	0.0	0.0
	-2.3		

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

Market Risks

Foreign Exchange Risk

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

The main invoicing currency is the euro which is the Group's functional currency. The most significant foreign exchange risk arises from exchange rate fluctuations between the euro and the US dollar. US dollar accounted for approximately 21 percent of the net sales of continuing operations in 2012 (in 2011, total of continuing and discontinued operarations 14 percent). Euro and US doller together account for approximately 79 percent of the invoicing of continuing operations (in 2011, total of continuing and discontinued operations 74 percent). Also other currencies such as Brazilian Real and Chinese Yuan are used as invoicing currencies.

The Group did not have major foreign currency denominated loans at 31 December, 2012. The working capital credit facilities of foreign subsidiaries are in their domestic currencies.

The objective for foreign exchange risk management is primarily to secure the results of group companies from unexpected currency fluctuations. Possible hedging of foreign exchange risk is conducted in accordance with the Treasury Policy and the group companies are responsible for reporting their respective currency positions. Net positions vary greatly between different group companies. These net positions can be hedged mainly with forward contracts up to a maximum of 12 months ahead. In 2012, currency hedging was not in use. The Group has not hedged the net investments in foreign entities.

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

For the sensitivity analysis as defined in IFRS 7, a possible +/- 10 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, 2012. The analysis takes into consideration the impact of foreign exchange derivatives, if such instruments are in use, which offsets the effects of changes in foreign exchange rates.

Interest Rate Risk

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

As a measurement for the management of interest rate risk an average interest fixing term for the Group's interest bearing liabilities has been used. 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, 2012 was 7.5 months in comparison to 9.7 months at the end of the previous year.

On 31 December, 2012, the Group's interest-bearing net debt consisted mainly of loans agreed with the lenders in the financing agreement made in February 2011, the debenture bond issued in February 2011 as well as the unconverted part of the convertible bond issued in 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, 2012, is EUR -0.7 / 0.4 (-0.8 / + 0.4) 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 2012, 14.4 (27.3) percent of Group's trade receivables were secured by guarantees. The carrying amounts of trade receivables equal their maximum credit risk.

The Group's client base is diversified over several different geographical areas and customer segments which reduces major concentrations of credit risk. The largest single customer's share of the Group's receivables is not significant in terms of risk management. Significant unfavorable changes in the level of business, particularly in construction sector, could negatively impact the development of the Group's credit risk. The collection on trade receivables and credit risk management have been enhanced by a net working capital improvement program and by re-organizing globally the follow-up of the Group's trade receivables.

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

Trade receivables

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

The total carrying amount of trade receivables of continuing operations on 31 December, 2012, was EUR 23.9 million (in 2011, total of continuing and discontinued operations EUR 30.9 million). Of this amount the receivables, which would have been past due but which have been renegotiated, was EUR 0.0 (0.3) million.

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

Liquidity Risk

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

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

Group's funding is mainly organized by using the approroximately EUR 84 million financial package agreed with the lenders in February 2011. Approximately EUR 74 million of the package consists of syndicated loans with a maturity of 3 years. In addition, a EUR 4 million debenture bond with a 3 year maturity was issued in February 2011.

The Group has initiated measures to strengthen its financial position. These measures will improve significantly the group's liquidity. The planned measures include share issue, new long-term financial package as well as negotiations with holders of the convertible and debenture bonds to convert the bonds to equity. Glaston has summonend an extraordinary shareholders' meeting to be held on 12 February, 2013. The Board of Directors proposes that the Extraordinary General Meeting authorizes the Board of Directors to resolve on issuances of shares as part of the measures to improve financial position. Glaston estimates that the measures to improve financial position will take place during the first quarter of 2013.

On 7 February, 2013, Glaston has agreed with the current lenders on new long-term financial package, which will be in force when certain conditions, such as the share issue and conversion of the convertible and debenture bonds into equity, have been fulfilled. Glaston has received commitments from sufficient number of shareholders participating in the extraordinary shareholders' meeting to ensure, that the shareholders' meeting will approve the share issue. Glaston has also sufficient commitments to ensure, that the minimum required number of shares will be subscribed in the share issue and that the debenture bonds and the majority of convertible bonds will be converted into equity.

Committed credit facilities

EUR million	In use	Unused	Total
Committed credit facilities 31.12.2012	0.0	0.0	0.0
Committed credit facilities 31.12.2011	0.0	10.4	10.4

Maturity analysis of financial liabilities 31 December, 2012

EUR thousand			Maturing in		
Maturity of financial liabilities	**Carrying amount**	**Contractual cash flows**	**< 12 months**	**1–2 years**	**> 2 years**
Financial liabilities					
Secured credit facilities	-	-	-	-	-
Unsecured credit facilities	3,055	3,055	3,086	-	-
Other interest-bearing loans	53,250	53,994	53,911	79	4
Convertible bond and debenture bond	12,224	14,706	978	13,728	-
Trade payables	11,255	11,255	11,179	76	-
Other liabilities	1,339	1,339	1,339	-	-
Forward contracts					
- inflow	329	329	329	-	-
- outflow	343	343	343	-	-
Guarantees					
- on behalf of own commitments	-	418	418	-	-
- on behalf of others	-	1	1	-	-

When preparing 2012 financial statements, Glaston has classified the loans based on the financing agreement of 2011 as current liabilities. Glaston's financing for at least the next 12 months is however, secured with the new financing arrangement made on 7 February, 2013.

Maturity analysis of financial liabilities 31 December, 2011

EUR thousand			Maturing in		
Maturity of financial liabilities	**Carrying amount**	**Contractual cash flows**	**< 12 months**	**1–2 years**	**> 2 years**
Financial liabilities					
Secured credit facilities	-	-	-	-	-
Unsecured credit facilities	3,505	3,540	3,540	-	-
Other interest-bearing loans	52,854	59,262	22,244	9,833	27,185
Convertible bond and commercial papers	11,937	15,741	962	972	13,808
Trade payables	14,360	14,360	14,360	-	-
Other liabilities	17,530	17,530	17,521	9	-
Forward contracts					
- inflow	139	139	139	-	-
- outflow	113	113	113	-	-
Guarantees					
- on behalf of own commitments	-	1,319	806	262	250
- on behalf of others	-	1	1	-	-

Maturity of rental obligations is presented in Note 27 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 Group's liquid funds are monitored regularly.

The Group's loan agreements include terms and other commitments which are linked to consolidated key figures. If the covenant terms are not fulfilled, negotiations with the lenders will be initiated. These negotiations may lead to notice of termination of financial agreements. The covenants in use are interest cover, net debt /EBITDA, cash reserves and gross capital expenditure. The covenants are monitored regularly. During the financial year and in the end of the fourth quarter Glaston renegotiated some of the loan covenants with lenders. The terms of agreement also include restrictions on the distribution of dividends. 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.

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

EUR thousand	31 December, 2012	31 December, 2011
Interest-bearing net debt		
Non-current interest-bearing liabilities	12,299	45,677
Current interest-bearing liabilities	56,230	22,620
Liabilities related to non-current assets held for sale	49	-
Cash and cash equivalents, continuing and discontinued operations	-10,880	-18,601
Interest-bearing net debt	**57,698**	**49,696**
Equity		
Attributable to owners of the parent	30,628	52,807
Non-controlling interest	297	346
Total	**30,925**	**53,153**
Total assets	157,994	187,157
Advances received, continuing and discontinued operations	-16,115	-16,403
Total	**141,879**	**170,754**
Equity ratio, %	21.8%	31.1%
Net gearing, %	186.6%	93.5%

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 105,588,636 (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 2012 and 2011, 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 0.12 per share. Glaston's shares are registered in the book-entry securities system maintained by Euroclear Finland Ltd.

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

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

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

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

Share Trading

During 2012, the highest price of the Glaston share was EUR 0.74 (in 2011 EUR 1.27) and the lowest price EUR 0.23 (0.40). The average volume-weighted share price was EUR 0.39 (0.84). At the end of 2012, the share price stood at EUR 0.26 (0.40). The turnover of the share in NASDAQ OMX Helsinki Ltd. in 2012 was 17,736,025 (8,446,549) shares and in euro-terms EUR 7,0 (7.2) million. Number of shares traded was 16.9 (8.5) percent of the average share stock. Market capitalization at the end of 2021 was approximately EUR 27.2 (47.2) million.

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

In 2012 Glaston did not have any notifications as per Section 9 of Chapter 2 of the Securities Market Act.

Restrictions on Dividend Payment

The terms of Glaston's revolving credit facility agreement dated on February 2011 set restrictions on dividend payments. 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.

The new financial arrangement concluded on 7 February, 2013 includes restrictions on dividends to be paid. The restriction does now allow dividends to be paid from the financial years of 2012 and 2013

Authorizations of the Board of Directors

The 2011 Annual General Meeting held on 5 April, 2011, authorised the Board of Directors to decide on a share issue, including the right to issue new shares and/or convey treasury shares. The share issue authorisation covers a maximum of 20,000,000 shares and is valid until the end of the 2013 Annual General Meeting. The authorisation includes the right to decide on a share issue without payment. The Board of Directors also has the right to issue and/or convey shares in derogation of the pre-emptive subscription right of shareholders.

The Board of Directors decided on 28 April, 2011 to implement a directed share issue without payment. In the share issue, a total of 3,092,501 new shares in Glaston Corporation were issued without payment. At the end of the review period, the Board of Directors still has an authorisation to issue 16,907,499 shares. The Board of Directors has no other authorisations.

The Board of Directors of Glaston Corporation has summoned an extraordinary shareholders' meeting to be held on 12 February, 2013. The Board of Directors proposes that the Extraordinary General Meeting authorizes the Board of Directors to resolve on one or more issuances of shares. The authorization contains the right to issue new shares or dispose of the shares in the possession of the company up to 86,000,000 shares

The Effect of the Convertible Bond on Number of Shares

Glaston issued in 2009 and 2010 convertible bonds, with the principal amount of EUR 30,000,000. In 2011, a total of EUR 21,250,000 of the bonds were converted into shares resulting in issuing 16,346,135 new shares in Glaston. In addition, an additional consideration was given to those who converted their bonds into shares as

3,092,501 new shares were issued in a directed share issue.

After the conversion into shares, Glaston's convertible bond amounts to EUR 8,750,000. With the remaining convertible bond it is possible to subscribe Glaston's shares with a conversion price of EUR 1.30 / share. If Glaston's convertible bond would be converted to shares in its entirety, Glaston's number of shares would increase by 6,730,769 shares. The price to be paid for the shares will be recorded in reserve for invested unrestricted equity.

The conversion period of the bond began on 1 August, 2009 and will end on 19 June, 2014.

The Board of Directors of Glaston Corporation started at the end of 2012 negotiating with the holders of the convertible bond on conversion of the bonds into Glaston shares.

Number of shares and treasury shares (registered)	2012	2011
Number of shares		
Number of shares 1 January	105,588,636	79,350,000
Conversion of convertible bond	-	16,346,135
Share issue	-	6,800,000
Share issue without payment	-	3,092,501
Number of shares 31 December	105,588,636	105,588,636
Treasury shares 31 December	-788,582	-788,582
Number of shares 31 December, excluding treasury shares	**104,800,054**	**104,800,054**
Average share-issue adjusted number of shares 31 December, excluding treasury shares	**104,800,054**	**100,825,545**
Average share-issue adjusted number of shares 31 December, excluding treasury shares, dilution effect of the convertible bond taken into account	111,530,823	110,537,735

Acquisition and disposal of treasury shares

	2012	2011
Treasury shares 1 January, shares	788,582	788,582
Treasury shares 31 December, shares	**788,582**	**788,582**
Treasury shares 1 January, EUR thousand	3,308	3,308
Treasury shares 31 December, EUR thousand	**3,308**	**3,308**

Glaston's treasury shares consist of shares acquired for the share-based incentive scheme. Share acquisition and the scheme management have been outsourced to an external service provider. 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.

Share-based incentive plan and management's shareholding

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

Equity attributable to owners of the parent per share

	2012	2011
Equity attributable to owners of the parent, EUR thousand	30,628	52,807
Share-issue adjusted number of shares	104,800,054	104,800,054
Equity attributable to owners of the parent per share, EUR	**0.29**	**0.50**

Dividend

	2012	2011
Dividend per share, EUR	0.00	0.00

The 2012 dividend is the Board of Directors' proposal to the Annual General Meeting.

Largest shareholders 31 December, 2012

Shareholder	Number of shares	% of shares and votes
GWS Trade Oy	13,446,700	12.74%
Oy G.W.Sohlberg Ab	12,819,400	12.14%
Varma Mutual Pension Insurance Company	9,447,320	8.95%
Suomen Teollisuussijoitus Oy	9,049,255	8.57%
Oy Investsum Ab	2,360,000	2.24%
Sumelius Bjarne Henning	2,123,733	2.01%
Sumelius-Fogelholm Birgitta Christina	1,754,734	1.66%
Von Christierson Charlie	1,600,000	1.52%
Sumelius Bertil Christer	1,478,533	1.40%
Nordea Pro Finland Fund	1,204,381	1.14%
Sumelius-Koljonen Barbro	1,175,238	1.11%
The Finnish Cultural Foundation	1,084,760	1.03%
Vakuutusosakeyhtiö Henki-Fennia	1,010,433	0.96%
Ehrnrooth Helene Margareta	1,000,000	0.95%
Oy Cacava Ab	1,000,000	0.95%
Nordea Life Assurance Finland Ltd.	850,000	0.81%
Huber Karin	800,800	0.76%
Evli Alexander Management Oy	788,582	0.75%
Drumbo Oy	750,000	0.71%
Aktia Capital Fund	734,574	0.70%
Total 20 largest shareholders	64,478,443	61.07%
Other shareholders	41,034,993	38.86%
Not in the book-entry securities system (in joint account)	75,200	0.07%
Total	**105,588,636**	**100.00%**
Treasury shares	-788,582	0.75%
Total excluding treasury shares	**104,800,054**	

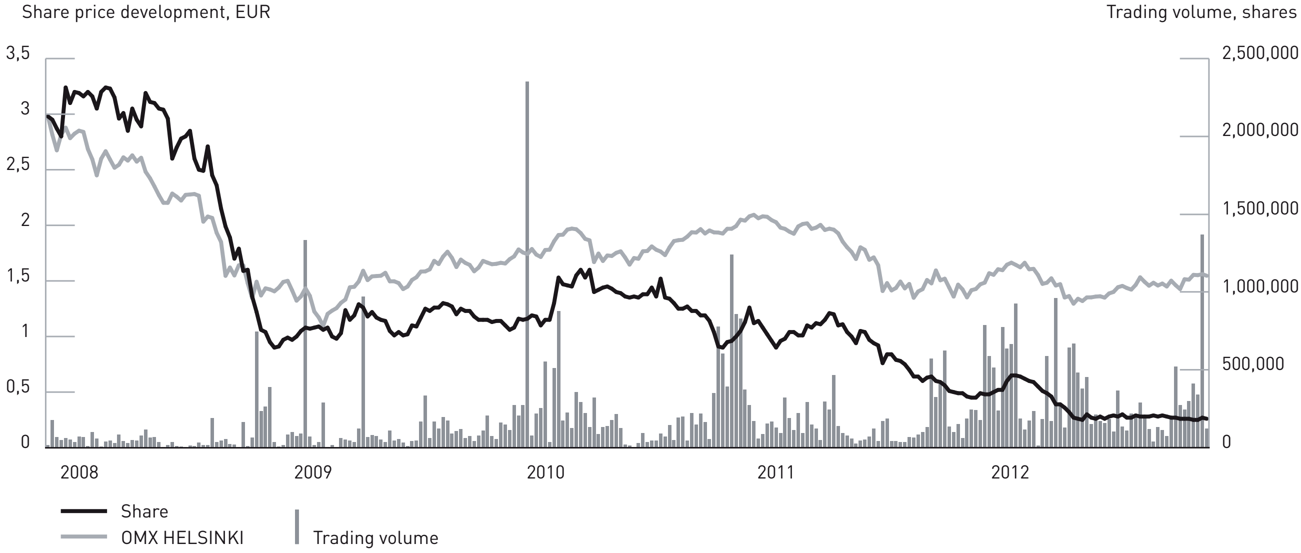
Ownership distribution 31 December, 2012

	Number of shares	% of shares and votes
Corporations	47,056,131	44.6%
Financial and insurance corporations	4,247,118	4.0%
Non-profit institutions	2,525,646	2.4%
Households	36,683,388	34.7%
Foreign countries	4,593,973	4.4%
General government	9,552,320	9.0%
Total	104,658,576	99.1%
Nominee registered	854,860	0.8%
Total	105,513,436	99.9%
Not in the book-entry securities system (in joint account)	75,200	0.1%
Total	**105,588,636**	**100.0%**

Shareholders by share ownership 31 December, 2012

Number of shares	Number of shareholders	% of shareholders	Shares total	% of shares and votes
1–100	339	7.3%	20,672	0.0%
101–1,000	2,133	45.9%	1,180,427	1.1%
1,001–10,000	1,753	37.7%	6,187,185	5.9%
10,001–100,000	315	6.8%	10,041,307	9.5%
100,001–99,999,999	108	2.3%	88,083,845	83.4%
Total	4,648	100.0%	105,513,436	99.9%
Not in the book-entry securities system (in joint account)			75,200	0.1%
Number of shares issued			**105,588,636**	**100.0%**

Share price development and trading volume



Note 5
Segment Information
EUR thousand

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

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

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, glass pre-processing machines 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 includes software business in North Asia which previously belonged to Software Solutions segment. Glaston continues this business for the time being. Comparable information has been restated.

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

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

Reportable segments 2012	Machines	Services	Software Solutions (discontinued operations)	Total segments	Unallocated and eliminations and adjustments	Total
External net sales	84,672	30,838	20,984	136,494	-20,857	115,634
Internal net sales	16	1,466	25	1,506	-1,506	-
Total net sales	**84,688**	**32,304**	**21,009**	**138,000**	**-22,364**	**115,637**
Operating result of the segments, non-recurring items excluded	**-2,637**	**5,919**	**1,754**	**5,036**	**-8,470**	**-3,434**
Operating result includes share of results of associates	-	-	1	1	-1	-
Non-recurring items	-4,739	-109	-5,685	-10,533	5,130	-5,403
Operating result, non-recurring items included	**-7,376**	**5,810**	**-3,931**	**-5,497**	**-3,340**	**-8,837**
Financial items						-8,603
Income taxes						-818
Profit / loss for the year, continuing operations						-4,163
Result for the reporting period						**-22,421**
Segment assets	80,656	29,971	19,682	130,309	-15,749	114,560
Other assets						43,434
Total assets						**157,994**
Segment liabilities	42,998	5,990	2,611	51,599	-297	51,302
Other liabilities						75,767
Total liabilities						**127,069**
Operative net working capital	**37,659**	**23,981**	**17,070**	**78,711**	**-15,452**	**63,259**

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

The non-recurring items of 2012 consist of goodwill impairment loss (EUR 3.0 million), goodwill impairment loss arising from measurement of disposal group classified as held for sale at fair value less costs to sell (EUR 5.2 million, in result of discontinued operations) and personnel and other costs arising from restructuring (EUR 2.9 million, of which EUR 0.5 million in result of discontinued operations).

Reportable segments 2011	Machines	restated Services	restated Software Solutions (discontinued operations)	Total segments	Unallocated and eliminations and adjustments	restated Total
External net sales	89,785	29,923	22,942	142,650	-22,940	119,711
Internal net sales	246	1,230	89	1,565	-1,565	-
Total net sales	**90,030**	**31,154**	**23,031**	**144,215**	**-24,504**	**119,711**
Operating result of the segments, non-recurring items excluded	**-1,917**	**5,264**	**2,052**	**5,399**	**-8,803**	**-3,403**
Operating result includes share of results of associates	-	-	2	2	-2	-
Non-recurring items	170	134	41	345	-41	304
Operating result, non-recurring items included	**-1,747**	**5,398**	**2,093**	**5,745**	**-8,844**	**-3099**
Financial items						-10,777
Income taxes						-2,517
Profit / loss for the year, continuing operations						1,947
Result for the reporting period						**-14,446**
Segment assets	94,501	28,872	25,114	148,487	5,331	153,818
Other assets						33,338
Total assets						**187,157**
Segment liabilities	46,640	6,932	4,754	58,326	1,790	60,116
Other liabilities						73,888
Total liabilities						**134,004**
Operative net working capital	**47,861**	**21,940**	**20,361**	**90,162**	**3,541**	**93,703**

The non-recurring items of 2011 consist of reversals of the provisions made in prior years.

Non-cash income and expenses included in operating result (*	2012	2011 restated
Machines	-3,608	-1,231
Services	-938	-93
Segments total	-4,547	-1,324
Unallocated	-214	-
Total non-cash expenses and income	**-4,761**	**-1,324**

(* Excluding impairment.

Non-cash income and expenses in 2012 included the following items: impairment losses of trade receivables EUR -1.4 million, impairment losses of inventory EUR -1.4 million, changes in provisions EUR -1.9 million. Non-cash income and expenses of discontinued operations were EUR 0.2 million.

Non-cash income and expenses in 2011 included the following items: impairment losses of trade receivables EUR -0.1 million, impairment losses of inventory EUR -0.5 million, changes in provisions EUR -0.7 million. Non-cash income and expenses of discontinued operations were EUR 0.8 million.

Goodwill, depreciation, amortization and impairment losses by segment	2012	2011
Goodwill, EUR million		
Machines	20.0	23.0
Services	16.8	16.8
Software Solutions	7.6	12.8
Total	44.4	52.6
Reclassification to assets held for sale	-7.6	-
Segments total	**36.8**	**52.6**
Depreciation and amortization by segment, EUR thousand		
Machines	3,750	4,282
Services	772	378
Software Solutions	2,439	2,433
Total	6,961	7,093
Unallocated	923	819
Reclassification to discontinued operations	-2,439	-2,433
Total depreciation and amortization	**5,445**	**5,479**
Impairment losses and reversals of impairment losses of property, plant and equipment and intangible assets, net (*, EUR thousand		
Machines	2,988	113
Services	-	55
Software Solutions	5,200	1
Segments total	8,188	170
Unallocated	-	24
Reclassification to discontinued operations	-5,200	-1
Total impairment losses	**2,988**	**192**

(* Includes impairment loss of goodwill.

Orders received and order book by segment, EUR million

Orders received		
Machines	86.3	89.2
Services	31.8	31.4
Total continuing operations	**118.1**	**120.6**
Software Solutions (discontinued operations)	16.5	20.8
Total	**134.7**	**141.3**

Order book	31 December, 2012	31 December, 2011
Machines	33.1	34.6
Services	1.1	1.2
Total continuing operations	**34.2**	**35.8**
Software Solutions (discontinued operations)	1.4	1.8
Total	**35.6**	**37.6**

Personnel

	2012	2011
Number of personnel at the end of the year by segment		
Machines	461	541
Services	130	122
Parent and other	11	12
Total continuing operations	**602**	**675**
Software Solutions (discontinued operations)	175	195
Total number of personnel	**776**	**870**
Number of personnel at the end of the year by geographical location		
Finland	140	145
Other EMEA	158	163
Americas	110	123
Asia	194	244
Total number of personnel	**602**	**675**

Entity-wide disclosures EUR thousand	2012	2011 restated
Net sales by product groups, continuing operations		
Goods sold	110,478	113,968
Services rendered	5,159	5,742
Total net sales	**115,637**	**119,711**
Net sales by country by destination, continuing operations		
Finland	2,011	1,557
Other EMEA	46,175	46,578
Americas	42,038	39,045
Asia	25,413	32,530
Total	**115,637**	**119,711**

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

Property, plant and equipment and intangible assets by geographical location (goodwill excluded) (*		
Finland	20,796	22,638
Other EMEA	1,950	8,758
Americas	679	987
Asia	3,931	4,435
Total property, plant and equipment and intangible assets, goodwill excluded	**27,356**	**36,818**

(* 2012 only continuing operations

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

Note 6
Construction Contracts

EUR thousand

Construction contracts	2012	2011
Total revenue from construction contracts included in net sales during the reporting period	69,485	52,031
Construction contracts in progress at the end of reporting period: revenue recognized during the reporting period and previous reporting periods	37,445	35,048

Gross amounts due from / to customers in 2012	Gross amount due from customers as an asset	Gross amount due to customers as a liability	Carrying amount, net
Projects where recognized revenue exceeds advances received	25,401	20,506	4,895
Projects where advances received exceed recognized revenue	2,651	15,556	12,905
Gross amounts due from / to customers	28,053	36,062	

Gross amounts due from / to customers in 2011	Gross amount due from customers as an asset	Gross amount due to customers as a liability	Carrying amount, net
Projects where recognized revenue exceeds advances received	25,591	21,965	3,626
Projects where advances received exceed recognized revenue	11,459	22,129	10,670
Gross amounts due from / to customers	37,051	44,094	

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

Note 7
Other Operating Income
EUR thousand

Other operating income	2012	2011 restated
Capital gains on sale of property, plant and equipment	65	110
Rents	564	562
Government grants	314	111
Other income	118	99
Other operating income total	**1,061**	**883**

Government grants are related to regional headquarter compensation.

Note 8
Materials and Other Operating Expenses
EUR thousand

Materials	2012	2011 restated
Materials and supplies, purchases during the period	-44,795	-45,563
Change in inventories of materials and supplies	-1,168	558
Total materials	**-45,964**	**-45,005**

Other operating expenses		
Leases	-3,301	-3,295
Losses on sale of property, plant and equipment	-16	-112
Subcontracting and maintenance	-6,785	-7,340
Other expenses	-28,216	-24,892
Total other operating expenses	**-38,318**	**-35,639**

Losses on sale of property, plant and equipment in 2011 include EUR 17 thousand losses from sale of non-current assets held for sale. These assets were classified as helf for sale in 2010.

Fees for professional services rendered by principal auditors		
Auditing, Ernst & Young	-446	-492
Auditing, other auditing companies	-92	-86
Other services, EY	-106	-57
Other services, other auditing companies	-2	-
Total	**-645**	**-635**

The principal auditor of Glaston Group during the financial years of 2012 and 2011 has been Ernst & Young. Auditor fees include fees in both continuing and discontinued operations.

Principal auditor's audit fees of the audit of the financial year Ernst & Young	-328	-350

Research and development costs, continuing operations		
Recognized in profit or loss	-3,325	-3,040
Amortization, impairment losses and reversals of impairment losses of capitalized development costs during the reporting period, net	-1,942	-1,930
Total	**-5,267**	**-4,970**
As a percentage of net sales	4.6%	4.2%
Capitalized development costs during the reporting period, continuing operations	1,568	1,874
Capitalized development costs during the reporting period, discontinued operations	2,853	2,361
Capitalized development costs during the reporting period, total	**4,421**	**4,236**

Note 9
Employee Benefits and Number of Personnel

EUR thousand

Employee benefits	2012	2011 restated
Wages and salaries	23,783	27,169
Pension expenses	4,225	4,848
Other personnel expenses	2,919	3,091
Other post-employment benefits	58	52
Total personnel expenses	**30,984**	**35,159**

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

Pension expenses		
Defined benefit plans	-7	-51
Defined contribution plans	4,232	4,898
Total pension expenses	**4,225**	**4,848**

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

Number of personnel		
Number of personnel, average, continuing and discontinued operations	820	899
Number of personnel, average, continuing operations	634	703
Personnel in Finland, end of the period, continuing operations	140	145
Personnel outside Finland, end of the period, continuing operations	462	530
Total, continuing operations	**602**	**675**
Personnel, continuing operations, at the end of the period	602	675
Personnel, discontinued operations, at the end of the period	175	195
Personnel, at the end of the period	**776**	**870**

Note 10
Financial Income and Expenses
EUR thousand

Recognized in profit or loss	2012	2011 restated
Interest income		
Interest income on loans and receivables	775	928
Other interest income	0	33
Total interest income	776	962
Dividend income		
Dividend income on available-for-sale financial assets	6	6
Other financial income		
Financial income on emission right receivable	244	283
Interest expenses		
Interest expenses on financial liabilities measured at amortized cost	-5,087	-5,776
Other interest expenses	-133	-17
Total interest expenses	-5,220	-5,793
Other financial expenses		
On financial liabilities measured at amortized cost (*	-1,297	-5,079
On loans and receivables	-194	-181
Other financial expenses	-14	-14
Total other financial expenses	-1,506	-5,274
Impairment losses on loans and receivables	-2,000	-
Foreign exchange differences, net		
On financial liabilities measured at amortized cost	-679	-1,339
On loans and receivables	-214	372
Other foreign exchange gains and losses	-10	7
Total foreign exchange differences	-903	-961
Total financial income and expenses in financial items	**-8,603**	**-10,777**

(* Other financial expenses in 2011 include, in accordance with IAS 32, a financial expense totalling to EUR 3.4 million resulting from an additional compensation made in connection of converting the convertible bond. This expense had no effect on cash flow nor on equity.

Net foreign exchange differences in operating result	2012	2011
Net sales	-98	99
Purchases	-35	293
Other operating expenses	-69	-73
Total	**-202**	**318**

Derivatives recognized in profit or loss

	2012	2011
Currency derivatives, non-hedge accounting		
Realized currency derivatives recognized in net sales	-	69
Unrealized currency derivatives recognized in net sales	-	-81
Total	**-**	**-11**
Electricity derivatives, non-hedge accounting		
Realized electricity derivatives recognized in operating expenses	-38	125
Unrealized electricity derivatives recognized in operating expenses	-14	25
Total	**-52**	**150**

Recognized in other comprehensive income	2012	2011 restated
Fair value changes of available-for-sale financial assets	3	-1
Total in other comprehensive income	**3**	**-1**

Borrowing costs were not capitalized in Glaston Group in 2021 or 2011 as Glaston has not had any qualifying assets as defined in IAS 23 Borrowing Costs.

Impairment losses on trade receivables are presented in Note 19.

Impairment losses of loan receivables

In 2012, an impairment loss of loan receivables of EUR 2.0 million was recognized, based on managements estimate of the debtor´s ability to pay back the loan.

Note 11
Income Taxes

EUR thousand

Income tax charge in income statement	2012	2011 restated
Current income tax charge	-132	-533
Adjustments in respect of current income tax of previous years	-225	-180
Deferred tax charge	475	-880
Other	-936	-923
Total income tax charge	**-818**	**-2,517**

Income taxes recognized in other comprehensive income and in equity	2012	2011 restated
Deferred taxes		
Share-based incentive plan recognized in equity	1	-61
Available-for-sale assets, fair value changes recognized in other comprehensive income	0	1
Total deferred taxes recognized in other comprehensive income and equity	1	-60
Total taxes recognized in other comprehensive income and in equity	**1**	**-60**

Reconciliation of income tax expense calculated at statutory tax rates with income tax expense in the income statement	2012	2011 restated
Profit before taxes	-17,440	-13,876
Tax at the tax rate applicable to the parent	4,273	3,608
Difference due to different tax rates of foreign subsidiaries	72	50
Impairment losses of goodwill	-732	-
Tax exempt income and non-deductible expenses	-2,173	-2,123
Effect of changes in tax rates and tax laws	-	-240
Losses, where no deferred tax benefit is recognized	-3,538	-4,780
Deferred taxes recognized during the reporting period in respect of previous years' temporary differences	33	-68
Withholding taxes and adjustments in respect of current income tax of previous periods	-1,161	-1,104
Effect of associates' results	-	-
Use of losses, where no deferred tax asset was recognized	164	564
Deferred tax assets recognized of previous years' confirmed losses	-	-30
Eliminations	1,197	389
Effect of taxes not based on taxable income	1,048	1,217
Income taxes in the income statement	**-818**	**-2,517**

The Group companies have tax losses, totalling EUR 84.0 (75.1) 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 5.5 (5.5) million. When preparing 2012 financial statements, the management has estimated that Glaston is able to utilize the unused tax losses for which deferred tax asset has been recognized. In addition, there are several years before the tax losses expire.

Limited right to carry forward the tax losses concerns 92 (89) percent of the tax losses and unlimited right 8 (11) 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 24.5 percent.

Deferred tax liability has not been recognized in 2012 or 2011 of the undistributed earnings of Finnish or foreign subsidiaries as the majority of such earnings can be transferred to the owner without any tax consequences. Deferred tax liability of undistributed earnings of associates has also not been recognized.

Tax assets and tax liabilities	2012	2011
Deferred tax assets	6,747	6,923
Assets for current tax	886	1,336
Deferred tax liabilities	1,459	3,553
Liabilities for current tax	302	710

Reconciliation of deferred tax assets and deferred tax liabilities

2012

Deferred tax assets	1 January	Exchange difference	Reclassi-fication	Charge in income statement (- tax expense)	Recog-nized in equity	Recognized in other comprehen-sive income	31 December
Defined benefit employee benefits	2	-	-	-2	-	-	-
Unrealized internal profits, inventory	510	-	-	-123	-	-	387
Unrealized internal profits, property, plant and equipment and intangible assets	6	-	-	-3	-	-	3
Confirmed tax losses carried forward [*]	5,543	-	-	-	-	-	5,543
Share-based payments	9	-	-	-10	1	-	0
Other temporary differences	853	-6	-26	-7	-	-	814
Deferred tax assets in statement of financial position	**6,923**	**-6**	**-26**	**-145**	**1**	**-**	**6,747**

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

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

Reclassification = reclassification to disposal group classified as held for sale

2012

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	264	-	-	61	-	-	325
Defined benefit employee benefits	177	-	-	4	-	-	181
Intangible assets recognized at fair value	160	-	-160	-	-	-	-
Available-for-sale financial assets at fair value	17	-	-	-	-	0	16
Share-based payments	8	-	-	-8	-	-	0
Other temporary differences	2,928	1	-1,315	-676	-	-	937
Deferred tax liabilities in statement of financial position	**3,553**	**1**	**-1,475**	**-620**	**-**	**0**	**1,459**

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

Change in deferred taxes in income statement, continuing operations (- tax expense)	475
Change in deferred taxes in income statement in result of discontinued operations (- tax expense)	-359
Total change in deferred taxes in income statement (- tax expense)	**116**

2011

Deferred tax assets	1 January	Exchange difference	Reclassi-fication	Charge in income statement (+ tax expense)	Recog-nized in equity	Recognized in other comprehen-sive income	31 December
Defined benefit employee benefits	15	-	-	-12	-	-	2
Unrealized internal profits, inventory	486	-	-	24	-	-	510
Unrealized internal profits, property, plant and equipment and intangible assets	2	-	-	4	-	-	6
Confirmed tax losses carried forward	5,999	-	-	-456	-	-	5,543
Share-based payments	76	-	-	-136	68	-	9
Other temporary differences	2,288	8	-	-1,443	-	-	853
Deferred tax assets in statement of financial position	**8,866**	**8**	**-**	**-2,018**	**68**	**-**	**6,923**

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	457	-		-193	-	-	264
Defined benefit employee benefits	170	-		7	-	-	177
Intangible assets recognized at fair value	481	-		-320	-	-	160
Available-for-sale financial assets at fair value	17	-		-	-	-1	17
Share-based payments	13	-		-12	7	-	8
Other temporary differences	3,567	-1		-640	-	-	2,927
Deferred tax liabilities in statement of financial position	**4,705**	**-1**		**-1,158**	**7**	**-1**	**3,553**

Change in deferred taxes in income statement, continuing operations (- tax expense)	-880
Change in deferred taxes in income statement in result of discontinued operations (- tax expense)	20
Total change in deferred taxes in income statement (- tax expense)	**-860**

Note 12
Depreciation, Amortization and Impairment of Assets

EUR thousand

	2012	2011 restated
Depreciation and amortization		
Intangible assets		
Intangible rights	1,279	1,291
Capitalized development expenditure	1,942	1,817
Property, plant and equipment		
Buildings and constructions	890	837
Machinery and equipment	1,244	1,409
Other tangible assets	90	124
Total depreciation and amortization	**5,445**	**5,479**
Impairment losses		
Intangible assets, impairment losses		
Goodwill	2,988	-
Intangible rights	-	24
Capitalized development expenditure	-	113
Property, plant and equipment, impairment losses		
Machinery and equipment	-	56
Total impairment losses	**2,988**	**192**
Total depreciation, amortization and impairment	**8,433**	**5,671**

Impairment of assets

Goodwill and intangible assets with indefinite useful life are tested for impairment annually in accordance with IAS 36. Glaston does not have other intangible assets than goodwill with indefinite useful life and which are not amortized. Intangible assets not yet in use are also tested during the reporting period for impairment. Impairment testing is performed also always when there is indication that the recoverable amount of an asset or cash generating unit is lower than its carrying amount. During 2012 Glaston has performed impairment testing of goodwill for certain cash generating units (Pre-processing and Tools) quarterly. As a result of the quarterly impairment testing, an impairment loss of EUR 3.0 million was recognized in Pre-processing operating segment in the first quarter.

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

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

Goodwill related to discontinued operations (Software Solutions) is measured at fair value less costs of sale and it is presented in assets held for sale. The measurement at fair value is based on estimated preliminary transaction price of the sale of Software Solutions business. The measurement at fair value less costs of sale resulted in EUR 5.2 million goodwill impairment loss. This impairment loss is presented in result of discontinued operations.

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

Subsequent cash flows are estimated by extrapolating the cash flow estimates. Terminal values have been calculated using Western European long-range growth rate if Western Europe has been considered to be the main market area of the cash-generating unit. If the main market areas are considered to have moved or to move over to other areas, such as Asia or other emerging markets, where the estimated growth is expected to be higher than in the Western Europe, this growth have been taken into account in terminal value. This can be seen in the higher terminal year growth rates in these cash generating units. Even though the growth in the emerging markets slowed down somewhat during 2012, it still exceeds the growth estimates of Western European markets.

The assumptions used in impairment calculations are mainly the same as in budgets and estimates. The assumptions, such as for example market development on short term and price development of products, are based on past experience and information gathered from external sources. Assumptions on market development on longer term are based on external sources, such as market studies on development of flat glass consumption, which has a major impact on Machines segment in particular. The on-going net working capital improvement program, which is being implemented in new units, has a positive effect on the forecast cash flows. The new products have received good response from customers and this is expected to give Glaston better position on the market compared to competitors. Restructuring measures to improve cost structure have already improved and will further improve profitability.

The 2008/2009 recession brought down flat glass production globally. The fundamentals of the industry are, however, expected to remain unchanged, so flat glass production is expected to grow in the subsequent years. As the investments in new production machinery have been in standstill after the recession the production machinery will soon be outdated, which increases the pressure for new machinery investments. Also increased demands for better quality of flat glass increases the investment needs. The use of glass for example in the building industry has increased, especially in the emerging markets. Also enhanced energy efficiency regulations increase demand for energy-saving glass. The recovery of motor vehicle market increases the demand for flat glass. Solar energy markets are expected to develop further from the current level in long term; in short term the uncertainty in global economy might postpone investments in solar energy.

The uncertainty in the global economy at the end of 2012 and its effects on the development of the industry have been taken into account in short-term forecasts. If the recovery of the industry is further postponed or slows down, that will have a negative effect on the future cash flows.

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

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

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.

The most significant assumptions used in value in use calculations in 2012	**Machines: Heat Treatment**	**Machines: Pre-processing**	**Machines: Tools**
Pre-tax discount rate	14.8%	16.5%	19.0%
Long-term growth rate	2.0%	3.0%	2.0%

	Services
Pre-tax discount rate	13.9%
Long-term growth rate	2.0%

The most significant assumptions used in value in use calculations in 2011	**Machines: Heat Treatment**	**Machines: Pre-processing**	**Machines: Tools**
Pre-tax discount rate	13.6%	16.1%	17.8%
Long-term growth rate	2.5%	3.0%	2.0%

	Services	**Software Solutions**
Pre-tax discount rate	13.1%	10.0%
Long-term growth rate	2.0%	2.0%

Impairment testing of goodwill

Goodwill
EUR million

Segment	1 January, 2012	Impairment loss	Reclassification to assets held for sale	31 December, 2012
Machines				
Heat Treatment	4.1	-	-	4.1
Pre-processing	13.2	-3.0	-	10.2
Tools	5.7	-	-	5.7
Services	16.8	-	-	16.8
Software Solutions	12.8	-5.2	-7.6	-
Total	**52.6**	**-8.2**	**-7.6**	**36.8**

Segment	1 January, 2011	Impairment loss	31 December, 2011
Machines			
Heat Treatment	4.1	-	4.1
Pre-processing	13.2	-	13.2
Tools	5.7	-	5.7
Services	16.8	-	16.8
Software Solutions	12.8	-	12.8
Total	**52.6**	**-**	**52.6**

Sensitivity analysis

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

The management estimates, that in most cases, a reasonably possible change in a key assumption in the Services 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 in the table below.

The recoverable amounts of these cash generating units exceed their carrying amounts by 143 percent in the Services segment, by 28 percent in the Heat Treatment operating segment, by 38 percent in the Tools operating segment and by 3 percent in the Pre-processing operating segment. As the sensitivity analyses of the Pre-processing operating segment indicate, that there is a possibility for impairment of goodwill in case the cash flows differ from estimated cash flows, Glaston monitors continuosly the performace of this operating segment and performs impairment testing of goodwill immediately, if actual cash flows differ negatively from the estimated cash flows.

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

Post-tax discount rate (*	Value assigned to the assumption	Change
Services	10.5%	increase of 14.5 percentage points
Heat Treatment	12.0%	increase of 2.7 percentage points
Pre-processing	13.4%	increase of 0.3 percentage points
Työkalut (Tools)	14.8%	increase of 5.0 percentage points

Long-term growth rate (*	Value assigned to the assumption	Change
Services	2.0%	decrease of 41.0 percentage points
Heat Treatment	2.0%	decrease of 4.0 percentage points
Pre-processing	3.0%	decrease of 0.5 percentage points
Tools	2.0%	decrease of 8.0 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.

Net sales of Pre-processing operating segment is forecast, due to restructuring measures, temporarily to decrease by 21 percent in 2013 compared with net sales of 2012. If the net sales would decrease 5 percentage points more, the recoverable amount, other things being equal, would equal the carrying amount.

The costs of Tools operating segment are estimated to be 82–78 percent of the estimated net sales during the testing period. Should the costs be 5 percentage points higher, the recoverable amount, other things being equal, would equal the carrying amount.

The costs of Heat Treatment operating segment are estimated to be 93–89 percent of the estimated net sales during the testing period. Should the costs be 1.4 percentage points higher, the recoverable amount, other things being equal, would equal the carrying amount.

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

In 2012 Glaston had not other impairment losses than goodwill impairment loss. Impairment losses in 2011, in total EUR 0.2 million, consist mainly of development costs of products no longer in production.

Note 13
Discontinued Operations and Assets and Liabilities of Disposal Groups Classified as Held for Sale
EUR thousand

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

Software Solutions business area was earlier presented as one of Glaston's reportable segment, but in 2012 financial statements the result of Software Solutions is presented as discontinued operations and assets and liabilities related to Software Solutions business area have been classified held for sale. Software business in North Asia which previously belonged to Software Solutions segment has been transferred to Services segment as Glaston continues this business for the time being.

Restatement of comparative information is presented in Note 31.

Revenue, expenses and result of discontinued operations	**2012**	**2011**
Revenue	**20,984**	**22,942**
Expenses	-19,239	-20,915
Gross profit	**1,745**	**2,027**
Finance costs, net	-17	17
Impairment loss recognized on the remeasurement to fair value less cost to sell	-5,200	-
Profit / loss before tax from discontinued operations	**-3,473**	**2,044**
Income tax	-691	-97
Income tax related to measurement to fair value less costs to sell	-	-
Profit / loss from discontinued operations	**-4,163**	**1,947**

Profit / loss from discontinued operations include EUR 5.2 million goodwill impairment loss. The goodwill impairment loss arises from measurement of net assets held for sale to fair value less costs of sale.

Assets and liabilities of disposal groups classified as held for sale

Assets and liabilities of disposal groups include, in addition to assets and liabilities related to discontinued operations, also the real estate in Tampere, Finland, which Glaston has classified as non-current asset held for sale. Glaston has classified this real estate as held for sale as Glaston intends to sell and lease back the real estate. As a result, the carrying amount of the real estate will be recovered through a sale transaction and not through continuing use. The lease agreement arising from the transaction will be an operating lease.

Assets		
Goodwill	7,573	-
Other intangible assets	7,260	-
Tangible assets	9,556	-
Investments in associates	50	-
Available-for-sale assets	4	-
Deferred tax asset	30	-
Inventories	33	-
Assets for current tax	2	-
Trade and other receivables	5,025	-
Cash equivalents	297	-
Assets classified as held for sale	**29,830**	**-**
Liabilites		
Deferred tax liability	1,838	-
Non-current interest-free liabilities and provisions	134	-
Current provisions	375	-
Current interest-bearing liabilities	49	-
Trade and other payables	2,126	-
Liabilities for current tax	192	-
Liabilities related to assets held for sale	**4,715**	**-**

Net cash flows of discontinued operations		
Operating	2,763	4,452
Investing	-3,097	-2,373
Financing	49	-
Net cash flow	**-285**	**2,079**

Note 14
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.

2012	Capitalized development expenditure	Intangible rights	Goodwill	Other capitalized expenditure	Advances paid	2012 total
Acquisition cost at beginning of year	30,830	11,312	66,172	733	4,007	113,054
Other increases	294	291	-	-	1,380	1,966
Decreases	-	-595	-	-	-	-595
Reclassifications and other changes	1,664	687	-	-	-2,371	-19
Reclassified to assets held for sale (Note 13)	-12,507	-83	-12,771	-	-1,329	-26,690
Exchange differences	-6	-55	-	-	-2	-63
Acquisition cost at end of year	**20,276**	**11,557**	**53,401**	**733**	**1,685**	**87,652**
Accumulated amortization and impairment at beginning of year	-20,328	-7,666	-13,571	-733	-	-42,298
Accumulated amortization relating to decreases and transfers	-	561	-	-	-	561
Amortization during the reporting period	-1,942	-1,279	-	-	-	-3,221
Impairment losses (Note 12)	-	-	-2,988	-	-	-2,988
Reversals of impairment losses	-	-	-	-	-	-
Reclassifications and other changes	-	-	-	-	-	-
Reclassified to assets held for sale (Note 13)	7,788	25	-	-	-	7,813
Exchange differences	5	53	-	-	-	58
Accumulated amortization and impairment at end of year	**-14,477**	**-8,306**	**-16,559**	**-733**	**-**	**-40,074**
Carrying amount at end of year	**5,799**	**3,251**	**36,843**	**0**	**1,685**	**47,579**

2011	Capitalized development expenditure	Intangible rights	Goodwill	Other capitalized expenditure	Advances paid	2011 total
Acquisition cost at beginning of year	24,284	13,761	66,169	1,820	6,730	112,764
Other increases	-	193	-	-	4,357	4,550
Decreases	-	-4,200	-	-859	-	-5,059
Reclassifications and other changes	6,468	1,508	-	-228	-7,084	663
Exchange differences	79	49	3	0	3	135
Acquisition cost at end of year	**30,830**	**11,312**	**66,172**	**733**	**4,007**	**113,054**
Accumulated amortization and impairment at beginning of year	-16,145	-10,052	-13,571	-1,636	-	-41,404
Accumulated amortization relating to decreases and transfers	-	4,200	-	859	-	5,059
Amortization during the reporting period (Note 12)	-1,817	-1,291	-	-	-	-3,109
Amortization during the reporting period, discontinued operations	-2,237	-16	-	-	-	-2,253
Impairment losses (Note 12)	-113	-24	-	-	-	-137
Reversals of impairment losses (Note 12)	-	-	-	-	-	-
Reclassifications and other changes	-	-444	-	45	-	-399
Exchange differences	-16	-39	-	0	-	-55
Accumulated amortization and impairment at end of year	**-20,328**	**-7,666**	**-13,571**	**-733**	**-**	**-42,298**
Carrying amount at end of year	**10,501**	**3,647**	**52,601**	**0**	**4,007**	**70,757**

Note 15
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 27. In addition, Glaston has pledged property, plant and equipment and intangible assets as security for liabilities. The carrying amount of the pledged assets is EUR 0.3 million, and the majority consists of property, plant and equipment.

At the end of 2012 or 2011 Glaston did not have of contractual commitments for the acquisition of property, plant and equipment.

In 2012 or 2011, Glaston did not receive any material third party compensation for items of property, plant and equipment that were impaired, lost or given up.

2012	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and assets under construction	2012 total
Acquisition cost at beginning of year	1,633	25,485	11,299	1,936	115	40,470
Other increases	-	-	248	11	269	528
Decreases	-	-14	-301	-	-	-316
Reclassifications and other changes	58	72	433	-378	-180	4
Reclassified to assets held for sale (Note 13)	-1,691	-21,821	-863	-	-	-24,375
Exchange differences	-	-28	-157	-15	0	-201
Acquisition cost at end of year	**-**	**3,694**	**10,658**	**1,555**	**204**	**16,111**
Accumulated depreciation and impairment at beginning of year	-	-14,451	-5,733	-1,623	-	-21,806
Accumulated depreciation relating to decreases and transfers	-	4	268	-	-	272
Depreciation during the reporting period	-	-890	-1,244	-90	-	-2,225
Reclassifications and other changes	-	-	-303	317	-	14
Impairment losses (Note 12)	-	-	-	-	-	-
Reclassified to assets held for sale (Note 13)	-	14,183	628	-	-	14,811
Exchange differences	-	10	96	8	-	114
Accumulated depreciation and impairment at end of year	**-**	**-1,144**	**-6,287**	**-1,388**	**-**	**-8,819**
Carrying amount at end of year	**-**	**2,550**	**4,371**	**167**	**204**	**7,292**

2011	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and assets under construction	2011 total
Acquisition cost at beginning of year	1,633	25,285	23,405	2,820	180	53,324
Other increases	-	42	946	68	103	1,159
Decreases	-	-	-13,554	-841	-	-14,395
Reclassifications and other changes	-	-120	489	-135	-168	66
Exchange differences	-	278	13	24	-	315
Acquisition cost at end of year	**1,633**	**25,485**	**11,299**	**1,936**	**115**	**40,469**
Accumulated depreciation and impairment at beginning of year	-	-13,668	-17,837	-2,269	-	-33,774
Accumulated depreciation relating to decreases and transfers	-	130	13,437	749	-	14,315
Depreciation during the reporting period (note 12)	-	-837	-1,409	-124	-	-2,370
Depreciation and impairment losses during the reporting period, discontinued operations	-	-	-174	-6	-	-181
Reclassifications and other changes	-	-	330	51	-	381
Impairment losses (Note 12)	-	-	-56	-	-	-56
Exchange differences	-	-76	-23	-24	-	-123
Accumulated depreciation and impairment at end of year	**-**	**-14,451**	**-5,733**	**-1,623**	**-**	**-21,806**
Carrying amount at end of year	**1,633**	**11,035**	**5,568**	**313**	**115**	**18,663**

Carrying amount of machinery and equipment used in production 31 December, 2012	3,201
Carrying amount of machinery and equipment used in production 31 December, 2011	3,919

Note 16
Associates
EUR thousand

Investment in associates

	2012	2011
Carrying amount 1 January	50	47
Share of net result (in discontinued operations)	1	2
Reclassification to assets held for sale	-50	-
Carrying amount 31 December	**-**	**50**

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

Associates

			Group ownership, %	
			2012	2011
Bitec GmbH Büro fur Informationstechnik	Chemnitz	Germany	49	49

Associated company balances

In 2012 and 2011, Glaston group companies did not have any receivables from or payables to associates.

Transactions with associates

In 2012 and 2011, 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 2012 is from the 2011 financial statements of Bitec GmbH Büro für Informationstechnik as the 2012 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 2011 is from the 2010 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.

	2011	2010
Profit	1	5
Assets	441	443
Liabilities	241	244

Note 17
Available-for-sale Financial Assets

EUR thousand

2012	Available-for-sale shares
Carrying amount 1 January	330
Fair value changes recognized in other comprehensive income	3
Reclassification to assets held for sale	-4
Carrying amount 31 December	**333**

2011	Available-for-sale shares
Carrying amount 1 January	331
Fair value changes recognized in other comprehensive income	-1
Carrying amount 31 December	**330**

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

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

Note
18 Inventories

EUR thousand

	2012	2011
Inventories		
Materials and supplies	7,300	8,586
Work in process	7,885	9,323
Finished goods	6,152	6,912
Advances paid	430	419
Total inventories	**21,767**	**25,240**

Impairment losses of inventory during the period, continuing operations	-1,418	-905
Reversals of impairment losses of inventory during the period, continuing operations	0	341
Total	**-1,418**	**-564**

Note 19
Receivables
EUR thousand

	2012	2011
Receivables		
Trade receivables	23,149	29,593
Trade receivables, falling due after 12 months	754	1,306
Total trade receivables	23,904	30,899
Prepaid expenses and accrued income	3,670	3,635
Prepaid expenses and accrued income, falling due after 12 months	294	303
Other receivables	2,066	4,257
Other receivables, falling due after 12 months	478	1,626
Current loan receivables	751	91
Non-current loan receivables (*	1,819	4,447
Total receivables	**32,982**	**45,258**

(* In non-current assets

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

Receivables falling due after 12 months have been discounted.

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

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

Each loan receivable has been individually analyzed for a possible impairment loss. These analyses are based on the financial position and future cash flows of the debtor. Debtors have no external credit rating. In 2012, an impairment loss of loan receivables (EUR 2.0 million) was recognized, based on management's estimate of the debtor's ability to pay back the loan. In 2011, no impairment losses on loan receivables were recognized.

Trade receivables related to construction contracts in progress, EUR 4.9 (3.6) million, are described in more detail in Note 6.

Pledged receivables are disclosed in Note 27.

Ageing analysis of trade receivables at 31 December

	Carrying amount of trade receivables after recognizing allowance account	Not past due	Past due			
			< 30 days	31–180 days	181–360 days	> 360 days
2012	23,904	18,064	2,927	2,110	803	0
2011	30,899	21,577	3,746	4,833	743	0

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

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

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

Also the trade receivables past due are individually analyzed. If the days past due exceed the time limits set in the Group's credit policy, an impairment loss is recognized of the trade receivable. The gross amount of impaired trade receivables at the end of the reporting period was EUR 4.4 (6.6) million, and an impairment loss of these receivables was EUR 3.7 (5.9) million.

Carrying amount of trade receivables, which would be past due, but whose terms have been renegotiated, was EUR 0.0 (0.3) million.

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

Allowance account 1 January, 2011	7,771
Exchange difference	50
Charge for the year	1,854
Utilized	-1,000
Unused amounts reversed	-2,806
Allowance account 31 December, 2011	**5,870**
Exchange difference	-56
Charge for the year	2,200
Utilized	-2,325
Unused amounts reversed	-839
Reclassification to assets held for sale	-1,158
Allowance account 31 December, 2012	**3,691**

Impairment losses of trade receivables recognized in profit or loss, net (- income), continuing operations

2012	1,443
2011	105

Note 20
Total Comprehensive Income Included in Equity
EUR thousand

	Other restricted equity reserves	Fair value reserve	Retained earnings	Cumulative exchange difference	Non-controlling interest	Total
Total other comprehensive income for 2012						
Total exchange differences on translating foreign operations	0	-	-	191	-2	189
Available-for-sale financial assets, fair value changes	-	3	-	-	-	3
Income taxes on fair value changes of available-for-sale financial assets	-	0	-	-	-	0
Other comprehensive income	**0**	**2**	**-**	**191**	**-2**	**192**
Loss for 2012	**-**	**-**	**-22,374**	**-**	**-47**	**-22,421**
Total comprehensive income for 2012	**0**	**2**	**-22,374**	**191**	**-49**	**-22,229**

	Other restricted equity reserves	Fair value reserve	Retained earnings	Cumulative exchange difference	Non-controlling interest	Total
Total other comprehensive income for 2011						
Total exchange differences on translating foreign operations	0	-	-	449	26	474
Other changes and reclassifications	-	-	430	-430	-	-
Available-for-sale financial assets, fair value changes	-	-1	-	-	-	-1
Income taxes on fair value changes of available-for-sale financial assets	-	1	-	-	-	1
Other comprehensive income	**0**	**0**	**430**	**19**	**26**	**474**
Loss for 2011	**-**	**-**	**-14,430**	**-**	**-16**	**-14,446**
Total comprehensive income for 2011	**0**	**0**	**-14,000**	**19**	**9**	**-13,972**

Note 21
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 a defined benefit pension plan in Finland. The Group has also defined contribution pension plans, of which the charge to the income statement was EUR 4.2 (restated 2011 4.8) million.

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

Amounts in the statement of financial position relating to Finnish defined benefit pension plans	2012	2011
Fair value of plan assets	-	-
Present value of unfunded obligations	28	28
Unrecognized actuarial gain (loss -)	-2	11
Net liability (asset -)	**26**	**39**
Amounts in the statement of financial position		
Liabilities	26	39
Assets	-	-
Net liability (asset -)	**26**	**39**

	2012	2011
Amounts in the statement of financial position relating to other long-term employee benefits		
Fair value of plan assets	-	-
Present value of unfunded obligations	1,400	1,314
Unrecognized actuarial gain (loss -)	-485	-294
Net liability (asset -)	**915**	**1,020**
Amounts in the statement of financial position		
Liabilities	915	1,020
Assets	-	-
Net liability (asset -)	**915**	**1,020**

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	-5	-5
Contributions by employer	5	5
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	**28**	**39**
Interest cost	1	1
Actuarial losses (gains -)	5	-7
Benefits paid	-5	-5
Present value of defined benefit obligation 31 December	**28**	**28**

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

Present value of defined benefit obligation 1 January	**1,314**	**1,700**
Exchange differences on foreign plans	6	-7
Current service cost	9	4
Interest cost	37	41
Actuarial losses (gains -)	199	51
Effect of curtailment	-	-
Benefits paid	-165	-476
Present value of defined benefit obligation 31 December	**1,400**	**1,314**

Amounts recognized in profit or loss, Finnish defined benefit pensions

Interest on obligation	1	1
Actuarial losses and gains (-)	-8	-51
Total included in pension expenses (gain -)	**-7**	**-50**

The Group expects to contribute EUR 5 thousand to its defined benefit pension plans in 2013.

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

Current service cost	9	4
Interest on obligation	37	41
Actuarial losses and gains (-)	11	7
Effect of curtailment	-	-
Total included in other personnel expenses (gain -)	**58**	**52**

The Group expects to contribute EUR 101 thousand to its other long-term employee benefit plans in 2013.

Actuarial assumptions

	2012		2011	
	Finnish defined pension plans	Other plans	Finnish defined pension plans	Other plans
Discount rate, %	1.50%	3.75%–6.00%	3.00%	5.27%–6.70%
Future salary increase, %	-	5.50%	-	5.50%
Future pension increases, %	2.10%	-	2.10%	-
Inflation, %	2.00%	2.00%–4.00%	2.00%	2.00%–4.00%
Expected remaining service period, years	-	9	-	8–11

There are no plan assets.

Amounts for the current and previous periods, defined benefit pensions

	2012	2011	2010	2009	2008
Defined benefit pension obligation	28	28	39	39	48
Plan assets	-	-	-	-	0
Surplus / deficit (-)	-28	-28	-39	-39	-48
Experience adjustments on plan assets	-	-	-	-	-
Experience adjustments on plan liabilities (gain -)	3	-7	3	-8	-97

Amounts for the current and previous periods, other long-term employee benefit plans

	2012	2011	2010	2009	2008
Defined benefit obligation	1,400	1,314	1,700	3,181	4,400
Plan assets	-	-	-	-	-
Surplus / deficit (-)	-1,400	-1,314	-1,700	-3,181	-4,400
Experience adjustments on plan liabilities (gain -)	-42	-126	-34	-158	90

Note 22
Interest-bearing Liabilities
EUR thousand

	2012	2011
Non-current interest-bearing liabilities		
Convertible bond	8,224	7,937
Debenture bond	4,000	4,000
Loans from financial institutions	-	33,671
Other non-current liabilities	75	69
Total non-current interest-bearing liabilities	**12,299**	**45,677**

Maturity of non-current interest-bearing liabilities		
2014 (2013)	12,297	7,645
2015 (2014)	2	38,019
2016 (2015)	-	7
2017 (2016)	-	5
2018 (2017) or later	-	-
Total	**12,299**	**45,677**

Non-current liabilities by currency		
EUR	12,224	45,535
Other currencies	75	142
Total	**12,299**	**45,677**

Current interest-bearing liabilities		
Loans from financial institutions	55,329	22,546
Other current interest-bearing liabilities	901	74
Total current interest-bearing liabilities	**56,230**	**22,620**

Interest-bearing net liabilities		
Non-current interest-bearing liabilities	12,299	45,677
Current interest-bearing liabilities	56,230	22,620
Liabilities of disposal group classified as held for sale	49	-
Cash	-10,583	-18,601
Cash of disposal group classified as held for sale	-297	-
Total	**57,698**	**49,696**

Glaston's main liquidity reserve was based on loans agreed with the lenders in the financing agreement made in February 2011, the debenture bond issued in February 2011 as well as the convertible bond issued in 2009. When preparing 2012 financial statements, Glaston has classified the loans based on the financing agreement of 2011 as current liabilities. Glaston's financing for at least the next 12 months is however, secured with the new long-term financing arrangement made on 7 February, 2013. The new financing arrangement is described in more detail in Note 4.

Glaston issued in 2009 and 2010 convertible bonds, with the principal amount of EUR 30,000,000. In 2011, a total of EUR 21,250,000 of the bonds were converted into shares resulting in issuing 16,346,135 new shares in Glaston. In addition, an additional consideration was given to those who converted their bonds into shares as 3,092,501 new shares were issued in a directed share issue. The remaining principal amount of the 2009 convertible bond is EUR 8,750,000. 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. The Board of Directors of Glaston Corporation started at the end of 2012 negotiating with the holders of the convertible bond on conversion of the bonds into Glaston shares.

The Board of Directors of Glaston Corporation started at the end of 2012 negotiating also with the holders of the debenture bond on conversion of the bonds into Glaston shares.

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

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

Finance leasing

Glaston has some minor finance lease agreements concerning machinery and equipment. The liability arising from these agreements is fully paid.

The carrying amount of machinery and equipment financed with finance leasing was EUR 0.1 (0.1) million, and depreciation thereon was EUR 0.0 (0.0) million.

Note 23
Provisions
EUR thousand

Non-current provisions

2012	Warranty provision	Restructuring provision	Other provisions	Total
Carrying amount 1 January	671	-	248	918
Exchange difference	-	-	-	-
Reclassification	-461	-	-	-461
Increase in provisions	1,098	-	-	1,098
Provisions used during the period	-105	-	-19	-124
Provisions released during the period	-36	-	-	-36
Reclassification to assets held for sale	-	-	-224	-224
Carrying amount 31 December	**1,166**	**-**	**5**	**1,171**

2011	Warranty provision	Restructuring provision	Other provisions	Total
Carrying amount 1 January	2,396	57	248	2,701
Exchange difference	-	-	-	-
Reclassification	-2,454	-	-	-2,454
Increase in provisions	783	-	29	813
Provisions used during the period	-54	-57	-14	-124
Provisions released during the period	-	-	-16	-16
Carrying amount 31 December	**671**	**-**	**248**	**918**

Current provisions

2012	Warranty provision	Restructuring provision	Other provisions	Total
Carrying amount 1 January	3,375	100	665	4,140
Exchange difference	-35	-	-11	-46
Reclassification	461	-	-	461
Increase in provisions	1,017	1,703	45	2,765
Provisions used during the period	-910	-46	-204	-1,159
Provisions released during the period	-1,854	-54	-27	-1,935
Reclassification to assets held for sale	-702	-	-4	-706
Carrying amount 31 December	**1,351**	**1,703**	**465**	**3,519**

2011	Warranty provision	Restructuring provision	Other provisions	Total
Carrying amount 1 January	1,516	4,198	1,237	6,951
Exchange difference	-11	10	-2	-4
Reclassification	2,454	-	-	2,454
Increase in provisions	1,698	-	83	1,780
Provisions used during the period	-1,312	-3,810	-135	-5,256
Provisions released during the period	-970	-298	-518	-1,786
Carrying amount 31 December	**3,375**	**100**	**665**	**4,140**

Warranty provisions

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

Restructuring provisions

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

Other provisions

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

Note 24
Interest-free Liabilities

EUR thousand

	2012	2011
Non-current interest-free liabilities		
Other non-current interest-free liabilities	0	0
Current interest-free liabilities		
Trade payables	11,255	14,360
Advances received (*	15,832	16,403
Accrued expenses and deferred income	17,722	23,439
Other current interest-free liabilities	1,625	1,127
Total current interest-free liabilities	**46,434**	**55,328**

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

(* Advances received include EUR 12.9 (10.7) million advances received from construction contracts in progress. These are described in more detail in Note 6.

Note 25
Financial Assets and Liabilities
EUR thousand

31 December, 2012	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				10,583		10,583	10,583
Trade receivables	19			23,904		23,904	23,904
Other interest-free receivables	19			2,066		2,066	2,066
Interest receivables and receivables related to financial liabilities	19			716	728	1,444	1,444
Current loan receivables	19			751		751	751
Other non current interest-free receivables	19			478		478	478
Non-current loan receivables	19			1,819		1,819	1,819
Available-for-sale shares	17	329				329	329
Non-current interest-bearing liabilities	22				-4,075	-4,075	-4,075
Convertible bond	22				-8,224	-8,224	-2,019
Current interest-bearing liabilities	22				-56,230	-56,230	-56,230
Trade payables	24				-11,255	-11,255	-11,255
Advances received	24				-15,832	-15,832	-15,832
Other current interest-free liabilities	24				-1,625	-1,625	-1,625
Interest liabilities	24				-762	-762	-762
Derivatives (in liabilities)	26		-14			-14	-14
		329	-14	40,317	-97,275	-56,643	-50,439

31 December, 2011	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				18,601		18,601	18,601
Trade receivables	19			30,899		30,899	30,899
Other interest-free receivables	19			5,883		5,883	5,883
Interest receivables and receivables related to financial liabilities	19			401	1,210	1,611	1,611
Current loan receivables	19			91		91	91
Non-current loan receivables	19			4,447		4,447	4,447
Available-for-sale shares	17	330				330	330
Non-current interest-bearing liabilities	22				-37,740	-37,740	-37,740
Convertible bond	22				-7,937	-7,937	-7,471
Current interest-bearing liabilities	22				-22,620	-22,620	-22,620
Trade payables	24				-14,360	-14,360	-14,360
Advances received	24				-16,403	-16,403	-16,403
Other current interest-free liabilities	24				-1,127	-1,127	-1,127
Interest liabilities	24				-1,325	-1,325	-1,325
Derivatives (in receivables)	26		26			26	26
		330	26	60,322	-100,302	-39,625	-39,159

[*] Fair value measurement hierarchy is presented on page 72.

(* **Fair value measurement hierarchy**	**2012**	**2011**
Available-for-sale shares		
Level 1	81	78
Level 3	248	252
	329	330
Derivatives		
Level 2	-14	26

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

	2012	**2011**
1 January	252	252
Impairment losses	-	-
Reclassification	-4	-
31 December	252	252

Note 26
Derivative Instruments
EUR thousand

The Group's derivative transactions, while providing economic hedges, have not qualified for hedge accounting under IAS 39. As hedge accounting is not applied for currency derivatives, changes in the fair values of derivative instruments have been immediately recognized in profit or loss. Group companies have primarily hedged their sales in foreign currency as well as those orders received, for which there were firm commitments. The hedging instruments used were forward contracts mainly made with Group Treasury, or directly with banks. These hedges were recognized in profit or loss as sales adjustments. The Group had no currency derivatives at the end of 2012 or 2011. During 2011, however, the Group had used currency derivatives.

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.

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

Nominal and fair values of derivative instruments

	2012		**2011**	
	Nominal value	**Fair value**	**Nominal value**	**Fair value**
Electricity derivatives				
Forward contracts	343	-14	139	25

Derivative instruments in the income statement

	2012	**2011**
Items included in net sales	-	-11
Items included in operating expenses	-52	150

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

Prepaid expenses and accrued income		
Electricity derivatives (*	-	26
Accrued expenses and deferred income		
Electricity derivatives	14	-

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

Note 27
Contingencies
EUR thousand

Loans secured with mortgages or pledges, continuing and discontinued operations	2012	2011
Loans from financial institutions	51,814	52,712
Other interest-bearing liabilities	575	-
Mortgages given	181,000	181,000
Liens on chattel	143,000	143,000
Carrying amount of pledged securities	106,660	111,940
Carrying amount of pledged receivables and other assets	40,084	54,147
Total loans secured with mortgages, liens on chattel and pledged assets	**52,389**	**52,712**
Total mortgages, liens on chattel and pledged assets	**470,744**	**490,087**

Contingent liabilities, continuing and discontinued operations

Mortgages		
On behalf of own commitments	181,000	181,000
Liens on chattel		
On behalf of own commitments	143,000	143,000
Securities pledged (*		
On behalf of own commitments	106,660	111,940
Receivables and other assets pledged (**		
On behalf of own commitments	40,166	54,147
On behalf of others	96	146
Total	470,923	490,233

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

(** The pledged receivables include EUR 35.1 million intra-group receivables.

Other commitments		
On behalf of own commitments	540	777
Guarantees		
On behalf of own commitments	418	541
On behalf of others	1	1
Total	418	542
Total contingent liabilities	**471,881**	**491,553**

Operating leases, continuing and discontinued operations

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

	2012	2011
Minimum future payments of operating lease commitments		
Maturity within one year	3,288	3,621
Maturity later than one year and not later than five years	3,882	6,005
Maturity later than five years	-	-
Total minimum future payments of operating lease commitments	**7,170**	**9,626**

Operating leases as a lessor

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

Minimum future payments of operating leases		
Maturity within one year	559	560
Maturity later than one year and not later than five years	666	1,004
Total minimum future payments of operating leases	**1,225**	**1,564**

Other contingent liabilities and litigations

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

Note 28
Shares and Holdings

Group companies			Group holding %	Parent holding %
Glaston Corporation	Helsinki	Finland		
Uniglass Engineering Oy	Tampere	Finland	100.0%	100.0%
Glaston Services Ltd. Oy	Tampere	Finland	100.0%	100.0%
Glaston Finland Oy	Tampere	Finland	100.0%	
Tamglass Project Development Oy	Tampere	Finland	100.0%	
Glaston International Oy	Tampere	Finland	100.0%	
Glaston Germany GmbH	Nürnberg	Germany	100.0%	
Glaston America, Inc.	Mount Laurel, NJ	United States	100.0%	
Glaston USA, Inc.	Pittsburgh, PA	United States	100.0%	
Glaston UK Ltd. [***]	Derbyshire	United Kingdom	100.0%	
Bavelloni UK Ltd. [*]	Derbyshire	United Kingdom	100.0%	
Glaston France S.A.R.L.	Chassieu	France	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	Moscow	Russia	100.0%	
Glaston Mexico S.A. de C.V.	Jalisco	Mexico	100.0%	
Z. Bavelloni South America Ltda	São Paulo	Brazil	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%
Albat+Wirsam Polska Sp.z.o.o.	Krakow	Poland	100.0%	
Albat+Wirsam North America Inc.	Ontario	Canada	100.0%	

Associated companies				
Bitec GmbH Büro für Informationstechnik	Chemnitz	Germany	48.8%	

[* Merger process is ongoing. The company will be merged with Glaston UK Ltd.

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

[*** For the year ending 31.12.2012, Glaston UK Ltd. was entitled to exemption from audit under section 479A of the UK Companies Act 2006.

Changes in subsidiaries in 2012

- Glaston Australia Pty. Ltd. was liquidated in May, 2012.
- Albat+Wirsam Software GmbH's branches in Austria and Belgium were liquidated.
- The shares in Glaston Germany GmbH were sold in December to Glaston Services Ltd. Oy

Changes in subsidiaries in 2011

- The following group companies were liquidated in 2011:
  - Glaston Estonia Oü (Estonia)
  - Glasto Holding B.V. (Netherlands)
  - Glaston Netherlands B.V. (Netherlands)
  - Glaston Spain S.L. (Spain)
  - Glaston Belgium GmbH (Belgium)
- Albat+Wirsam Software GmbH established a branch in Belgium in the beginning of 2011.
- The shares in Glaston Germany GmbH were sold in July to Albat+Wirsam Software GmbH.
- Tamglass Lasinjalostus Oy merged in December 2011 to Glaston Finland Oy.

Note 29
Share-based Incentive Plans

Share-based incentive plans

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

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

The expenses, personnel costs included, were in 2012 EUR 0.0 (-0.4) million. As at the end of 2012 there was no unpaid portion, no liability has been recognized. The unpaid portion, recognized as a liability, was as the end of 2011 EUR 0.0 million.

Share-based incentive plan 2009

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 the CEO's employment or service ends during the restriction period, he must return the shares. The vesting period of this incentive plan ended in 2012.

Share-based incentive plan 2010–2011

The Board of Directors of Glaston Corporation decided on 9 June, 2010 on a share-based incentive plan. As there was a failure to satisfy the vesting conditions, the share-based plan did not vest. As the share-based plan did not vest, expenses were adjusted in 2011 by EUR 0.5 million.

Share-based incentive plan 2012

On 12 December, 2011 The Board of Directors of Glaston decided to establish a long-term share ownership plan as a part of the remuneration and commitment program for the key personnel. Glaston's share-based plan 2012 offered a possibility to earn shares in Glaston as a reward for attaining the EBIT target set for the financial year 2012. The reward from the plan would have been paid to the key personnel as a combination of shares and cash payment after the end of the earning period. No reward would have been paid to a key person if his/her employment or service ended before the end of the earning period. As the share-based plan did not vest, no reward will be paid for this plan.

Basic information of the share-based plans	Share-based incentive plan 2012	The CEO's plan
		Performance period 2009
Grant date	12 December, 2011	11 August, 2009
Nature of the plan	Shares and cash	Shares and cash
Target group	Key personnel	CEO
Maximum number of shares, settled in shares	1,020,000	50,000
Maximum number of shares, settled in cash (calculated as a number of shares) (*	1,060,000	55,000
Performance period begins	1 January, 2012	1 September, 2009
Performance period ends	31 December, 2012	1 September, 2010
End of restriction period	1 January, 2015	3 September, 2012
Vesting conditions	EBIT and net result	-
	Service period	Service period
Maximum contractual life, years	3.1	3.1
Remaining contractual life, years	0.0	0.0
Number of persons involved 31 December, 2012	17	1

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

Transactions in 2012 in number of shares	Performance period 2012	Performance period 2009	Total
Gross number of shares (* 1 January, 2012			
Outstanding at the beginning of the period	1,900,000	50,000	1,950,000
Changes during the reporting period			
Granted	40,000	-	40,000
Forfeited	540,000	-	540,000
Settled in cash	-	50,000	50,000
Expired	1,400,000	-	1,400,000
Gross number of shares (* 31 December, 2012			
Outstanding at the end of the period	-	-	-
Excercisable at the end of the period	-	-	-

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

Transactions in 2011 in number of shares	Performance period 2012	Performance period 2011	Performance periods 2009(**	Total
Gross number of shares (* 1 January, 2011				
Outstanding at the beginning of the period	-	2,303,000	50,000	2,353,000
Changes during the reporting period				
Granted	1,900,000	338,000	-	2,238,000
Forfeited	-	169,000	-	169,000
Settled in cash	-	-	-	-
Expired	-	2,472,000	-	2,472,000
Gross number of shares (* 31 December, 2011				
Outstanding at the end of the period	1,900,000	-	50,000	1,950,000
Excercisable at the end of the period	1,900,000	-	50,000	1,950,000

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

Effect on the profit or loss for the period and on financial position in 2012	**Performance period 2012**	**Performance period 2009**
Effect on the result of the 2012 reporting period, EUR thousand	-8	33
Recognized in equity during the reporting period, EUR thousand	-4	-
Carrying amount of liability 31 December, 2012	-	-

Effect on the profit or loss for the period and on financial position in 2011	**Performance period 2012**	**Performance period 2011**	**Performance period 2009**
Effect on the result of the 2011 reporting period, EUR thousand	8	-479	44
Recognized in equity during the reporting period, EUR thousand	4	-265	27
Carrying amount of liability 31 December, 2011	4	-	-

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

Note 30
Related Parties

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

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

Glaston follows the same commercial terms in transactions with associates and other related parties as with third parties. Associates are described in more detail in Note 16 to the consolidated financial statements.

Total accrual based remuneration of the Board of Directors and the Executive Management Group was EUR 2,539 (2,270) thousand.

Glaston had rented premises from companies owned by individuals belonging to the management. The rents paid correspond with the local level of rents. The related party connection ceased at 30 November, 2012.

	2012	2011
Transactions with related parties		
EUR thousand		
Rents paid	510	616

Remuneration of the Executive Management Group, accrual based

EUR

	2012	2011
CEO Arto Metsänen		
Salaries	359,629	335,306
Bonuses	47,493	114,420
Total	407,122	449,726
Fringe benefits	18,065	16,117
Total	**425,187**	**465,843**
Statutory pension payments (Finnish TyEL or similar plan)	105,142	82,290
Voluntary pension payments	57,162	40,320

	2012	2011
Other members of the Executive Management Group		
Salaries	1,271,534	1,180,619
Compensations for termination of employment	540,000	94,482
Bonuses	22,750	257,104
Total	1,834,284	1,532,205
Fringe benefits	99,731	81,058
Total	**1,934,015**	**1,613,263**
Statutory pension payments (Finnish TyEL or similar plan)	196,519	213,499
Voluntary pension payments	71,767	51,242

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

The CEO's period of notice is 3 months. In the event the company would give notice to the CEO, he will receive an additional remuneration equaling 12 months' salary. If there is a change in control of the company where more than 50 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 in 2010 50,000 shares in Glaston Corporation in September, ie. one year after the date when his employment in Glaston began. Restrictions related to these shares ceased in September, 2012.

Compensation of the CEO and other members of the Executive Management Group consists of a fixed monthly salary, an annual bonus and a share-based incentive plan intended as a long-term incentive (described in more detail in Note 29). The criteria for bonus payments are consolidated result, result of the business area or business unit as well as functional targets. The maximum annual bonus of the CEO is 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, ie. 63–68 years.

Remuneration of the Board of Directors, accrual based

EUR	2012 annual fee	meeting fee	2011 annual fee	meeting fee
Andreas Tallberg, Chairman of the Board of Directors	40,000	7,200	40,000	8,000
Christer Sumelius, Deputy Chairman of the Board of Directors	30,000	4,000	30,000	5,000
Claus von Bonsdorff	20,000	4,500	20,000	5,000
Teuvo Salminen	20,000	4,500	20,000	6,000
Pekka Vauramo (*	20,000	4,500	15,000	3,000
Anu Hämäläinen (**	15,000	3,000	-	-
Carl-Johan Rosenbröijer (***	5,000	2,000	20,000	5,000
Klaus Cawén (****	-	-	5,000	2,000
Jan Lång (****	-	-	5,000	2,000
Total	**150,000**	**29,700**	**155,000**	**36,000**

(* Member of the Board of Directors from 5 April, 2011
(** Member of the Board of Directors from 27 March, 2012
(*** Member of the Board of Directors until 27 March, 2012
(**** Member of the Board of Directors until 5 April, 2011

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	
	31.12.2012	**31.12.2011**
Andreas Tallberg, Chairman of the Board of Directors	0	0
Christer Sumelius, deputy Chairman of the Board of Directors	3,838,933	3,624,200
Claus von Bonsdorff	122,600	122,600
Teuvo Salminen	50,000	50,000
Pekka Vauramo (*	10,000	10,000
Anu Hämäläinen (**	0	-
Carl-Johan Rosenbröijer (***	-	12,600

(* Member of the Board of Directors from 5 April, 2011
(** Member of the Board of Directors from 27 March, 2012
(*** Member of the Board of Directors until 27 March, 2012

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

Executive Management Group, share ownership

	Glaston shares	
	31.12.2012	**31.12.2011**
Arto Metsänen, CEO	86,394	86,394
Sasu Koivumäki	0	-
Juha Liettyä	0	0
Roberto Quintero	0	-
Pekka Huuhka	0	0
Frank Chengdong Zhang	0	0
Uwe Schmid	0	0
Tapani Lankinen	-	0
Tapio Engström	-	7,000
Günter Befort	-	0

Sasu Koivumäki and Roberto Quintero joined the Executive Management Group and Tapani Lankinen, Tapio Engström and Günter Befort left the Executive Management Group in 2012.

Note 31
Restatement of Previous Financial Period
EUR thousand

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

Software Solutions business area was earlier presented as one of Glaston's reportable segment, but in 2012 financial statements the result of Software Solutions is presented as discontinued operations. Software business in North Asia which previously belonged to Software Solutions segment has been transferred to Services segment as Glaston continues this business for the time being.

Restatement oc consolidated statement of profit or loss and segment result is presented below.

Consolidated Statement of Profit or Loss	2011	restatement	restated 2011
Net sales	142,652	-22,942	119,711
Other operating income	917	-34	883
Changes in inventories of finished goods and work in process	-2,239	14	-2,225
Own work capitalized	6	-	6
Materials	-45,903	899	-45,005
Personnel expenses	-49,260	14,101	-35,159
Other operating expenses	-39,143	3,504	-35,639
Share of results of associates	2	-2	-
Depreciation, amortization and impairment charges	-8,105	2,434	-5,671
Operating result, continuing operations	**-1,072**	-2,027	**-3,099**
Financial income	1,289	-38	1,251
Financial expenses	-12,049	21	-12,028
Net financial expenses	-10,760	-17	-10,777
Profit / loss before income taxes, continuing operations	**-11,832**	-2,044	**-13,876**
Income tax expense	-2,614	97	-2,517
Profit / loss for the year, continuing operations	**-14,446**	-1,947	**-16,393**
Profit / loss after tax for the period, discontinued operations	**-**	**1,947**	**1,947**
Profit / loss for the year	**-14,446**	**-**	**-14,446**
Attributable to non-controlling interest	-16	-	-16
Attributable to owners of the parent	**-14,430**	**-**	**-14,430**
Total	-14,446	-	-14,446
Earnings per share, EUR, ontinuing operations	-0.14	-0.02	-0.16
Earnings per share, EUR, discontinued operations	-	0.02	0.02
Earnings per share, EUR, basic and diluted (*	**-0.14**	**0.00**	**-0.14**

(* Share-issue adjusted

Segment information 2011	Software Solutions	restatement	restated Software Solutions (Discontinued Operation)
External net sales	23,012	-71	22,942
Internal net sales	89	-	89
Total net sales	**23,102**	-71	**23,031**
Operating result of the segments, non-recurring items excluded	**1,739**	313	**2,052**
Operating result includes share of results of associates	2	-	2
Non-recurring items	41	-	41
Operating result, non-recurring items included	**1,780**	313	**2,093**

Segment information 2011	Services	restatement	restated Services
External net sales	29,853	71	29,923
Internal net sales	1,230		1,230
Total net sales	**31,083**	71	**31,154**
Operating result of the segments, non-recurring items excluded	**5,577**	-313	**5,264**
Operating result includes share of results of associates	-	-	-
Non-recurring items	134	-	134
Operating result, non-recurring items included	**5,711**	-313	**5,398**

Note 32
Events after End of the Reporting Period

The Board of Directors summoned the shareholders of Glaston Corporation to the Extraordinary General Meeting to be held on 12 February, 2013.

The Board of Directors proposes that the Extraordinary General Meeting authorises the Board of Directors to resolve on one or more issuances of shares. The authorisation contains the right to issue new shares or dispose of the shares in the possession of the company up to 86,000,000 shares.

The authorisation entitles the Board of Directors to decide on a directed share issue. The authorisation is proposed to be used for executing or financing of material arrangements from the company's point of view, such as restructuring of the company's financing structure or implementing business arrangements or investments, or for other such purposes determined by the Board of Directors in which case a weighty financial reason for directing a share issue would exist.

The Board of Directors is authorised to resolve on all other terms and conditions of the issuance of shares, such as the payment period, grounds for the determination of the subscription price and subscription price. The authorisation entitles the subscription price to be paid also by other assets, such as by setting off a receivable from the company, either partially or entirely.

The authorisation is effective until 30 June, 2013. The Board of Directors proposes that the authorisation would not supersede the earlier authorisation granted by the General Meeting in 5 April, 2011.

Glaston Corporation closed on 4 February, 2013 the sale of the shares in Albat+Wirsam Software GmbH to Constellation Software Inc. acting through its Friedman Operating Group as announced in a stock exchange release on 12 November, 2012. The agreement to sell Albat+Wirsam Software GmbH was subject to customary closing conditions including a competition review by the German Federal Cartel Office, all of which have been satisfied.

As Glaston Corporation closed the sale of the shares in Albat+Wirsam Software GmbH, Uwe Schmid, Senior Vice President, Software Solutions Business Area, resigned from Glaston's Executive Management Group as of 4 February, 2013. As of the same day General Counsel Taina Tirkkonen has been appointed to Glaston's Executive Management Group.

Glaston announced on 7 February, 2013, that it has agreed on new long-term credit facility agreement, securing financing for at least the following 12 months. The credit facility will enter into effect when certain conditions, such as a share issue and the conversion of convertible and debenture bonds into equity, have been fulfilled. Glaston has received commitments from a sufficient number of shareholders participating in the Extraordinary Meeting of Shareholders to ensure that the meeting will approve the share issue. In addition, Glaston has received a sufficient number of commitments to ensure, that the minimum required number of shares will be subscribed in the share issue. Furthermore, Glaston's Board of Directors initiated negotiations at the end of 2012 with the convertible bond and debenture bond holders on the conversion of such loans into Glaston shares. A majority of convertible bond holders as well as the debenture bond holders have committed to exchange their bond holdings into Glaston shares.

Parent Company Financial Statements

Income Statement of the Parent Company (FAS)

EUR thousand

		1 January–31 December	
	Note	2012	2011
Net sales	2	**3,697**	**3,737**
Other operating income	3	2,289	756
Personnel expenses	4	-2,010	-1,878
Depreciation, amortization and impairment losses	5	-1,216	-1,285
Other operating expenses	6	-5,903	-4,897
Operating profit / loss		**-3,143**	**-3,567**
Net financial items	7	-8,131	-29,397
Profit / loss before extraordinary items		**-11,274**	**-32,964**
Extraordinary items	8	180	-
Profit /loss before appropriations and taxes		**-11,094**	**-32,964**
Appropriations	9	-	31
Income taxes	10	-8	-161
Profit / loss for the financial year		**-11,102**	**-33,093**

Balance Sheet of the Parent Company (FAS)

EUR thousand

	Note	at 31 December 2012	2011
Assets			
Non-current assets			
Intangible assets	11	2,655	3,343
Tangible assets	11	2,009	2,177
Investments	12.13	63,558	66,838
Non-current assets, total		**68,222**	**72,358**
Current assets			
Non-current receivables	14	2,423	2,431
Current receivables	14	39,545	43,183
Cash and bank		2,874	2,910
Current assets, total		**44,842**	**48,523**
Total assets		**113,063**	**120,881**
Equity and liabilities			
Equity			
Share capital		12,696	12,696
Share premium account		25,270	25,270
Reserve for invested unrestricted equity		26,805	26,805
Treasury shares		-3,308	-3,308
Retained earnings		13,514	46,604
Profit / loss for the financial year		-11,102	-33,093
Total equity	15	**63,875**	**74,973**
Liabilities			
Non-current liabilities	17	12,750	20,256
Current liabilities	18	36,438	25,652
Total liabilities		**49,188**	**45,908**
Total equity and liabilities		**113,063**	**120,881**

Parent Company Cash Flow Statement (FAS)

EUR thousand

	1 January–31 December	
	2012	2011
Cash flow from operating activities		
Profit / loss for the financial period	-11,102	-33,093
Adjustments:		
Group contribution	-180	-
Financial income and expenses	8,131	29,397
Depreciation, amortization and impairment	1,216	1,285
Other adjustments	23	275
Cash flow before change in net working capital	-1,912	-2,136
Change in net working capital		
Change in current interest-free receivables	444	-4,320
Change in current interest-free liabilities	-248	-240
Cash flow from operating activities before financial items and taxes	-1,717	-6,696
Interests paid and payments made for other financial items and income taxes		
Interests and other financial expenses paid	-4,367	-5,467
Dividends received	2	2
Interest received	1,170	5,762
Income taxes paid	-238	-
Cash flow from operating activities before extraordinary items	-5,150	-6,399
Cash flow from operating activities	**-5,150**	**-6,399**
Cash flow from investing activities		
Investments in tangible and intangible assets	-422	-256
Proceeds from disposal of tangible and intangible assets	47	-
Cash flow from investing activities	**-376**	**-256**
Cash flow from financing activities		
Share issue and conversion of convertible bond, net of costs	-	5,799
Drawn-down of non-current loans	-	14,000
Repayments of non-current loans	-1,441	-1,299
Change in current intra-group receivables	6,831	32,472
Change in current intra-group loans	100	-54
Drawn-down of current loans	-	20,000
Repayments of current loans	-	-61,865
Cash flow from financing activities	**5,490**	**9,053**
Change in cash and cash equivalents	**-36**	**2,399**
Cash and cash equivalents at the beginning of the period	2,910	511
Cash and cash equivalents at the end of the period	2,874	2,910
Change in cash and cash equivalents	**-36**	**2,399**

Notes to the Parent Company's Financial Statements (FAS)

Note 1
Summary of Significant Accounting Policies

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

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

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

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

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

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

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

Untaxed Reserves
Untaxed reserves consist of a depreciation difference. This difference between scheduled depreciation and amortization and the depreciation and amortization deducted in arriving to taxable profit is presented as a separate item in the income statement and in the balance sheet.

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 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

	2012	2011
Net sales by country by destination		
Finland	1,524	1,450
Other EMEA	1,193	1,451
South-America	581	-
Asia	398	837
Total	**3,697**	**3,737**

EMEA = Europe, the Middle East and Africa
Asia = China and the rest of the Asia-Pacific area

Note 3
Other Operating Income
EUR thousand

Charges from group companies	2,289	756
Proceeds from sale of fixed assets	-	0
Other operating income, total	**2,289**	**756**

Note 4
Personnel Expenses
EUR thousand

	2012	2011
Salaries and fees	-1,544	-1,596
Pension expenses	-422	-239
Other personnel expenses	-45	-43
Total	**-2,010**	**-1,878**
Salaries and remuneration paid to members of the Board of Directors and Managing Director	-634	-638

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	12	13

Note 5
Depreciation, Amortization and Impairment Losses
EUR thousand

Depreciation and amortization according to plan		
Intangible assets		
Intangible rights	-812	-788
Other capitalized expenditure	-116	-140
Tangible assets		
Buildings and structures	-117	-117
Machinery and equipment	-171	-216
Total depreciation and amortization according to plan	**-1,216**	**-1,262**
Impairment losses		
Impairment loss of intangible rights	-	-24
Total depreciation and amortization according to plan and impairment losses	**-1,216**	**-1,285**

Note 6
Other Operating Expenses
EUR thousand

Rents	-343	-358
Information and communications technology expenses	-2,436	-1,087
Travel expenses	-238	-279
Other expenses	-2,886	-3,173
Other operating expenses, total	**-5,903**	**-4,897**

Fees paid to auditors

Fees paid to principal auditors for audit	-58	-83
Fees paid to principal auditors for other services	-92	-52
Total	**-150**	**-135**

Note 7
Net Financial Items
EUR thousand

	2012	2011
Dividend income		
From external parties	2	2
Dividend income, total	**2**	**2**
Interest and other financial income		
From group companies	2,456	6,132
From external parties	399	30
Interest and other financial income	**2,855**	**6,162**
Interest and other financial income, total	**2,857**	**6,164**
Interest and other financial expenses		
To group companies	-419	-1,532
Impairment losses of investments in non-current assets	-5,780	-29,000
Impairment losses of of intra-group receivables	-464	-
Impairment losses of receivables	-	-125
To external parties	-4,324	-4,904
Interest and other financial expenses, total	**-10,988**	**-35,561**
Net financial items, total	**-8,131**	**-29,397**
Other financial income and expenses include foreign exchange gains and losses (net)	-195	365

Note 8
Extraordinary items
EUR thousand

Extraordinary income		
Group contributions received	180	-
Extraordinary items, total	**180**	**-**

Note 9 Appropriations
EUR thousand

Difference between depreciation and amortization according to plan and depreciation and amortization in taxation	-	31
Total	**-**	**31**

Note 10
Income Taxes
EUR thousand

Change in deferred tax assets	-8	-161
Total	**-8**	**-161**

Note 11
Fixed Assets
EUR thousand

Intangible assets	Intangible rights	Other capitalized expenditure	Advance payments and investments in progress	Total
Acquisition cost 1 January, 2012	5,282	1,187	1,387	7,857
Additions	186	2	86	274
Disposals	-34	-	-	-34
Reclassifications	547	61	-608	-
Acquisition cost 31 December, 2012	**5,981**	**1,250**	**865**	**8,096**
Accumulated amortizations and impairment losses 1 January, 2012	-2,722	-951	-840	-4,513
Accumulated amortizations of disposals and reclassifications	-	-	-	-
Amortization for the period	-812	-116	-	-928
Impairment losses	-	-	-	-
Accumulated amortizations and impairment losses 31 December, 2012	**-3,534**	**-1,067**	**-840**	**-5,441**
Carrying amount at 31 December, 2012	**2,447**	**183**	**25**	**2,655**
Carrying amount at 31 December, 2011	2,560	236	547	3,343

Tangible assets	Land and water areas	Buildings	Machinery and equipment	Total
Acquisition cost 1 January, 2012	1,033	1,806	1,808	4,646
Additions	-	-	149	149
Disposals	-	-	-97	-97
Acquisition cost 31 December, 2012	**1,033**	**1,806**	**1,859**	**4,698**
Accumulated depreciations and impairment losses 1 January, 2012	-	-958	-1,512	-2,470
Accumulated depreciations of disposals and reclassifications		-	68	68
Depreciation for the period	-	-117	-171	-288
Accumulated depreciations and impairment losses 31 December, 2012	**-**	**-1,074**	**-1,615**	**-2,689**
Carrying amount 31 December, 2012	**1,033**	**732**	**245**	**2,009**
Carrying amount at 31 December, 2011	1,033	849	296	2,177

Note 12
Investments
EUR thousand

	Shares Group companies	Shares Others	Total
Carrying amount 1 January, 2012	66,583	254	66,838
Increase	2,500	-	2,500
Impairment loss	-5,780	-	-5,780
Carrying amount at 31 December, 2012	**63,304**	**254**	**63,558**

Note 13
Shares and holdings owned by the Parent
EUR thousand

Subsidiary shares	Ownership %	Number of shares	Nominal value	Carrying amount
Uniglass Engineering Oy, Tampere, Finland	100.0%	20,000	400	2,351
Glaston Services Ltd. Oy, Tampere, Finland	100.0%	1,800,000	3,600	43,953
Albat+Wirsam Software GmbH, Linden, Germany	100.0%	1,500,000		17,000
Total				**63,304**

Other				
Kiinteistö Oy Torikyr. Finland	63.4%	804	68	240
Other shares and holdings				14
Total				**254**

Note 14
Receivables
EUR thousand

	2012	2011
Non-current receivables		
Receivables from external parties		
Deferred tax assets	2,423	2,431
Non-current receivables, total	**2,423**	**2,431**
Current receivables		
Receivables from external parties		
Trade receivables	15	0
Other receivables	300	128
Prepaid expenses and accrued income	925	1,476
Total	1,240	1,605
Receivables from group companies		
Trade receivables	3,415	3,619
Loan receivables	31,892	36,913
Group contribution	180	-
Other receivables	-	8
Prepaid expenses and accrued income	2,818	1,038
Total	38,305	41,578
Current receivables, total	**39,545**	**43,183**
Prepaid expenses and accrued income		
Interest income	2,818	1,010
Financial items	782	1,301
Prepaid insurances	8	132
Other	134	71
Prepaid expenses and accrued income, total	**3,742**	**2,514**

Note 15
Equity
EUR thousand

	2012	2011
Share capital 1 January	12,696	12,696
Share capital 31 December	12,696	12,696
Share premium account 1 January	25,270	25,270
Share premium account 31 December	25,270	25,270
Reserve for invested unrestricted equity 1 January	26,805	102
Share issue	-	5,867
Conversion of convertible bond, net of costs	-	20,836
Reserve for invested unrestricted equity 31 December	26,805	26,805
Treasury shares 1 January	-3,308	-3,308
Treasury shares 31 December	-3,308	-3,308
Retained earnings 1 January	13,511	46,577
Reversal of unpaid dividends	4	27
Retained earnings 31 December	13,514	46,604
Profit / loss for the financial year	-11,102	-33,093
Equity at 31 December	**63,875**	**74,973**

Distributable funds at 31 December

Reserve for invested unrestricted equity (*	26,805	26,805
Treasury shares	-3,308	-3,308
Retained earnings	13,514	46,604
Profit / loss for the financial year	-11,102	-33,093
Distributable funds	**25,910**	**37,007**

(* 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 16
Accumulated Appropriations
EUR thousand

Accumulated depreciation difference 1 January	-	31
Increase (+) / decrease (-)	-	-31
Accumulated depreciation difference 31 December	**-**	**-**

Note 17
Non-current Liabilities
EUR thousand

	2012	2011
Convertible bond	8,750	8,750
Debenture bond	4,000	4,000
Loans from financial institutions	-	7,506
Non-current liabilities, total	**12,750**	**20,256**

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

Note 18
Current Liabilities
EUR thousand

Liabilities to external parties		
Loans from financial institutions	18,049	11,441
Trade payables	647	912
Other liabilities	-	4
Accrued expenses and deferred income	1,547	2,129
Liabilities to external parties, total	20,243	14,486
Liabilities to group companies		
Trade payables	5	30
Other liabilities	15,609	10,587
Accrued expenses and deferred income	581	549
Liabilities to group companies, total	16,195	11,166
Current liabilities, total	**36,438**	**25,652**

Accrued expenses and deferred income		
Salary and other personnel expense accruals	291	425
Interests	672	1,268
Other	1,166	985
Accrued expenses and deferred income, total	**2,129**	**2,678**

Note 19
Contingent Liabilities
EUR thousand

	2012	2011
Leasing liabilities		
Maturity within one year	62	47
Maturity later than one year	48	87
Total	**111**	**134**

The leasing agreements have normal terms.

Other rental liabilities		
Maturity within one year	93	152
Total	**93**	**152**

Pledges		
On behalf of group companies	56,191	59,242

Loans secured with pledged assets and mortgages		
Loans from financial institutions	18,049	18,947
Real estate mortgages	90,000	90,000
Liens on chattel	50,000	50,000
Carrying amount of pledged securities	63,544	66,823
Carrying amount of pledged receivables	31,892	37,923
Other pledged assets	23	40

Mortgages, liens on chattel and pledged assets are given on own and other group companies behalf.

Board of Director's Proposal for the Distribution of Profits

The distributable funds of Glaston Corporation, the parent of Glaston Group, are EUR 25,909,633 of which EUR -11,101,550 represents the net loss for the financial year. There are no funds that can distributed as dividends.

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 and that no capital will be repaid from reserve for invested unrestricted equity. EUR 25,909,633 will be left in distributable funds.

Helsinki, 7 February, 2013

Andreas Tallberg
Chairman of the Board

Christer Sumelius
Deputy Chairman of the Board

Claus von Bonsdorff

Anu Hämäläinen

Teuvo Salminen

Pekka Vauramo

Arto Metsänen
CEO

Auditor's report

Translation

To the Annual General Meeting of Glaston Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Glaston Corporation for the financial period 1.1.–31.12.2012. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, February 7, 2013

Ernst & Young Oy
Authorized Public Accountant Firm

Harri Pärssinen
Authorized Public Accountant