2008 ANNUAL REPORT
GLASTON CORPORATION

glaston

CONTENTS

GLASTON IN BRIEF

Glaston is the global market leader in glass processing machines and a pioneer in its field as a comprehensive supplier. The cornerstones of Glaston's business are reliability, quality and service. Consolidated net sales in 2008 were EUR 270.4 million.

Glaston is a pioneer of glass processing technology and service business for glass processing machines. As a globally operating company, Glaston serves its customers worldwide in a total of 27 service locations and 30 sales companies. Glaston has production in five countries on four continents. At the end of 2008, Glaston had 1,541 employees.

THE MARKET'S WIDEST RANGE OF PRODUCTS AND SERVICES

Glaston's Pre-processing business area offers glass pre-processing machines and related maintenance services. The business area's product range covers machines for glass cutting and drilling all the way to edge processing and grinding. In addition, the product range includes tools and service for glass processing machines. The business area's end customer segments are the architectural industry as well as glass processors supplying the furniture and appliance industry. The Pre-processing business area's net sales in 2008 were EUR 89.7 million.

The Heat Treatment business area's product offering covers the machines with which glass is processed into safety glass using heat. Flat tempering machines are the business area's most significant product group. In addition, the business area's machines can bend, bend-temper and laminate glass. The Heat Treatment business area's customers are also offered comprehensive machine maintenance services. The business area's most significant customer groups are the architectural industry, the solar energy segment, the automotive industry, and glass processors supplying the furniture and appliance industry. The Heat Treatment business area's net sales in 2008 were EUR 152.9 million.

Glaston's own glass processing unit, Tamglass Glass Processing Ltd, is a Finnish manufacturer of high quality safety glass products.

The Software Solutions business area supplies software and enterprise resource planning and reporting systems to the glass industry. The business area's product offering covers enterprise resource planning systems for the glass industry, software for the needs of window and door glass manufacturers, and software for glass processors' integrated line solutions. The Software Solutions business area's net sales in 2008 were EUR 28.2 million.

Glaston's head office is located in Tampere, Finland. Glaston's share (GLA1V) is quoted on the NASDAQ OMX Helsinki Mid Cap List.

BUSINESS AREAS			BUSINESS UNITS	
Pre-processing	**Heat Treatment**	**Software Solutions**	**One-Stop-Partner**	**Service Solutions**
Bavelloni branded glass pre-processing machines and stone processing machines Glass processing tools with Bavelloni and DiaPol brands More than 19,000 machines delivered to around 100 countries Around 1,100 machine deliveries and 300,000 tool deliveries per year 2008 net sales EUR 89.7 million	Glass tempering, bending and laminating machines Well known brands Tamglass and Uniglass World's leading safety glass machine manufacturer More than 2,200 machines delivered to around 90 countries 2008 net sales EUR 152.9 million	Significant position as supplier of software and enterprise resource planning and reporting systems to the glass industry Brands e.g. ALCIB, ALFAK, ALCIM, CANTOR and XOPT 2008 net sales EUR 28.2 million	Medium-size and large lines as well as line and factory configurations Optimum combination of machines, software and services from one supplier	Service business, covering all Glaston machine types and main market areas worldwide New service contract models Glaston Care and Glaston Care Plus

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ARCHITECTURAL GLASS STRUCTURES ARE WIDELY USED IN SKYSCRAPERS

2008 IN BRIEF

The global financial crisis significantly weakened the glass processing machine market in the second half of 2008. During the final quarter of the year, new machine orders fell sharply and the order book clearly declined. Efficiency improvement measures were initiated in all of Glaston's units to cut costs and boost cash flow. During the year, however, Glaston forcefully continued the implementation of its strategy. The architectural glass segment and the solar energy market still create a foundation for the Group's future growth, and the development of service business has a key role.

GROUP KEY FIGURES

- Orders received EUR 184.7 (212.7) million.
- Order book at year end EUR 60.7 (87.0) million
- Net sales EUR 270.4 (269.8) million
- Operating profit excluding non-recurring items EUR 6.2 (16.8) million
- Return on capital employed (ROCE) –2.3 (11.3) per cent
- Result for the financial period EUR –9.2 (10.8) million
- Earnings per share EUR –0.12 (0.14)
- Gearing 46.8 (7.1) per cent
- Number of employees at year end 1,541 (1,435)
- Board of Directors' dividend proposal EUR 0.05 (0.10) per share

MARKET SITUATION WEAKENED SIGNIFICANTLY DURING THE LATTER PART OF THE YEAR

Due to the global financial crisis and the deteriorating economic climate, Glaston's market situation weakened substantially during the autumn, and in the final quarter of 2008 the market was particularly quiet. In the latter part of the year One-Stop-Partner projects stopped, whereas service business as well as demand for software continued to be satisfactory.

In September, an efficiency programme was initiated in all of Glaston's units with the objective of improving the profitability of the whole Group and the Pre-processing business area in particular, as well as adjusting operations to the market situation. It is estimated that the efficiency measures will generate around EUR 5 million in cost savings on an annual basis, and that they will be evident in full from 2010.

SLOW DOWN IN DEMAND FOR NEW MACHINES

The Pre-processing business area focused during the year on the geographical development of sales and launching new machine models. The market weakened in the second half of 2008 in North America as well as in the EMEA area and Asia, but developed positively in South America. Assembly of Bavelloni cutting tables and lines was initiated in China, which was the first step towards a new, localised product range. The business area's net sales in 2008 totalled EUR 89.7 million.

The market situation of the Heat Treatment business area, excluding the end of the year, was good and activity in the solar energy glass market remained favourable throughout nearly the entire year. In the EMEA area and in South America demand continued to be strong, but the downturn in North America continued. In Asia, competition intensified and, to strengthen its market position, Glaston began production of two safety glass machine series in China. The restructuring of Tamglass Glass Processing Ltd., which operates in Finland, proceeded during 2008. The business area's net sales were EUR 152.9 million.

During 2008, the Software Solutions business area focused on completing the integration of Albat+Wirsam into the Group as well as the integration of the business area's software into Glaston's machines. The business area developed favourably in 2008 and the market was strong throughout nearly the entire year. The EMEA area in particular boosted growth. The business area's net sales were EUR 28.2 million.

Glaston delivered One-Stop-Partner solutions to the architectural and solar energy sectors in 2008. Demand, except for the latter part of the year, was good in Eastern and Southern Europe, the Middle East, North Asia and the APAC area. The One-Stop-Partner business unit's sales totalled EUR 25.9 million.

Glaston's service business developed positively in 2008, particularly due to product upgrades and new service contract concepts. Glaston's first global upgrade agreement for pre-processing machines was signed at the beginning of the year.

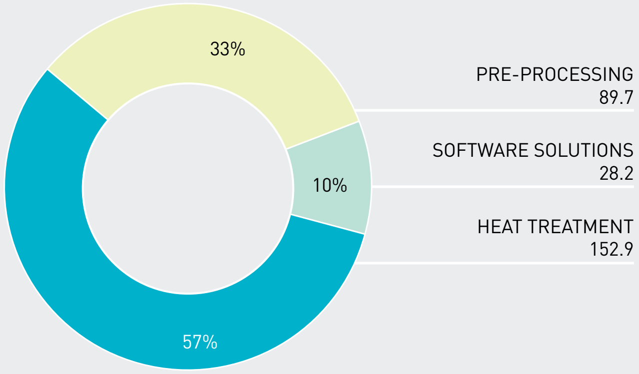
RESEARCH AND PRODUCT DEVELOPMENT EXPENDITURE GREW

Research and development expenditure totalled EUR 14.4 million and grew to 5.3 per cent of net sales. During the year, Glaston launched several new products and continued the integration of glass processing machines and software. Gross capital expenditure in 2008 totalled EUR 18.4 million. The most significant capital expenditure during the year was related to global product development, ERP project and production machines.

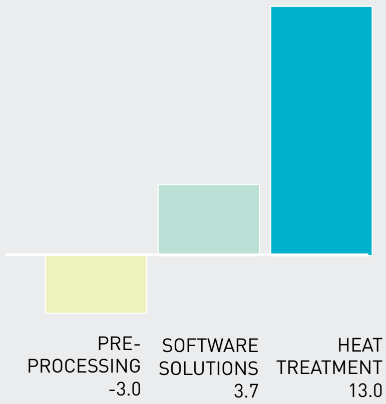
A summary of stock exchange bulletins published by Glaston during 2008 can be found at the address **www.glaston.net.**

KEY FIGURES 2008

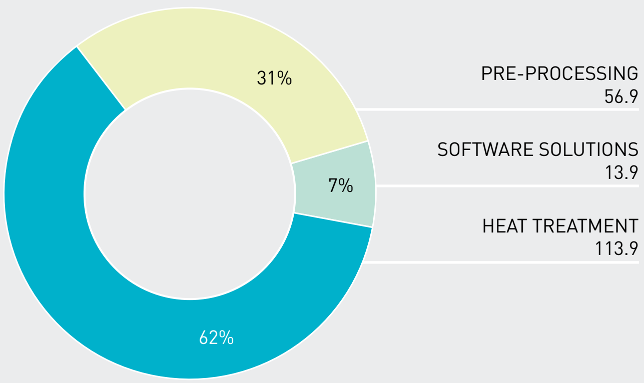
NET SALES BY BUSINESS AREA, EUR MILLION



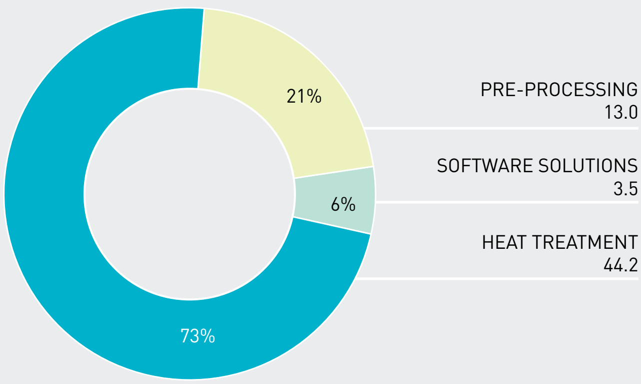
OPERATING RESULT BY BUSINESS AREA, EXCLUDING NON-RECURRING ITEMS, EUR MILLION



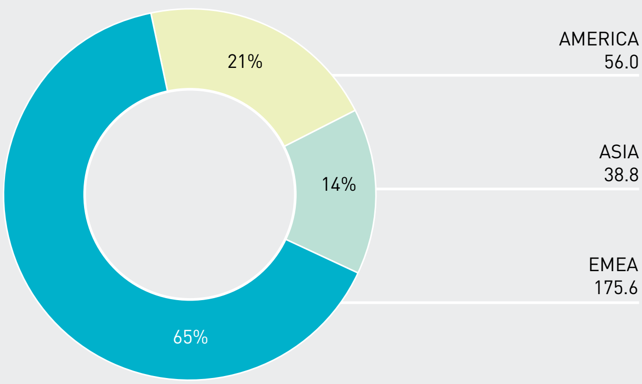
ORDERS RECEIVED BY BUSINESS AREA, EUR MILLION



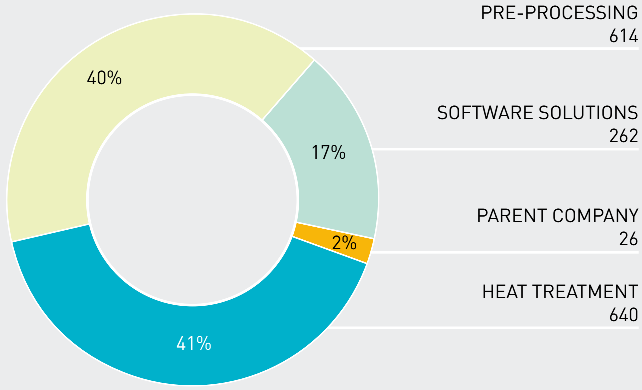
ORDER BOOK BY BUSINESS AREA, EUR MILLION



NET SALES BY MARKET AREA, EUR MILLION



PERSONNEL AT YEAR END



RIKU ISOHELLA

MIKA SEITOVIRTA
PRESIDENT & CEO

PRESIDENT & CEO'S REVIEW

2008 was a year of contrasts for Glaston. The year had a promising start, and Heat Treatment and Software Solutions business areas developed strongly. Prospects weakened rapidly during the summer, and in the latter part of the year we operated amid the global financial crisis. During the year, however, we forcefully continued the implementation of the Glaston agenda.

OUR AGENDA 2008

In 2008, we focused on development programmes based on our strategy: on quality, the supply chain, on developing the service business, the One-Stop-Partner concept and China. In addition, we continued strongly with the creation of an integrated Glaston operating culture. We have worked systematically and extensively in all areas of the business. Results have already been visible during the past year.

During the year we built, for example, a new quality strategy and related organisation. In the supply chain, the key measures were creating a global process and a clear centralisation of the procurement organisation. Our goal is to lower supply chain quality and procurement costs, and to increase our reliability of delivery.

In service business a very high activity level was achieved, in particular, through new service agreements and products. We strengthened the service organisation and focused on training of service personnel. The investment made in service was evident in the second half of the year as a growth in sales.

For the OSP concept, 2008 was a year of progress. Due to intense development work, we have become a stronger comprehensive supplier, one example of which is our co-operation in solar energy announced with the Israeli company Solel Solar Systems. However, in the second half of the year, the financial crisis brought OSP projects to a halt.

In China we continued to strengthen our presence, and a new market area was formed for North Asia, with Chinese management being recruited. In addition, we began manufacturing in China several Pre-processing and Heat Treatment products. Our goal is to offer products better tailored to this market and to increase our expertise in the area.

GLASTON'S OPERATING CULTURE INTEGRATED

A significant step was made from the previous year towards an integrated operating culture and Glastonian operating practices. At the beginning of the year, more than 130 managers participated in a new and extensive training programme, in which we rolled out our new strategy and focused on creating a common culture and management methods. After this we have initiated corresponding training for sales personnel, which will continue in 2009.

NEW PRODUCTS LAUNCHED

For Glaston, 2008 meant the fruition of several product development projects in the form of product launches. We introduced a total of eight new Pre-processing products and two new Heat Treatment machines. In service business we launched two new service agreements based on continuous maintenance, which were well received. Our Software Solutions business continued to focus on the integration of software products and glass processing machines.

MARKET SITUATION CHANGED QUICKLY

Our business developed positively in the first quarter of the year. This was already being overshadowed, however, by difficulties in the Pre-processing business area and in Tamglass Glass Processing Ltd. Due to the global financial crisis, Glaston's market situation weakened substantially during the autumn, and at the end of September we lowered our profit forecast for 2008. In the final quarter of the year, markets were very quiet, and demand weakened in all markets, except for South America.

In September, we initiated an efficiency programme to improve profitability. The priority shifted to direct cutting of costs, adjusting production to demand and improving cash flow. Owing to uncertainty in the operating environment and a weakened market situation, we now believe that we will achieve our financial targets in 2012 instead of 2010.

OUTLOOK FOR 2009

In 2009, we will strongly continue to implement our strategy and our set development programmes. We will continue to focus strongly on product development and on enhancing our employees' expertise. A weak order book and exceptionally low demand will make the year a difficult one, however. Adjusting our operations to the prevailing market situation will continue.

To every one of our employees, I extend my warm thanks for their good work and commitment to building an integrated Glaston. I would also like to thank our shareholders, our customers and our partners for the trust they have shown us in 2008.

Mika Seitovirta
President & CEO

BUSINESS STRATEGY

Glaston is a growing, international glass technology company. We promote the development of a pleasant, safe and energy-efficient residential and working environment by utilising innovative glass technology. By producing new, advanced and energy-saving glass solutions, we are committed to building a sustainable future.

Glaston's new strategy was announced in January 2008. The key elements of the strategy are built on the following themes:
- The architectural glass segment, supported by the solar energy market, creates a foundation for Glaston's growth. Our objective is to act as an integrator of the architectural glass industry value chain.
- The One-Stop-Partner concept distinguishes Glaston from its competitors.
- In the furnishing and automotive glass segments, we focus on improving profitability and cash flow.
- Glaston's goal is to build a strong market position also in China and elsewhere in Asia.
- Further development of service business is a cornerstone of the Group's growth and market leadership.
- Glaston will make, if necessary, carefully considered acquisitions to strengthen its offering.

SOLAR ENERGY MARKET SUPPORTS THE ARCHITECTURAL GLASS SEGMENT

Glaston's objective is to act as an integrator of the architectural glass value chain. Glaston will utilise its currently strong market position and expertise in a customer sector that is large and has substantial growth expectations.

In construction, use of safety glass and energy glass is growing, which is boosting demand for Glaston's machines. Glaston estimates that worldwide around 70 per cent of raw glass is used in the construction industry, but it is estimated that only 30 per cent of glass used in construction is safety glass. The use of safety glass in the architectural glass segment is being increased by ever-demanding glass applications and the growing use of energy glass.

The architectural glass segment is supported by the strongly developing solar energy glass market. In 2008, the solar energy segment's share of Glaston's business clearly grew, and the market is expected to continue to offer significant growth potential. Glaston's objective is to achieve a significant market position in the solar energy glass segment aided by its excellent market knowledge and technologically advanced products directed at the sector.

The glass processing market serving the appliance and automotive industries is clearly smaller than the architectural glass market, and the segment's growth expectations are slightly lower. In these segments, Glaston is focusing on profitability and cash flow.

Tamglass Glass Processing Ltd. was defined in the new strategy as being outside Glaston's core business, and Glaston is analysing strategic options for the future for these operations. In 2008, the glass processing unit focused on improving profitability. The unit discontinued its working machine and special automotive glass business and strengthened its architectural glass operations. The Pihtipudas production unit in Finland was closed at the end of 2008.

GLASTON – A PIONEER AS A COMPREHENSIVE SUPPLIER

As a supplier of comprehensive solutions, Glaston is a pioneer in its field of competition. With its One-Stop-Partner concept, Glaston aims to serve customers so that their operations are as efficient as possible and that their competitiveness grows. The OSP concept is clearly strengthened by the software products of the Software Solutions business area and by the comprehensive service business.

Demand for comprehensive solutions is expected to increase in future as production efficiency and flexibility requirements grow. With an integrated machine and software package, the production process can be optimised, which helps maximise the customer's production and maintain competitiveness.

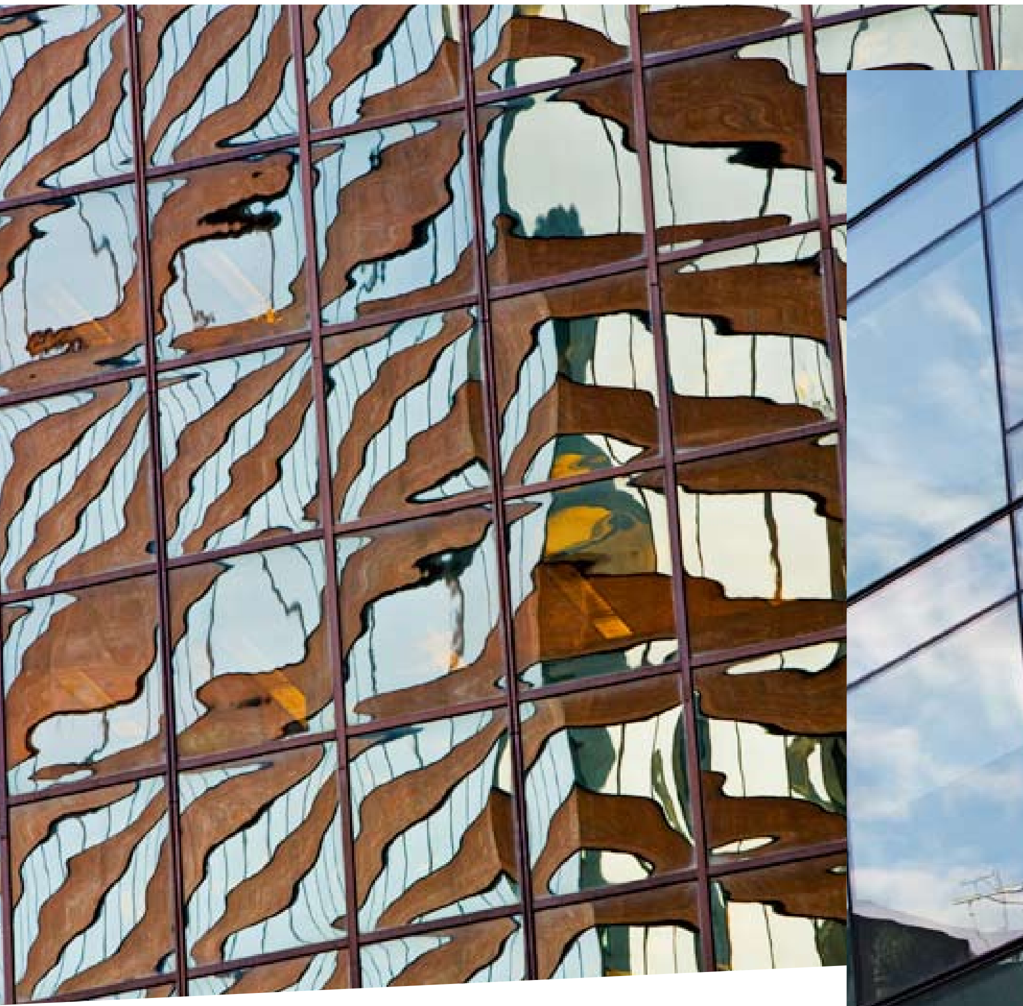
GLASTON IS BUILDING A STRONG MARKET POSITION IN CHINA AND ELSEWHERE IN ASIA

China's glass demand alone represents more than one third of the whole sector's global demand, and it can be considered the superpower of glass processing industry. On the other hand, competition in the industry is also at its most intense in China.

Glaston is distinguished in China by its high quality, reliability and brand. Growing quality awareness in China is being promoted particularly by tightening regulations, which supports Glaston as a supplier. In 2008, Glaston continued to strengthen its operations in China in order to respond to competition and to be able to produce glass processing machines cost-effectively for the needs of the Chinese market. A new market area was formed for North Asia and Chinese management has now been recruited.

SERVICE BUSINESS CREATES A FOUNDATION FOR GROWTH AND MARKET LEADERSHIP

The key words of Glaston's customer



REFLECTIONS OF CITY LANDSCAPE,
NEW YORK, USA

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promise are reliability, quality and service. Glaston's market leadership does not only mean the largest market share and the widest and technologically most advanced product range; it also means first-class customer service and the highest customer satisfaction in the sector.

In service business, the biggest competition currently comes from customers who service their machines themselves. For Glaston, however, this also presents a substantial growth opportunity as customers outsource operations that do not belong to their core business. In the next few years, Glaston will focus in its service business on profitable growth, further increasing customer satisfaction, and boosting service sales. In addition, service productisation will be continued.

STRENGTHENED OFFERING THROUGH CAREFULLY CONSIDERED ACQUISITIONS

In addition to organic growth, Glaston will make, if necessary, carefully considered acquisitions to strengthen or supplement its technological expertise, product offering or geographical market position. A precondition of acquisitions is that they are in line with the strategy, increase Glaston's value, offer clear and significant synergies, and that the management of the acquired company is capable of managing the business as part of an international group. Acquisitions must also support Glaston's financial objectives.

FINANCIAL OBJECTIVES

At the beginning of 2008, Glaston announced, in connection with the updated strategy, the financial targets of:

- Net sales annual growth over 8 per cent
- Operating profit (EBIT-%) at least 10 per cent
- Return on capital employed (ROCE) at least 20 per cent

Glaston announced in October 2008 that it believes that it will achieve the financial targets in 2012 instead of 2010, owing to uncertainty in the operating environment and weakened market conditions.

OPERATING ENVIRONMENT

Demand for Glaston's glass processing machines will be driven in the long term by greater use of glass, growth in demand for technologically demanding glass applications, increasing environmental awareness as well as tightening of energy consumption and safety regulations.

USE OF ENERGY AND SAFETY GLASS INCREASING RAPIDLY

Glass demand will be driven largely by increasingly widespread use of glass, particularly in public construction and architectural planning, in which case development of new and renovation construction will also drive demand for Glaston's machines. Demand for technologically demanding glass applications is growing, and, for example, bigger sizes, bendability and thinness are being required of architectural glass.

In addition, increasing environmental awareness and tighter regulations mean that energy-saving targets are growing, which impacts demand for energy glass; using the right kind of glass, energy consumption can be reduced significantly and, as a result, demand for energy glass will grow strongly. Various safety regulations are also contributing to growing use of energy glass and laminated glass. The main areas of use for safety glass are public construction, the automotive industry, and the furnishing and appliance industry.

Through economic growth, use of energy glass is also increasing in developing markets, as end customers get the opportunity to use more highly processed glass and to exploit the energy-saving potential it offers. Use of glass in developing markets is not, however, as common as elsewhere, but generally the trend is the same everywhere: glass size and coating requirements are increasing and the trend is towards more demanding glass applications.

SOLAR ENERGY GLASS DEMAND IS GROWING STRONGLY

Demand for glass used in solar energy glass applications, and therefore demand for glass processing machines serving the solar energy segment, is expected to offer significant growth potential for Glaston in the future. Greater use of solar energy is being supported by growing environmental awareness, the effort to reduce dependence on non-renewable energy sources, and by cost factors.

Demand for solar energy is also being increased by various restrictions on emissions. For example, according to the EU Energy and Climate Package approved by the European Parliament in December 2008, the proportion of renewable energy in the EU's energy consumption must be raised to 20 per cent by 2020. The member states, furthermore, must reduce their greenhouse emissions by 20 per cent from the 1990 level by 2020. Energy efficiency must also be improved by the same amount.

The price level of solar energy relative to non-renewable energy sources will play an important role in spreading solar energy use and, in this, the development of technology used in the production of solar energy will also be important.

MOST SIGNIFICANT GROWTH POTENTIAL IS IN THE ARCHITECTURAL SEGMENT

Greater use of glass, growth in the relative proportion of safety glass, and increasingly widespread use of solar energy have a positive impact on demand for Glaston's machines, even though the global financial crisis will also be clearly reflected in demand for glass processing machines in the near future. Demand for glass processing machines varies both between business areas and geographically.

Based on data gathered before August 2008, demand for processed glass is expected to grow at an average of 4 per cent per year in the period of 2007–2012. Growth in the architectural segment is expected to be an average of 5 per cent per year over the same period. Currently, an estimated 40 per cent of all glass manufactured is processed into safety glass, but only an estimated 30 per cent of glass used in construction is safety glass.

The worldwide glass machine market, including services, was an estimated EUR 1.7 billion in 2005. From Glaston's perspective, the most growth potential is in architectural glass, and Glaston expects demand for the glass processing machines that serve this segment to continue to grow in the coming years.

The number of heat treatment machines is expected to grow worldwide by an estimated few percentage points in the period of 2007-2012. Quantitatively, most machines are currently sold in North Asia, but the EMEA area is the biggest target market in terms of value. In Glaston's Heat

Treatment business area, demand in the next few years will clearly depend on the development of the macroeconomy as well as the solar energy market and construction industry.

SERVICE BUSINESS NOT AS SENSITIVE TO DOWNTURN AS NEW MACHINE SALES

The glass processing machines offered by Glaston are capital goods, the demand for which is adversely affected by the global financial crisis, companies' financing difficulties and the economic downturn. The significance of production efficiency requirements and continuity is growing all the time, however, which means that as investments in new machines are postponed during an economic downturn, customers will maintain their competitiveness with machine upgrades and maintenance measures. Glaston's diverse maintenance and service offering is therefore not as sensitive to economic fluctuations as new machine sales.

Glaston's three strong geographical market areas – EMEA, Asia and the Americas – also help to balance the cyclical fluctuations arising from changes in economic conditions, although currently the downturn in demand for glass processing machines is evident everywhere. Renovation construction, on the other hand, evens out to some extent the impact of economic fluctuations in the construction industry on Glaston's business. Glaston's customer structure is also diversified.

GLASTON'S COMPETITIVE ADVANTAGES ARE QUALITY, RELIABILITY AND TECHNOLOGICAL SUPERIORITY

Brands have great significance in a competitive situation: Glaston's key brands – Tamglass, Uniglass, Bavelloni and Albat+Wirsam – are known in the industry all over the world, and to customers they represent quality and reliability. The importance of strong brands is emphasised particularly during an economic downturn, when Glaston's position typically strengthens, due to its leading market position. In addition, one of Glaston's biggest competitive assets is its ability to offer comprehensive deliveries. Glaston offers its customers comprehensive factory and line solutions that competitors cannot necessarily offer due to their size.

In the Heat Treatment business area, Glaston is the clear market leader worldwide. Glaston has the market's widest product range and service offering. The biggest competitors in the Heat Treatment business area are from Italy, the USA, China, Taiwan and from elsewhere in Europe. Glaston, however, is significantly larger than other operators and the sector is highly fragmented.

Chinese competitors are gradually entering Europe and North America, but for now they are strongest in their home market. Glaston is the clear market leader in developed markets. The Chinese operators compete mainly on price, while Glaston's competitive advantages are the technological quality of its products, a comprehensive service offering and its geographical presence close to customers.

In the Pre-processing business area, Glaston is one of the world's leading operators. The most significant competitors are from Italy or from elsewhere in Central Europe and to some extent from China. In addition, the pre-processing machine market has a large number of local companies or small companies that focus only on one product group. The business area is strong, particularly in grinding machines and tools, and is very strong in machine reliability and productivity.

The Software Solutions business area has only one competitor capable of offering software covering the whole sector worldwide in addition to Glaston. Other competitors are either local or tied to a certain machine brand. The business area's competitive advantages are independence of machine brands, innovation, and comprehensive understanding of its customers' field of operation and business processes.

A comprehensive service network close to the customer is also one of Glaston's key competitive advantages. In service business, the biggest competition currently comes from customers who service their machines themselves. For Glaston, however, this also presents a substantial growth opportunity as customers outsource operations that do not belong to their core business, although the global financial crisis may also impact glass operators' maintenance and service outsourcing decisions. Demand for service business is also influenced to some extent by small local operators.

BUSINESS AREAS
PRE-PROCESSING

In 2008, the focus of the Pre-processing business area was on geographical sales development and on technology in the form of several new machines. The business area did not perform financially as expected, and an efficiency programme was initiated in September.

The Pre-processing business area manufactures both glass pre-processing and stone processing machines. Its product range covers machines for cutting and drilling all the way to edge processing and grinding. In addition, the business area manufactures and supplies glass and stone processing related tools, and offers machine maintenance and upgrade services. In glass pre-processing, Glaston is one of the leading companies globally, with a special focus on grinding machinery.

The business area's customer base is global, and its end customer segments are the architectural industry as well as the furniture and appliance industry. The solar energy segment represents a new challenge in the glass processing industry, also from the pre-processing point of view. Glaston's pre-processing machines can already meet the needs of this segment, having delivered solutions which respond successfully to customer demand.

Glaston introduced a raft of new products in 2008. Production in China was strengthened.

VARIOUS NEW PRE-PROCESSING PRODUCTS RELEASED

In 2008, the product development emphasis was on product integration and new products mainly directed at the architectural and solar energy markets. Various new products, including new cutting solutions, a CNC machine, an edge grinding machine and tooling solutions were presented at Glasstec, the industry's leading fair, in October. These solutions were successfully received by the market and several machines had already been delivered at the end of 2008. Pre-processing machines that operate with Albat+Wirsam software were also presented for the first time.

LOCALISATION OF PRODUCTS IN CHINA COMMENCED

The Pre-processing business area manufactures its machines in three locations: Italy, Brazil and China. In 2008, the assembly of Bavelloni cutting tables and lines began at the Tianjin factory in China (opened in 2007), and the first products were delivered to the local market during the third quarter. These actions represented the first steps towards a new localised product range through which Glaston will be better able to meet local market needs in China and grow its operations in low-cost countries.

Concerning stone tools production, Glaston opened new facilities in Greensboro in the USA.

SOUTH AMERICA A BRIGHT SPOT IN THE CHALLENGING MARKET ENVIRONMENT

The strong slow-down in the market that began at the end of the second quarter of 2008 continued during the rest of the year. This negative trend was reflected in orders received and in the business area's result. In addition to North America, demand also weakened in the EMEA area as well as in Asia. The EMEA area continues to be the most significant market area, measured in net sales, whereas sales in North America decreased substantially from 2007. To reinforce its market position, Glaston restructured and strengthened the Pre-processing business area's sales organisation in 2008, with the focus lying on the EMEA area.

In 2008, the South American market developed positively, where growing demand for glass applications, mainly in the architectural sector, supported sales of pre-processing machines and tools. Glaston succeeded in increasing both its market share and net sales in the area during 2008.

RESULTS OF EFFICIENCY PROGRAMME EXPECTED IN 2009

In 2008, the Pre-processing business area accounted for 33.1 per cent of consolidated net sales. Net sales decreased by 4.7 per cent to EUR 89.7 (94.1) million. Operating result excluding non-recurring items amounted to EUR -3.0 (1.6) million. The

	2008	2007	CHANGE (%)
NET SALES [EUR MILLION]	89.7	94.1	-4.7
OPERATING RESULT [EUR MILLION]	-3.0	1.6	–
AS A PERCENTAGE OF NET SALES	-3.3	1.7	–
ORDER BOOK [EUR MILLION]	13.0	20.9	-37.8
PERSONNEL AT YEAR END	614	556	10.4

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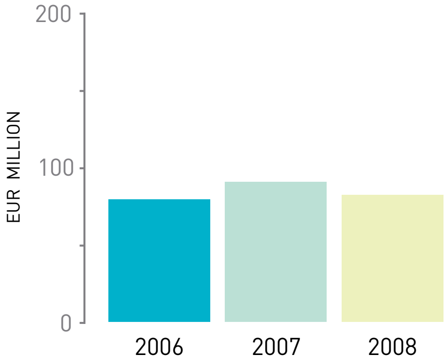
CCTV-TOWER
BEIJING, CHINA

order book at the end of the year was EUR 13.0 (20.9) million.

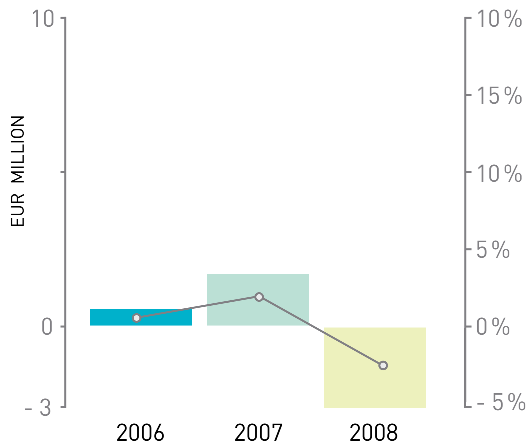
The weak profit development of the business area is explained by a non-optimum product portfolio and intensified price competition as a result of the challenging market situation. Due to the poor financial performance of especially the Pre-processing business area, Glaston initiated an efficiency programme to improve profitability in September. The objective of the programme is to improve the profitability of Glaston, and of the Pre-processing business area in particular, as well as to adjust Glaston's operations to the market situation.

In 2009, the market for pre-processing products is expected to continue to be challenging and price competition will remain intense. The focus in the pre-processing business area will be on measures to improve profitability, and also on defining the product strategy.

NET SALES



OPERATING RESULT AND MARGIN



In 2008, the focus was on boosting profitability, developing the product offering and improving market position. Demand for machines used in the manufacture of solar energy panels and mirrors grew almost throughout the year. The market situation was good with the exception for the latter part of the year.

Glaston Heat Treatment's product offering is the widest on the market, and in this business area Glaston is the clear market leader in the world. In addition to glass processing machines, customers are offered various services ranging from training to regular and preventative maintenance.

The business area's machines process glass into safety glass using heat: glass can be flat-tempered, bent, bent-tempered and laminated.

Heat Treatment's customers supply glass products primarily to the architectural industry, the automotive industry, the appliance industry, and manufacturers of solar energy solutions. Of Heat Treatment's business, the proportion of systems developed for solar energy glass production was significant in 2008 and it clearly grew from the previous year. In 2008, the most significant customer relationship involved production lines supplied to the Israeli company Solel Solar Systems and a joint project on the manufacture of parabolic solar reflectors using Glaston's machines in Akaa, Finland.

NEW PRODUCTS FOR THE PRODUCT PORTFOLIO

Of the product groups, the most significant in 2008 remained the flat tempering machines, as measured both in terms of net sales and machines sold. As a target market, flat tempering machines also constitute the biggest group. The Tamglass ProE™ machine is the most sold flat tempering machine for low emissivity glass in the world.

During the year, Glaston launched a number of new Heat Treatment machines. In bending machines, a machine line was launched for the manufacture of CSP (Concentrated Solar Power) solar panels. In addition, Glaston launched a large production capacity flat tempering machine for the manufacture of both photovoltaic (PV) solar energy glass and architectural glass. The business area's product launches were complemented by the expansion of the ProE Magnum™ product family to still larger glass sizes, which reinforced Glaston's leading position as a manufacturer of demanding flat tempering machines.

In 2008, based on Glaston's strategy and new market opportunities, a new product strategy was prepared for the Heat Treatment business area, and product management was reorganised. The product strategy will ensure Glaston's technical and market leadership. Technology directed at the solar energy market will play a strong role in the new product strategy.

WORLDWIDE CLIENTELE

Of Heat Treatment's customers, architectural glass customers remain the biggest customer group and the segment's demand was strong, particularly at the beginning of the year. Automotive glass industry demand varied clearly over different market areas. Demand among appliance industry customers was strong particularly in South America.

The geographically most significant market area is the EMEA area, where the market position of Heat Treatment is very strong, particularly in the Middle East, where it strengthened further during 2008. In addition, the Heat Treatment business area enhanced its position in South America during 2008. The market in North America weakened further.

The contraction of the market in the latter part of the year and the postponement of customer decisions due to the financial crisis tightened the competitive situation. Glaston's competitive advantages in a more challenging market situation are strong technological expertise, quality, an advanced product offering and a comprehensive sales and service network.

PRODUCTION IN CHINA INCREASED

To strengthen its market position, during the year Glaston began production of two safety glass machine product families in China, which will facilitate the offering of products cost-effectively and closer to customers. In 2009, the Tamglass CHF and Tamglass ProE CCS products will be supplied from the Chinese factory. Measures to increase manufacturing in China will be continued during 2009.

FINANCIAL MARKET INSTABILITY EVIDENT LATE IN THE YEAR

The business area's market situation overall was good, even if the market situation weakened substantially at the end of the review period. Uncertainty about the development of the market and particularly the instability of

	2008	2007	**CHANGE (%)**
NET SALES [EUR MILLION]	**152.9**	162.3	**-5.8**
OPERATING RESULT [EUR MILLION]	**13.0**	19.6	**-33.7**
AS A PERCENTAGE OF NET SALES	8.5	12.1	-
ORDER BOOK [EUR MILLION]	**44.2**	59.9	**-26.2**
PERSONNEL AT YEAR END	**640**	612	**4.6**

HOTEL BEIJING 7-STAR
BEIJING, CHINA

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the financial markets caused customers to delay decisions in a number of market areas. The order book at the end of the year was EUR 44.2 (59.9) million.

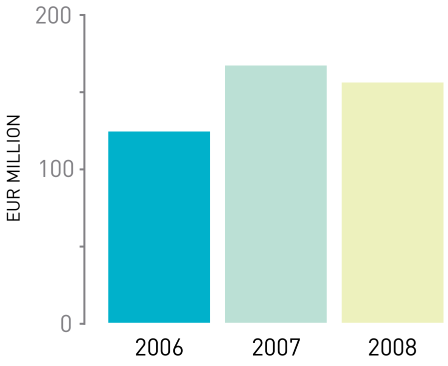
In 2008, the Heat Treatment business area accounted for 56.5 per cent of Glaston's net sales. Net sales were EUR 152.9 (162.3) million. The operating result excluding non-recurring items was EUR 13.0 (19.6) million. The profitability of core business, i.e. safety glass machines, developed positively during the year, although delivery volumes in the latter part of the year were lower than expected due to the postponement of customer decisions. This had a weakening effect on the operating result for the full year.

In October 2008, Glaston initiated in the business area an adjustment of costs and capacity to the changed market situation. As a consequence, the operations of Uniglass Engineering Oy in Finland will be merged with Glaston Finland Oy's operations during 2009. In future, Heat Treatment machines will be manufactured in four factories – in Finland, the USA, China and Brazil.

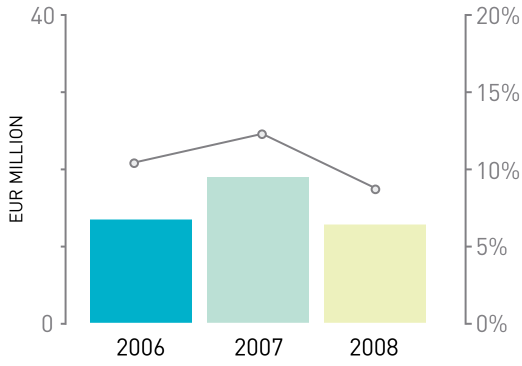
The losses of Tamglass Glass Processing Ltd., which is part of the Heat Treatment business area, decreased in the second half of the year, but the company's operating loss significantly burdened the result of the business area and of Glaston as a whole. The rationalisation of Tamglass Glass Processing's operations will continue in 2009.

In 2009, the business development priorities will be developing product technology and improving cost-efficiency. Demand is expected to remain at a low level in the first half of 2009.

NET SALES



OPERATING RESULT AND MARGIN



In 2008, the business area focused on deeper integration of Albat+Wirsam's products with Glaston's machines. The integration was supported by new product launches. For the business area, markets remained strong throughout 2008.

The Software Solutions business area is a leading supplier of glass industry software as well as enterprise resource planning and reporting systems for the glass industry. The business area comprises the German Albat+Wirsam Software Group acquired in 2007.

The business area offers software solutions for the glass and window industry, enabling Glaston's customers to manage their entire production and commercial processes. The aim is to increase the degree of automation in the glass and window industry, and thus, the profitability of Glaston's customers.

Glaston offers complete machinery solutions with solely proprietary software.

The business area's software product range consists of production management systems for float glass manufactures as well as glass processors, with a focus on three product groups: sales process management from order processing to invoicing; production planning from cost accounting and capacity planning to material management; and detailed production optimisation, monitoring and control. The software products offer optimisation of the entire production process, all the way from interoperability of machines to controlling the material and work flow, as well as managing sales.

Typical customers of Software Solutions are glass processors and window manufacturers who make customer-tailored products. With respect to volume, the strongest market sector for the Software Solutions business area is EMEA area, followed by North America, South America, and the APAC area. In 2008, demand in South America in particular developed positively, while the North American market showed no signs of recovery.

INTEGRATION WITH GLASTON MACHINERY CONTINUED

In 2008, the integration process of Albat+Wirsam into Glaston's organisation and operations was completed. The focus of the Software Solutions business area was strongly on establishing and completing the linking and compatibility of Albat+Wirsam's software with Glaston machinery. With the integration of Albat+Wirsam now completed, Glaston can act as a genuine comprehensive provider with compatible software.

The process of integrating Albat+Wirsam with Glaston also implied the major reorganisation of the Software Solutions business area. In 2008, the operational businesses were split into three new main areas: Software Sales Support, Implementation & Service, and Software Development.

The integration of Albat+Wirsam into Glaston was supported also by new products. The new product family, the Panorama line control system, allows the online control and monitoring of complete line solutions. In the area of OEM products, optimisation and CAD system versions for Bavelloni pre-processing machinery were introduced with the aim of replacing the formerly used third party software.

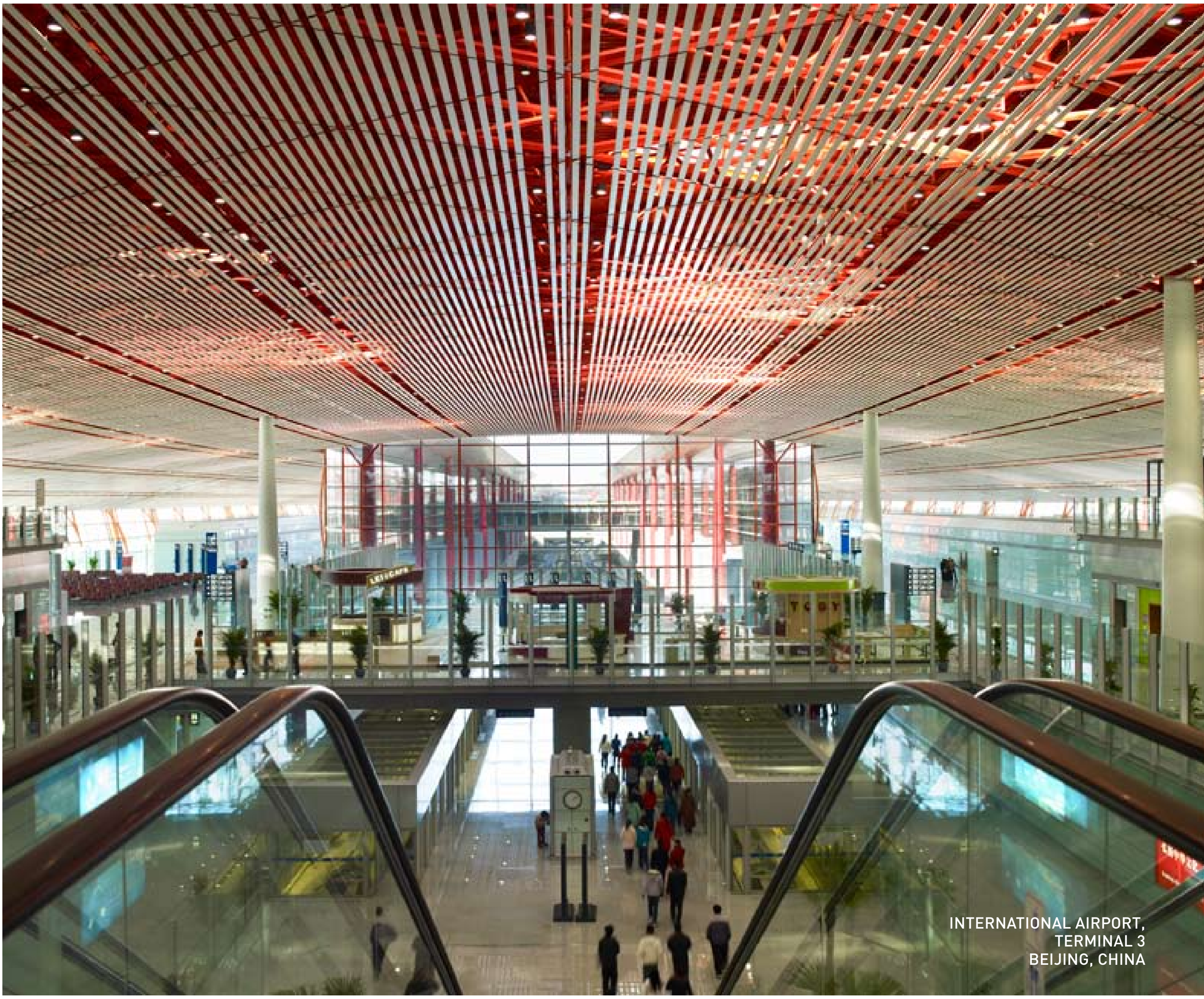
2008 A SUCCESSFUL YEAR

The market for the Software Solutions business area was strong in 2008. Demand was clearly driven by the glass processing industry's requirements for a higher degree of automation and more flexibility. In particular, the EMEA area pushed the growth of the business area, as well as a major project in Japan, which helped to adapt Glaston's software products to the requirements of the Asian market.

In 2008, the Software Solutions business area accounted for 10.4 per cent of Glaston's net sales. The business area's net sales grew to EUR 28.2 million (7-12/2007: EUR 14.7 million). Operating result excluding non-recurring items amounted to EUR 3.7 million (7-12/2007: EUR 2.6 million). On December 31, 2008, Software Solutions'

	2008	7–12/2007
NET SALES [EUR MILLION]	**28.2**	14.7
OPERATING RESULT [EUR MILLION]	**3.7**	2.6
AS A PERCENTAGE OF NET SALES	13.3	17.8
ORDER BOOK [EUR MILLION]	**3.5**	6.2
PERSONNEL AT YEAR END	**262**	247

FOSTER & PARTNERS



INTERNATIONAL AIRPORT,
TERMINAL 3
BEIJING, CHINA

order book totalled EUR 3.5 (6.2) million.

In 2009, the business area will concentrate on developing new product generations, especially in the field of production automation. The interaction between software development and that of the Pre-processing and Heat Treatment business areas will be strengthened, as will such interaction with third party machinery partners. The market environment for the business area is, however, expected to weaken during the first half of the year.

Glaston's OSP concept includes pre-processing and heat treatment machines, production control systems as well as partnering technology, services, consultation and project management. Within the global glass processing industry, the essential driver for demand for OSP solutions is the clients' need to maximize profit potential, production efficiency and flexibility in the ever intensifying competition.

Glaston is a forerunner in creating concepts for larger glass processing machine deliveries rather than single line components. All development work is based on customers' requirements and needs, with the aim of identifying the most beneficial entity from the clients' point of view. For the customer, the total expenditure is lower when acquiring the required glass processing machines, software and services through an OSP solution than when buying line components piece by piece.

In the glass processing industry, demand for single-source suppliers is increasing as in other industries. For Glaston, OSP deliveries range from medium-sized to large partial lines or line configurations, all the way to complete factory deliveries. Consultation plays a key role in marketing the OSP concept in order to achieve maximum efficiency through the best possible combination of machinery technology, software solutions and services.

The goal of the OSP concept is to maximise the customer's competitiveness and flexibility.

OSP CONCEPT FURTHER DEVELOPED IN 2008

In order to improve Glaston's delivery process and develop its OSP offering, Glaston's OSP unit was divided into two units in January 2008: the One-Stop-Partner Offering unit and the One-Stop-Partner Deliveries unit. This reorganization prepared the way for faster OSP concept development during 2008. The offering was defined and structured more clearly than before, and delivery capability was strengthened through recruitment and the implementation of unified operational procedures and working methods.

Concerning partnering technology under the OSP concept, the acquisition of Albat+Wirsam clearly strengthened Glaston's partner network among glass processing machinery suppliers, which further supports Glaston's OSP offering.

In addition to the organizational restructuring, 2008 was in many ways a year of major development for the OSP concept. In all, the OSP concept for solar energy customers was well received in the market, and customers showed a particular interest in flat panels and Glaston's bending technology.

HIGH DEMAND FOR INTEGRATED SOLUTIONS

Demand for OSP solutions, especially in Eastern Europe, the Middle East, and the APAC area, is being driven by completely new glass processing factories. In the mature markets of Central, Northern and Western Europe, as well as in North American markets, most OSP offers are based on renewal processes, or on upgrading production to a higher degree of automation. In general, the high efficiency requirements of e.g. solar energy and architectural sectors strongly drive demand for related OSP concepts and services.

In 2008, demand for integrated glass processing solutions remained high in Eastern and Southern Europe, the Middle East, and the APAC area with the exception of the end of the year. Demand in Central and Northern Europe, on the other hand, was weak. During the first months of 2008, the Americas showed strong demand for solar solutions. Due to the global financial crisis OSP projects came to a halt at the end of the year.

In 2008, Glaston delivered OSP solutions for both the architectural and solar energy sectors. New OSP orders in 2008 totalled EUR 25.9 (47.7) million. These earnings are included in the officially reported segments. The largest OSP delivery was to the factory in Akaa, Finland, for the production of parabolic solar reflectors for Solel Solar System's solar field projects. At the core of this facility lies unique glass processing equipment conceptualized by Solel, and designed and built by Glaston according to Solel's specific technical requirements and know-how.

In future, Glaston aims at similar OSP partnerships in which it can offer the client consultation in selecting the machinery, software and service combination, delivering the products and ensuring the client's production capabilities. In 2009, the emphasis regarding the OSP concept will be on the creation of new, and the maintenance of existing, long-term partnerships.

THE ARCHITECTURAL GLASS SEGMENT OFFERS SIGNIFICANT GROWTH POTENTIAL

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Glaston's service network is the widest in its field, and it covers all of Glaston's machine types and main market areas. Service sales developed positively in 2008, particularly due to product upgrades and new service agreement concepts.

Glaston's comprehensive service network is one of the Group's most important competitive advantages, covering 27 service locations worldwide. During the year, some operating locations in the United States were merged and new service locations opened in Turkey and Spain. The Service Solutions business unit has more than 270 employees. In 2008, personnel and expertise were strengthened, particularly in respect of new market areas.

The Service Solutions service offering includes a number of different service and maintenance products. The aim of continuous service agreements is to maximise the operational reliability of machines and to minimise unforeseen production breaks. The number of service agreements based on preventative and regular maintenance grew further in 2008.

Reliability, quality and service are Glaston's three core messages.

The unit's other services are machine upgrades, spare parts as well as consulting and training. Customers are also offered preventative and repair services outside continuous agreements. In addition, Glaston transfers, modernises and re-installs customer's glass processing machine, if necessary, at a new operating location or when a customer sells a machine to another operator. A remote machine monitoring and diagnostics are also a part of Glaston's service offering.

CUSTOMERS' REQUIREMENTS SUPPORTED SERVICE BUSINESS GROWTH STRATEGY

Growing efficiency requirements for production were one of the biggest factors contributing to service business growth in 2008. Continuity and efficiency requirements are highlighted, particularly in the solar glass energy industry. Customers are demanding that they receive spare parts and services more quickly than before. In addition, with the aid of maintenance services, both pre-processing and heat treatment machines can be modernised and upgraded with new features to meet the competitive situation and changes in the operating environment, e.g. new regulations. Moreover, in developing markets there is increasing emphasis on production quality, and this supports growth in demand for service operations.

In the glass processing industry, the outsourcing trend typical of other industrial sectors is already evident. The global financial crisis will strengthen this further: outsourcing needs will grow as customers focus on their core operations, which will in turn increase demand for maintenance and service business.

Growing requirements were also highlighted in a customer satisfaction survey implemented in 2008: for customers, the significance of all service performance tasks has grown. Based on the survey, Glaston's customer satisfaction with respect to services is one of the best in the glass processing industry, and the expertise and quality of service personnel in particular were highly rated. Customers' high satisfaction with service operations also supports Glaston's sales of new machines, which naturally increases maintenance and service demand further.

In 2008, the Service Solutions unit organisation was further developed in order to improve the delivery of services and to increase customer satisfaction. The maintenance services of different brands were standardised into a single service unit. In future, the unit will have integrated global sales and delivery management, marketing and business development.

SERVICE SOLUTIONS LAUNCHED NEW SERVICE CONCEPTS

In 2008, Glaston launched two new service agreement models. The Glaston Care agreement covers preventative maintenance and servicing of the customer's machines in accordance with a planned maintenance programme. The Glaston Care Plus service agreement model is a step forward, including not only a preventative maintenance programme but also a stock of critical spare parts for machines covered by the agreement as well as annual restocking of spare parts. Glaston Care Plus is particularly suitable for customers whose operations demand uninterrupted production, as in the solar energy and automotive segments. Both service agreement models can cover not only Glaston brands but also the maintenance and servicing of customer's machines supplied by other manufacturers.

In 2009, the business unit's goal is to grow profitably, while at the same time preserving customer satisfaction. The development of sales work and the launch of equipment upgrade products will play a key role.

EMEA AREA

The EMEA area consists of Europe, Africa and the Middle East, with the Middle East being Glaston's fastest growing market area. Glaston's market position in the EMEA area is particularly strong. Demand growth in the area will be boosted in the longer term by larger glass sizes used in buildings and a tightening of energy efficiency requirements as well as by stricter building regulations and higher production efficiency requirements. Glaston's most significant competitive advantages in the EMEA area are reliability and a comprehensive service offering, where Glaston has a clear lead over other competitors in the area.

In 2008, the volume of orders received from the EMEA area fell by 6 per cent to EUR 126.2 (134.4) million. Owing to a weaker economic climate in the second half of the year and also to difficult financing conditions, more extensive OSP deliveries, in particular, come to a halt and uncertainty in the area clearly grew. Demand for heat treatment machines, Software Solutions products, and maintenance and service business was satisfactory. In Pre-processing, the competitive situation in the EMEA area was tight, with a number of operators competing strongly on price. Due to this, Glaston reorganised and strengthened Pre-processing's sales organisation, particularly in the EMEA area.

In 2008, EMEA area demand was clearly driven by replacement and expansion investments. New investment demand remained buoyant in the beginning of the year, but decision-making times for investments lengthened in general. Solar energy sector demand clearly grew in the area, particularly in Germany, France, Spain and Turkey. A joint project between Glaston and the Israeli company Solel Solar Systems on the manufacture of parabolic solar reflectors was the most significant solar energy agreement in 2008.

AMERICA

NORTH AMERICA

The North American area consists of the USA, Canada and Mexico. As markets, the USA and Canada do not really differ from each other, but Mexico is still behind them in terms of economic development. In the USA and Canada, the most significant factors driving sales are energy efficiency and local building regulations in public construction as well as growth of the solar energy market. Due to production efficiency requirements, Glaston's maintenance and service offering occupies a key position in the area.

Glaston is the leading comprehensive supplier in North America. In pre-processing equipment, Glaston has a particularly strong position in edging and bevelling processing applications as well as in cutting and drilling solutions. In the Heat Treatment business area, the market position is strengthened further by a full-convection glass processing machine offered since the final quarter of 2008 and by the new Tamglass CHF Pro™, directed particularly at the solar energy sector. In the Software Solutions business Glaston strengthened its market coverage through the integration of Albat+Wirsam.

Glaston's 2008 in North America was marked by an extremely sharp downturn in the area. Overall, orders received in America fell by 19 per cent to EUR 35.5 (44.0) million. In North America, glass processing machine demand declined, particularly due to customers' financing difficulties. Glaston has adjusted its activities in North America due to the difficult market situation through, among other things, personnel reductions and by reorganising its operations.

As customers' decision-making times lengthened in general, the demand for modernisations and maintenance services grew. The solar energy segment is expected to open new opportunities in the future, even though investment decisions in this customer segment also nearly came to a halt towards the end of 2008. The development of the solar energy market will be influenced in the area by, among other things, the price level of other energy sources and possible government subsidies for solar energy producers.

In North America no signs of recovery in the near future are perceptible. Glaston will strive to respond to the challenging market situation by focusing on sales of energy-efficient Heat Treatment machines and particularly on further development and marketing of the OSP concept directed at the solar energy market. In addition, with demand for new machine sales being weak, there will be greater emphasis on the service business.

MARKET AREAS

SOUTH AMERICA

South America is divided into three subareas: Brazil, where the market is well developed and competitive; the old, less developed markets (Argentina, Chile, Colombia, Peru, Venezuela and Ecuador) together represent great market potential for Glaston; Paraguay, Bolivia, Uruguay and other smaller countries as well as the Caribbean market, on the other hand, which are still rather undeveloped.

In South America new machine investments are more significant than replacement investments. A more stable inflation rate and an improvement in end-customers' financing possibilities have promoted economic growth in the area, which also supports development of the glass processing sector. The Peruvian and Colombian markets in particular are developing positively.

The most significant drivers of growth in the area in 2008 were construction, the household appliance industry and the furnishing industry. Legislation supports the use of safety glass in various areas of application, and energy efficiency is clearly of increasing significance. The importance of the automotive industry declined due to the sector's difficulties, particularly in the latter part of the year. The solar energy market in South America is still undeveloped.

Glaston's market position in South America is strong, and it was strengthened further in 2008 by the introduction of the common Glaston working model. Overall, demand for Glaston's products and services in the area continued to be good throughout 2008. The significance of service business is continually growing in South America, and a comprehensive service offering is one of Glaston's biggest competitive advantages in the area.

In Brazil, Glaston has been the market leader in safety glass machines for seven years. In 2008, Glaston improved in Brazil, particularly in the Pre-processing business. The country's glass processing machine market is expected to continue to grow despite the global economic downturn.

ASIA

NORTH ASIA AND CHINA

China is clearly the most significant market area in North Asia. China has a key role in Glaston's strategy: it accounts for around a third of the world's glass consumption, and growth prospects for highly processed glass are excellent due to construction, the increased significance of energy efficiency and a tightening of glass safety regulations.

Glaston's present market position in North Asia, and particularly in China, is not as strong as it is worldwide, however. Sector competition is at its most intense in China, and a significant proportion of operators are local manufacturers, of which most compete strongly on price. In China, price has traditionally been the central factor guiding purchasing decisions. Customers, however, also value high technology, quality, reliability, a strong brand and the opportunity to purchase extensive comprehensive deliveries, which represent a strong competitive advantage for Glaston.

In 2008, Glaston continued its strong investment in China. The company expanded the production of Pre-processing and Heat Treatment products manufactured at Glaston Tianjin, which facilitates responding to the competitive situation and strengthening the Group's market position. In addition, a new market area was formed for China, and Chinese management were appointed to it. Glaston is the only international glass processing machine manufacturer to have sales, production and maintenance services locally in China. The volume of orders received in Asia fell by 33 per cent to EUR 23.0 (34.3) million.

In 2008, the Chinese market was again characterised by vigorous construction boosted by a strong economy. Local legislation supports the increasing use of both energy glass and safety glass. Moreover, according to legislation that came into effect at the beginning of 2008, energy-saving glass must be used in large population centres, which will also increase demand for advanced glass processing machines. Production of energy-saving glass grew in China during the year, so legislation is therefore also working in practice. In addition to China, use of energy glass is increasing, particularly in Korea and Japan. The solar energy market remained active in China.

In 2009, the market situation in China is expected to be difficult, because China's export markets have slowed down and Glaston's competitors will therefore be more active in their home markets. Price competition in the area is expected to intensify further. Demand for energy-efficient glass and solar panels is expected to continue to grow, which will support demand for Glaston's glass processing machines.

APAC AREA

The APAC area consists of three subareas: India, SEA (the most important countries being Thailand, Malaysia, the Philippines and Indonesia) and Oceania (Australia and New Zealand). In terms of their business environment, the areas differ from one another. In certain countries, quality requirements are growing and energy glass production is gradually increasing; in others, price is the most important factor influencing the purchasing decision. Demand for the Software Solutions business area's products is strongly centred on Australia and New Zealand, and in other areas the number of potential customers is still very limited. In 2008, economic growth

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in the APAC area suffered a sharp downturn after strong growth at the beginning of the year, which had a particular impact on the construction industry.

India is growing via its internal market, and this growth is also expected to continue in the future. In 2008, demand in the automotive glass segment grew strongly in India, mainly at the beginning of the year.

The tighter economic climate significantly weakened prospects from the latter part of 2008, and the beginning of 2009 will also be difficult for the Indian automotive industry.

The rise in energy prices boosted demand for energy-efficient glass in SEA countries, and demand is also expected to grow in future, particularly in Singapore, Malaysia and Indonesia. Growth in demand for insulation and energy glass will support Glaston's position as a supplier of advanced glass processing machines.

Growth of the Australian glass processing machine market was restricted by an unexpected weakening of the Australian dollar against the US dollar and euro, as a result of which many customers postponed their investments. End-user demand for glass in Australia was, however, on a good level throughout the year.

The offering of Glaston machines manufactured in China began in the APAC area during 2008. Production of machines in China will in future bring clear competitive advantages in the APAC area in terms of lower cost level and logistics. The competitive situation in the area has eased, particularly through growth in demand for more demanding glass applications and also due to price increases by Chinese competitors. Glaston's competitive advantages in the area are excellent recognition and high quality of the Tamglass and Bavelloni brands, as well as good availability of maintenance services.

With the economic situation tightening, the significance of machine maintenance is expected to grow as investment decisions on new machines are delayed, and demand for machine upgrades developed positively during 2008. In addition, production efficiency requirements are growing in the area.

PRODUCT DEVELOPMENT

Glaston's customers operate in markets where the special requirements and characteristics of glass are continually developing. Moreover, production efficiency requirements are growing simultaneously. Owing to long-term experience, Glaston's machines are pioneers both technologically and in terms of reliability.

Depending on the area of application, the key drivers of glass processing machine product development are as follows: increasing the energy efficiency of glass, the requirements for glass processing set by various coatings, improving the optical quality of glass, and the increasing size of glass surfaces. At the same time, production efficiency requirements are tightening: it is essential that glass can be processed faster and more cost-effectively than before, and without production breaks. In addition, enhancing the energy consumption of glass processing machines is one of the factors influencing Glaston's product development.

In the architectural glass market, the ever-increasing size of glass surfaces and the simultaneous demand for ever-thinner glass as well as glass bendability have become key technical requirements. As glass sizes grow, the importance of glass energy efficiency increases significantly. Through larger glass sizes, Low-E coatings that reflect thermal radiation are becoming necessary, in practice, in order to save energy.

In the solar energy glass market, the key objectives for glass processing machines relate primarily to developing the optical quality, thickness and lamination of thin glass used in solar panels. In addition, the high reliability and continuity of the production process are also emphasised in product development.

GLASTON HAS STRONG EXPERIENCE OF GLASS PROCESSING MACHINE DEVELOPMENT

Glaston's product development emphasises the continuous, long-term development of products. In 2008, product development expenditure totalled EUR 14.4 (6.3) million, corresponding to 5.3 (2.3) per cent of consolidated net sales.

The objective, in addition to new product launches, is to develop existing features of machines. Development work addresses all areas of glass processing machines, and the goal is to make products more reliable and to facilitate the addition of new features to machines already delivered. Glass processing machines have a long life cycle of about 20 years, which means that the possibility of adding new features is essential for maintaining the customer's competitiveness: advanced features can be used to increase, in an energy efficient way, a machine's capacity and up-to-date technological features, ensure reliable process control, and even promote the machine's maintenance and serviceability.

In the Pre-processing business area, Glaston's strong competence areas include numerical control, control automation and tool technology. In the Heat Treatment business area, heating and cooling technology and related automation expertise are Glaston's core expertise areas. In addition, Glaston is pioneer in areas of expertise related to reflecting thermal radiation. The Software Solutions business area's special expertise, on the other hand, lies in glass-cutting and production stream optimisation as well as related algorithms and software. Glaston's product development centres are in Italy, Finland and Germany.

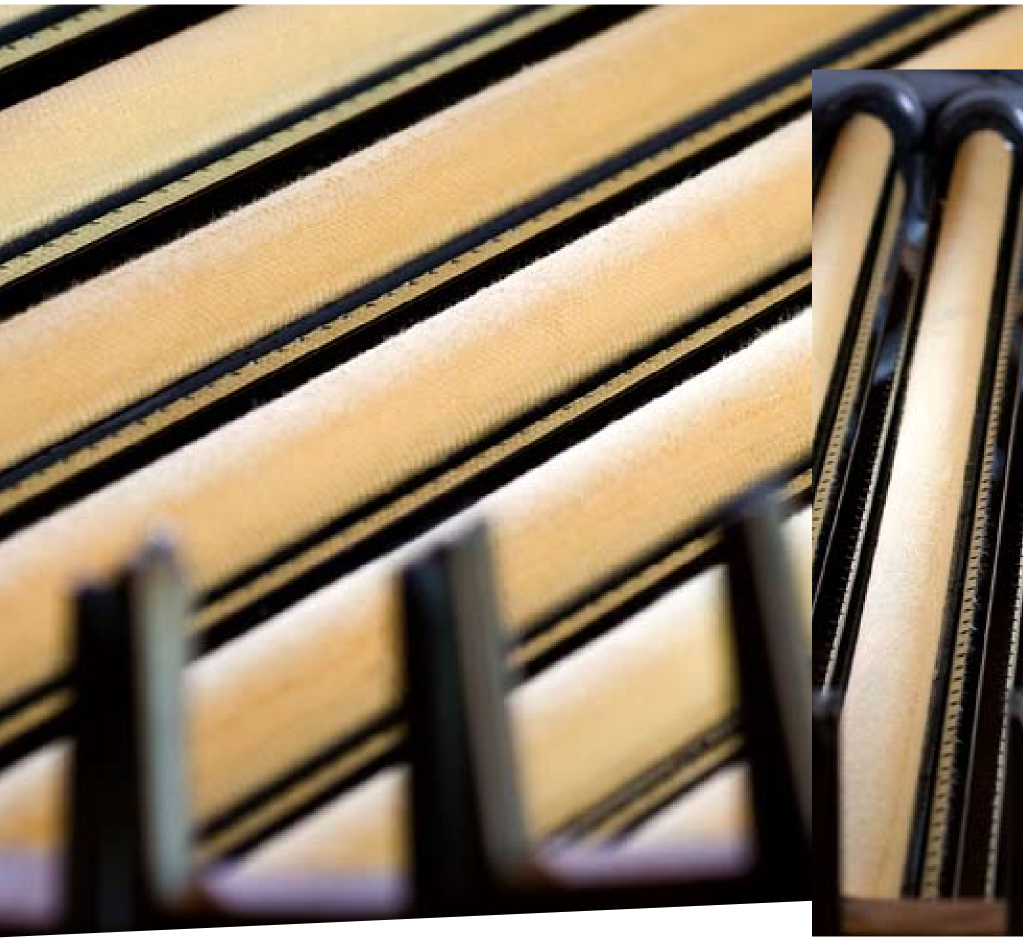
NEW PRE-PROCESSING PRODUCTS IN CUTTING, EDGING AND CNC MACHINES

The emphasis of the Pre-processing business area's product development in 2008 was on product integration and on new products directed at the architectural and solar energy markets. Glaston launched eight new products in both glass and stone processing, for the architectural and appliance markets as well as for the solar energy market.

Glaston launched a new series of double edgers designed especially for the architectural glass sector. The new PowerEdge glass grinding machines underline the Pre-processing business area's extensive experience as a market leader in glass grinding. Glaston also increased its range of tools to meet the grinding and polishing needs of the architectural sector, presenting the new Architools line. With the architectural glass market in mind, the range of cutting tables and lines was also enlarged to include solutions for Low-E glass processing. A new series of CNC working centres for glass and stone processing was launched. In 2008, Glaston also launched for the first time pre-processing machines that operate with Albat+Wirsam software.

SEVERAL HEAT TREATMENT PRODUCTS FOR SOLAR ENERGY SEGMENT

In 2008, the priorities were on the development of solar energy products and the development of production line automation systems. The Tamglass CHF Pro™ model, launched into the Tamglass CHF flat tempering product range, is particularly suitable for the tempering of flat architectural applications and solar energy glass, particularly photovoltaic (PV) glass. The product is based on Glaston's new patented convection technology and a control solution



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in which glass heating and energy use can be controlled with extremely high precision.

In bending machines, the Tamglass ESU EcoPower™ machine was launched, which is able to bend high quality CSP (Concentrated Solar Power) technology solar panels. The machine can bend glass with extremely high precision, giving the solar energy collector the highest possible efficiency. The new machine's capabilities have in practice even exceeded the bending accuracy requirements set for it.

The product launches were complemented by the expansion of the ProE Magnum™ product family to larger glass sizes, which reinforced Glaston's leading position as a manufacturer of demanding flat tempering machines. The machine can temper glass sizes of up to 3.3 m x 9.6 m. In addition, Glaston launched an additional feature in flat tempering machines that make the production of energy glass with the machines possible.

INTEGRATION OF ALBAT+WIRSAM INTO GLASTON SUPPORTED BY NEW PRODUCTS

In the Software Solutions business area, the focus in product development was on integration of glass processing machinery and software. In addition to system development for the pre-processing machines, a new product, the Panorama line control system, was introduced. Panorama allows the online control and monitoring of complete line solutions. In addition, the machinery processes can be simulated in advance in order to facilitate the planning of complex production processes.

GLASS PERFORMANCE DAYS ALSO IN CHINA AND INDIA

Every second year, Glaston organises the Glass Performance Days event in Tampere, Finland, which attracts all of the glass processing chain's diverse interest groups. The event is significant for the development of the whole sector, and its objective is to gather and share the latest information among sector operators and to promote the development of new application areas and technological features. Moreover, the event helps Glaston follow closely the latest technological trends in the sector as well as customers' expectations and requirements.

The Tampere event is the biggest of its kind in the glass processing industry, and it will be organised the next time in June 2009, when a new glass processing area will be introduced, namely solar energy applications. In addition to Tampere, Glaston organises every year a Glass Performance Days event in China, which focuses on the glass processing industry in Asia. In 2008, a Glass Performance Days event was also organised for the first time in India.

SOLAR

Glass is an ideal material for the interface between a solar power converter and the sun. Solar energy has major potential, and Glaston provides machines, technology and the related services for the global industry in solar power applications.

Today, the world faces two major challenges: energy and the climate change. Together, these have led to increased environmental awareness as well as action at every level, from global organisations and governments to individuals. Uncertainty about the oil supply, the effects of pollution and global warming have accelerated development aimed at increasing the use of renewable sources and solar energy in particular.

Solar energy can be converted into heat or electricity, which is much cleaner than heat or electricity produced by other means, such as fossil fuels. In addition, it comprises a virtually unlimited resource.

GLASS IS CLOSELY LINKED TO SOLAR POWER

The market for solar energy components and systems goes hand-in-hand with glass. Solar energy converters require an interface with the sun which protects them against harsh climates. Such an interface must be inexpensive and capable of being produced at rates of tens of millions of square meters per year. Glass is thus an ideal interface, since it provides optical transmission of unbeatable durability and stability, is relatively inexpensive to produce in large quantities, and is also recyclable. The average solar panel produces the energy used in its manufacture within 6–10 months, and has a typical lifespan of over 25 years.

The key issue in rendering solar power more common is the efficiency of solar panels in relation to their manufacturing costs, in other words solar power's price competitiveness compared to other, possible energy sources. Today, the industry is approaching a manufacturing cost of USD1/Watt, which means that the grid parity level is close.

Solar power is produced by means of photovoltaic (PV) panels, solar thermal (ST) generation mainly used in premises and water heating applications, and concentrated solar power (CSP) systems in their various applications, often using precision-bent glass mirrors and heat collectors driving turbines. All of these systems use large amounts of glass, and Glaston's offering includes products for all of these technologies.

SOLAR POWER MARKET GROWING RAPIDLY

Global energy production is in a state of transition and the solar energy market is growing fast. Today, the majority of the total solar power collector market is formed by solar thermal (ST) and the second largest market lies in photovoltaic collectors (PV), with the concentrated solar power (CSP) market being the smallest.

Today, solar power accounts for less than 1 per cent of the world's energy requirement. However, it is estimated that by 2100 solar power may cover around 70 per cent of the world's energy need (World Energy Council, 2007). Correspondingly, the market for glass used in solar power applications is expected to grow at the same rate as solar power applications. Based on information gathered up to August 2008, installed solar power capacity is expected to grow by around 23 per cent between 2008 and 2012 (Freedonia, Sarasin). It is a notable aspect of the possibilities offered by the growth in solar power that enough sunlight exists in almost all parts of the world – economically attractive applications are not confined to the sunniest regions. Within the glass processing industry, solar energy applications are the fastest growing area.

GLASTON PLAYS A KEY ROLE IN THE BOOM FOR CLEAN ENERGY

Depending on the application, manufacturing solar glass can be a demanding process. Glaston's premium glass processing solutions support solar power on its journey towards becoming competitive with traditional energy forms: Glaston's glass processing machines produce top-quality bent and flat glass for various solar panel applications. Glaston is one of the largest suppliers of machinery to the solar field, and continues to focus on this growing market.

Based on its strategy, Glaston aims to be the first choice partner for solar glass processing through its leading-edge technology and One-Stop-Partner concept, combined with a global presence. Reliability also plays a key role in meeting the needs of the solar power segment, since the production of solar power applications is characterised by large volumes and uninterrupted production. Clients in the segment demand highly automated and tailor-made glass

RAIMO NIEMINEN

processing solutions, capable of producing glass of exceedingly high quality.

GLASTON'S DELIVERIES TO THE SOLAR SEGMENT GREW IN 2008

Glaston has dozens of references in the solar power segment. Projects in 2008 included major deliveries to Israel, the USA, Malaysia, Turkey, Spain, Portugal and Belgium. So far, Glaston's main markets have been Germany, China, the USA and Israel. In the future, Glaston expects demand within the solar power segment to increase in the USA, China, India, the Middle East, South America, Australia and Italy.

Glaston's largest delivery in 2008 was to Solel Solar Systems, including a unique combination of several parabolic bending machines for the production of parabolic solar reflectors in Akaa, Finland, along with the related services. The factory has the capacity to produce 240,000 parabolic solar reflectors a year, enough to power a 50 MW power plant. Tamglass Glass Processing Ltd. has been in charge of the production, and thus, Glaston has gained significant know-how in the production technology of parabolic solar reflectors.

In 2009, several solar application manufacturers are expected to enter the market, especially within the PV sector. The increasing number of players in the industry is expected to result in consolidation of the market and falling price levels for solar collectors, making solar power more attractive in the long term. In any case, the solar power converter industry is expected to continue its steady growth.

CORPORATE SOCIAL RESPONSIBILITY

In Glaston, acting responsibly means safeguarding the Group's operations from environmental, social and financial perspectives. The safeguarding of operations is based in the long term above all on profitable business.

Glaston has two kinds of effects on society: direct effects via our own operations, and indirect effects when our products are used by our customers and when glass processed on our machines is used by end customers.

In all of our activities we naturally adhere to laws and statutes, but we try to do more than this whenever possible. We continually aim for improvements by examining our operations from the perspective of sustainable development. In Glaston, sustainable development and responsible corporate activity are implemented in practice via the management of the Group.

Glaston's operations are guided by a Code of Conduct, which the company's Board of Directors has approved. Acting according to the code means adhering to laws, generally accepted practices and ethical principles. Every Glastonian must adhere to the code of conduct. Glaston also expects its partners to adhere to corresponding guidelines.

The principles of honesty, equality and non-discrimination are of prime importance to Glaston. Glaston complies with internationally accepted principles on human rights, such as the UN Declaration on Human Rights, the International Labour Organisation Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact. Glaston does not use child labour nor does it work with those that use child labour. In procurement activity, the emphasis is on environmental, health and safety aspects as well as high moral standards. The development of a global procurement process was one of Glaston's key strategic development projects in 2008.

Organising the glass industry's Glass Performance Days event in Tampere, Finland, is part of Glaston's corporate social responsibility. The biennial event, which attracts an international audience, serves as an industry forum at which common issues are discussed, such as energy production and energy saving as well as common industry standards. Glass Performance Days events are also held in China and India.

ENVIRONMENTAL RESPONSIBILITY

In terms of Glaston's environmental responsibility, the energy efficiency of products is of key importance, as is what is done with the products. Glaston also aims to be as environmentally friendly as possible in its own operations. The glass processed on our machines, moreover, is recyclable material and is designed to be safe.

END PRODUCTS IMPROVE EFFICIENCY OF ENERGY CONSUMPTION AND PRODUCTION

The machines manufactured by Glaston are used to produce – besides other types of glass – energy glass, which reduces buildings' energy consumption, as well as glass used in applications producing solar energy.

The heating of buildings in winter and their cooling in summer accounts for around half of the world's energy consumption. Manufacturing one window pane of energy glass generates a one-off carbon dioxide load of 25 kilos, but its installation to replace a traditional window pane will reduce the carbon dioxide load caused by heating by around 90 kilos every year. Tightening legislation in many countries is moving towards the use of energy glass both in new and renovation construction.

Glaston is also a link in the solar energy value chain. Solar energy production is expected to grow significantly in the coming years. Glass and solar energy are closely connected, because glass in terms of its characteristics is the best material for manufacturing solar panels. With Glaston's technology, high quality glass of precisely the right kind can be produced for this purpose.

OWN PRODUCTION SUSTAINABLE

It is not inconsequential how glass processing machines are produced. That is why Glaston is continually developing its processes in order to take the principles of sustainable development better into

PETRI KOVALAINEN

account. The objective is to make glass processing machines as energy-efficient as possible.

The entire life cycle of a machine is taken into account in its design. One of the guiding principles is that Glaston's glass processing machines are designed and built to withstand constant use at high production capacity. Advanced technology also ensures high quality of end product, which significantly reduces the amount of waste.

With preventative and regular maintenance, the economic life of machines and their parts can be extended and at the same time the risk of damage to a machine due to, for example, the failure of some worn-out component is minimised. The modernisation of machines with new technical features will extend the life of the machines and enable, for example, more efficient use of energy in glass processing. For example, in 2008 Glaston launched a flat tempering machine which due to the technology used can reduce the energy consumption of glass processing by 6-7 per cent.

In addition, Glaston pays special attention to the recyclability of machine materials, particularly with respect to components susceptible to wear and thus often changed. Parts changed in connection with servicing are delivered to collection points on the customer's premises, although the level of recycling clearly still varies from country to country.

In addition to the environmental aspects connected with glass processing machines, Glaston strives to minimise the volume of production waste in Tamglass Glass Processing's production in Finland, where any glass waste created is recycled. The glass is mostly crushed and used mainly as raw material for glass wool, while some of the glass is used as raw material for new flat glass.

BRAD HAMILTON

CORPORATE SOCIAL RESPONSIBILITY

SOCIAL RESPONSIBILITY

Intense development work in Glaston's human resources functions was initiated in summer 2007 and the work continued during 2008. The goal is for Glaston to operate worldwide according to consistent principles and operating practices by 2010.
2008 brought the company closer to this goal and showed that the development work is heading in the right direction. At the end of 2008, Glaston had 1,541 employees.

The Glastonian "can do" culture is characterised by reliability and performing right down to the last detail according to schedule. Good examples of this are the many successful development projects, as well as the smooth integration of the German company Albat+Wirsam Group, which has become an essential part of the Glaston Group.

The subareas of Glaston's human resources strategy are management development, creating a common operating culture, and safeguarding high quality expertise. Of these, there was a particular emphasis on management in 2008.

FOCUS ON MANAGEMENT DEVELOPMENT

According to Glaston's principles, management of personnel is expert, open and visible in a concrete way. The management practices agreed in Glaston are applied throughout the organisation, both in Finland and abroad.

The Finnish performance appraisal has been modified for global use in the form of a performance dialogue (PD). In each dialogue, the employee's personal targets are discussed and work performance assessed. With the aid of the PD practice, the supervisor and employee can together clarify the subordinate's job description and put him or her on the path to a better performance.

In January 2008, the Group initiated a worldwide management training programme in which around 140 people participated. An extensive Value Up training programme is aimed at strengthening common operating practices and high quality supervisor expertise throughout the Group.

EXPERTISE AT THE CORE OF OPERATIONS

Glaston's success is based on expert and motivated personnel. Employees have clear job descriptions and measurable targets. Expertise is developed with the aid of versatile internal training, for example.

Glaston's internal training courses have been gathered together into the worldwide Glass Processing Academy, which ensures that personnel have sufficient expertise with respect to products and production as well as human resources and business management. In 2008, the programme focused on leadership, but the importance of service and maintenance know-how will grow in future.

Every year, Glaston conducts a global personnel survey, which helps the human resources department identify development measures. The 2008 survey strongly indicated that the Group's strategic objectives have been well communicated and that Glaston's employees are strongly committed to their implementation.

FINANCIAL RESPONSIBILITY

Glaston's objective is to be the world's leading glass processing company. In terms of net sales, the company is already the biggest player in its field today, and its product offering is also the widest in the glass processing sector.

Glaston's objective is the best profitability in the industry alongside high customer satisfaction. Good profitability will ensure Glaston's operating conditions over the long term and create a foundation for the competitive development of its business.

In practice, financial responsibility means responsible and appropriate financial management. In addition, responsibility from a financial perspective means that the Group's operational and financial risks are recognised and managed so that business targets are achieved and continuity of operations is safeguarded. Glaston applies a risk management policy approved by the company's Board of Directors.

RIKU ISOHELLA

EXECUTIVE MANAGEMENT GROUP

TOPI SAARENHOVI, B. 1967
SENIOR VICE PRESIDENT, HEAT TREATMENT
M.SC. (ENG.)
EMPLOYED BY GLASTON SINCE 2007
SHARE OWNERSHIP AT 31.12.2008: 8,225 SHARES
PRIMARY WORKING EXPERIENCE:
MANAGING DIRECTOR AMOMATIC OY 2004-2007
DIRECTOR, AMOMATIC OY, 2003-2004
PLANT MANAGER, WÄRTSILÄ OYJ, TURKU, 2002-2003
PRODUCTION MANAGEMENT POSITIONS, WÄRTSILÄ OYJ, TURKU, 1996-2001

TIMO NIEMINEN, B.1968
SENIOR VICE PRESIDENT, SERVICE SOLUTIONS
M.SC.(ENG.),
M.SC. (ECON.),
EMPLOYED BY GLASTON SINCE 2008
SHARE OWNERSHIP AT 31.12.2008: NO SHARES
PRIMARY WORKING EXPERIENCE:
HEAD OF ACCENTURE TAMPERE BUSINESS, 2007-2008
SENIOR MANAGER, ACCENTURE 2001-2008
CONSULTANT, ACCENTURE, 1995-2001

KIMMO LAUTANEN, B. 1959
CFO
M.SC. (ECON.)
EMPLOYED BY GLASTON SINCE 2007
SHARE OWNERSHIP AT 31.12.2008: 9,690 SHARES
PRIMARY WORKING EXPERIENCE:
CFO, OY HARTWALL AB, 2003-2007
CFO, CIBA SPECIALITY CHEMICALS, JAPAN, FRANCE 1996-2003
CFO, CIBA-GEIGY, FINLAND, SOUTH KOREA 1988-1996
FINANCIAL MANAGEMENT POSITIONS, KEMIRA OYJ 1986-1988

JUHA LIETTYÄ, B. 1958
SENIOR VICE PRESIDENT, QUALITY AND BUSINESS DEVELOPMENT
B.SC.(ENG.)
EMPLOYED BY GLASTON SINCE 1986
SHARE OWNERSHIP AT 31.12.2008: NO SHARES
PRIMARY WORKING EXPERIENCE:
VICE PRESIDENT, TECHNOLOGY, KYRO CORPORATION 2003-2007
MANAGING DIRECTOR, TAMGLASS ENGINEERING LTD. OY 1999-2003
MANAGEMENT POSITIONS, TAMGLASS LTD. OY 1991-2003
VICE PRESIDENT, SERVICE, TAMGLASS ENGINEERING OY 1989-1991
PROJECT ENGINEER, TAMGLASS ENGINEERING OY 1986-1989
DESIGN AND PROJECT ENGINEER, INSINÖÖRITOIMISTO KUPARI OY 1984-1986

MIKA SEITOVIRTA, B. 1962
CEO & PRESIDENT
M.SC. (ECON.)
EMPLOYED BY GLASTON SINCE 2007
SHARE OWNERSHIP AT 31.12.2008: 19,740 SHARES
PRIMARY WORKING EXPERIENCE:
MANAGING DIRECTOR, OY HARTWALL AB, 2003-2006
PRESIDENT, VOLVO AUTO OY AB, 1998-2003
FINANCE DIRECTOR, VOLVO DEUTSCHLAND GMBH, 1995-1998
VARIOUS MANAGERIAL POSITIONS, VOLVO AUTO OY AB, 1990-1995
BUSINESS DEVELOPMENT MANAGER, ARO-YHTYMÄ OY, 1989-1990
POSITIONS OF TRUST:
SVENSKA HANDELSBANKEN AB (PUBL), BRANCH OPERATION IN FINLAND, MEMBER OF THE BOARD, 2003-
ARO-YHTYMÄ OY, MEMBER OF THE BOARD, 2006-
THE ASSOCIATION OF FINNISH ADVERTISERS, VICE CHAIRMAN, 2002-

PAOLO CENI, B. 1960
SENIOR VICE PRESIDENT, PRE-PROCESSING
B.SC. (ENG.)
EMPLOYED BY GLASTON SINCE 2007
SHARE OWNERSHIP AT 31.12.2008: 8,225 SHARES
PRIMARY WORKING EXPERIENCE:
MANAGING DIRECTOR, CMS GROUP 2001-2007
CONSULTANT, PARTNER, GALGANO GROUP, 1990–2000

HENRIK REIMS, B.1968
SENIOR VICE PRESIDENT, ONE-STOP-PARTNER DELIVERIES
M.SC. (ENG.)
EMPLOYED BY GLASTON SINCE 2008
SHARE OWNERSHIP AT 31.12.2008: NO SHARES
PRIMARY WORKING EXPERIENCE:
GLOBAL ACCOUNT MANAGER, IBM FINLAND, 2006-2007
SENIOR MANAGER, IBM FINLAND, 2002-2006
CONSULTANT, MECRASTOR PRICEWA-TERHOUSECOOPERS OY, 1999-2002
PROJECT MANAGER, ABB FINLAND, 1997-1999

ARI HIMMA, B. 1959
SENIOR VICE PRESIDENT, HUMAN RESOURCES
M.SC. (POL.)
EMPLOYED BY GLASTON SINCE 2007
SHARE OWNERSHIP AT 31.12.2008: 8,225 SHARES
PRIMARY WORKING EXPERIENCE:
SVP, HUMAN RESOURCES, M-REAL CORPORATION, 2001-2007
SVP, HUMAN RESOURCES, METSO AUTOMATION OY, 1999-2001
SVP, HUMAN RESOURCES, NELES CONTROLS OY, 1995-1999
SVP, HUMAN RESOURCES, MACGREGOR OY, 1994-1995
POSITONS IN HUMAN RESOURCES, KONE OYJ, 1987-1994

GÜNTER BEFORT, B. 1954
SENIOR VICE PRESIDENT, SOFTWARE SOLUTIONS AND ONE-STOP-PARTNER OFFERING
B.SC. (ENG.)
EMPLOYED BY GLASTON SINCE 2007
SHARE OWNERSHIP AT 31.12.2008: NO SHARES
PRIMARY WORKING EXPERIENCE:
MORE THAN 35 YEARS IN THE GLASS INDUSTRY, OF WHICH LAST 20 AT ALBAT+WIRSAM

RIKU ISOHELLA

BOARD OF DIRECTORS

CHRISTER SUMELIUS
B. 1946
M.SC. (ECON.)
DEPUTY CHAIRMAN OF THE BOARD, MEMBER SINCE 1995
SHARE OWNERSHIP AT 31.12.2008: 2,624,200 SHARES INCLUDING ALSO SHARES OF RELATED PARTIES
MAIN OCCUPATION: CHAIRMAN OF THE BOARD, OY INVESTSUM AB, SINCE 1984
PRIMARY WORKING EXPERIENCE:
MANAGING DIRECTOR, SECENTER OY, 1987–2007
DIRECTOR, GRAPHEX GMBH, 1979–1988
CHAIRMAN, PYRAMID ADVERTISING CO. LTD. (LAGOS), 1983–1985
MANAGING DIRECTOR, PYRAMID PAPER PRODUCTS LTD. (LAGOS), 1982–1984
DIRECTOR, PYRAMID INKS MANUFACTURING CO. LTD. (LAGOS), 1981–1985
AREA REPRESENTATIVE, FINNPAP, (SINGAPORE), 1980–1981
KEY POSITIONS OF TRUST:
OY INVESTSUM AB, CHAIRMAN OF THE BOARD
TECNOMEN CORPORATION, MEMBER OF THE BOARD
HALLITUSAMMATTILAISET RY., MEMBER
CHEMDYES SDN. BHD. PENANG (MALAYSIA) MEMBER OF THE BOARD
XEMET OY, MEMBER OF THE BOARD
NIKOLAI SOURCING LTD., MEMBER OF THE BOARD

ANDREAS TALLBERG
B. 1963
M.SC. (ECON.)
CHAIRMAN OF THE BOARD SINCE 2007
SHARE OWNERSHIP AT 31.12.2008: NO SHARES
MAIN OCCUPATION: G.W. SOHLBERG CORPORATION, CHIEF EXECUTIVE SINCE 2007
PRIMARY WORKING EXPERIENCE:
EQT, SENIOR PARTNER, 1997–2006
MACANDREW & FORBES INTERNATIONAL, PRESIDENT, 1992–1995
AMER GROUP, DIRECTOR, BUSINESS DEVELOPMENT 1987–1991
KEY POSITIONS OF TRUST:
DETECTION TECHNOLOGY OY, CHAIRMAN OF THE BOARD
STAFFPOINT OY, CHAIRMAN OF THE BOARD
SVENSKA HANDELSBANKEN AB (PUBL), MEMBER OF THE BOARD
MYLLYKOSKI OY, MEMBER OF THE BOARD
PERLOS CORPORATION, DEPUTY CHAIRMAN OF THE BOARD, SALCOMP CORPORATION, MEMBER OF THE BOARD

JAN LÅNG
B. 1957
M.SC. (ECON.)
INDEPENDENT MEMBER
MEMBER OF THE BOARD SINCE 2008
SHARE OWNERSHIP 31.12.2008: NO SHARES
MAIN OCCUPATION:
PRESIDENT AND CEO, AHLSTROM CORPORATION SINCE DECEMBER 2008
PRIMARY WORKING EXPERIENCE:
PRESIDENT AND CEO, UPONOR CORPORATION, 2003–2008.
VARIOUS MANAGEMENT POSITIONS AT HUHTAMÄKI GROUP DURING 1982-2003.
KEY POSITIONS OF TRUST: -

MIKAEL MÄKINEN
B. 1956
M.SC. (ENG.)
INDEPENDENT MEMBER
MEMBER OF THE BOARD SINCE 2008
SHARE OWNERSHIP 31.12.2008: NO SHARES
MAIN OCCUPATION: PRESIDENT AND CEO, CARGOTEC CORPORATION SINCE 2006
PRIMARY WORKING EXPERIENCE:
WÄRTSILÄ CORPORATION, GROUP VICE PRESIDENT, SHIP POWER, 1999–2006
MANAGING DIRECTOR, WÄRTSILÄ NSD SINGAPORE, 1997–1998
VICE PRESIDENT, MARINE, WÄRTSILÄ SACM DIESEL, 1992–1997, WÄRSILÄ CORPORATION, VARIOUS POSITIONS 1982-1992
KEY POSITIONS OF TRUST:
VOLVO PENTA AB . MEMBER OF THE BOARD, TECHNOLOGY INDUSTRIES OF FINLAND, MEMBER OF THE BOARD, FINPRO, DEPUTY CHAIRMAN OF THE BOARD OF DIRECTORS, INTERNATIONAL CHAMBER OF COMMERCE ICC FINLAND, MEMBER OF THE BOARD OF DIRECTORS

KLAUS CAWÉN
B. 1957
MASTER OF LAWS (LL.M.)
INDEPENDENT MEMBER
MEMBER OF THE BOARD
SINCE 2004
SHARE OWNERSHIP
31.12.2008: 6,000 SHARES
MAIN OCCUPATION:
EXECUTIVE VICE PRESIDENT AND MEMBER OF THE EXECUTIVE BOARD, KONE CORPORATION, STRATEGIC PLANNING, ACQUISITIONS AND ALLIANCES, RUSSIA AND LEGAL AFFAIRS SINCE 1991
PRIMARY WORKING EXPERIENCE:
MEMBER OF THE KONE EXECUTIVE BOARD SINCE 1991
KONE CORPORATION SINCE 1983
KEY POSITIONS OF TRUST:
OY KARL FAZER AB, MEMBER OF THE BOARD
TOSHIBA ELEVATOR AND BUILDING SYSTEMS CORPORATION (JAPAN), MEMBER OF THE BOARD
SPONDA PLC, MEMBER OF THE BOARD

CLAUS VON BONSDORFF
B. 1967
M.SC. (ECON.), M.SC. (ENG.)
INDEPENDENT MEMBER
MEMBER OF THE BOARD
SINCE 2006
SHARE OWNERSHIP
31.12.2008: 122,600 SHARES
MAIN OCCUPATION:
HEAD OF STRATEGY, BUSINESS DEVELOPMENT AND MARKETING, NOKIA SIEMENS NETWORKS, CUSTOMER AND MARKET OPERATIONS SINCE 2007
PRIMARY WORKING EXPERIENCE:
NOKIA SIEMENS NETWORKS SINCE 2007
NOKIA PLC, EXPERT AND MANAGEMENT POSITIONS, 1994-2007
KEY POSITIONS OF TRUST: -

CARL-JOHAN ROSENBRÖIJER
B. 1964
DR.SC. (ECON.)
MEMBER OF THE BOARD
SINCE 1996
SHARE OWNERSHIP
31.12.2008: 12,600 SHARES
MAIN OCCUPATION:
SENIOR TEACHER, ARCADA UNIVERSITY OF APPLIED SCIENCES SINCE 2003
PRIMARY WORKING EXPERIENCE:
HEAD CONSULTING OY, SENIOR CONSULTANT, 2001-2003
OULU UNIVERSITY, TEACHER, 2001-2003
SWEDISH SCHOOL OF ECONOMICS AND BUSINESS ADMINISTRATION TEACHER AND RESEARCHER, 1990-2001
KEY POSITIONS OF TRUST:
EKONOMISKA SAMFUNDET I FINLAND, CHAIRMAN OF THE BOARD

CORPORATE GOVERNANCE

Glaston's corporate governance principles follow Finnish legislation, the company's Articles of Association, the rules of NASDAQ OMX Nordic Exchange Helsinki as well as the Finnish Corporate Governance Code for listed companies.

GROUP AND BUSINESS STRUCTURE

Glaston Group's business areas are Pre-processing, Heat Treatment and Software Solutions. Glaston Group consists of Glaston Corporation and its subsidiaries.

CORPORATE GOVERNANCE PRINCIPLES

Glaston Corporation's corporate governance principles follow the Finnish Companies Act, Securities Markets Act and Accounting Act, the company's Articles of Association and the rules of NASDAQ OMX Nordic Exchange Helsinki. Glaston applies the Finnish Corporate Governance Code for listed companies issued in 2008 by the Securities Market Association to the extent it has entered into force, while taking into account, however, exceptions to the entry into force of recommendations 1, 9 and 51 and with the further exception that the company had no committees appointed by the Board of Directors in 2008. Glaston also applies the NASDAQ OMX Helsinki Guidelines for Insiders and the Financial Supervision Authority's Standard 5.3 Insider Declarations and Registers. In addition, operations are guided by Glaston's own operating principles and policies, and the company's values.

GENERAL MEETING

Glaston Corporation's General Meeting of Shareholders is the company's ultimate decision-making body. A General Meeting is convened by the company's Board of Directors. The Annual General Meeting (AGM) approves, among other things, the adoption of the financial statements, the distribution of profits, the discharge of Board members and the President & CEO from liability, and the election and remuneration of the Board of Directors and auditor. In accordance with the Articles of Association, the AGM is held by the end of May each year. An Extraordinary Meeting of Shareholders is convened when the Board of Directors considers it necessary or when one must be convened by law.

A General Meeting is convened by publishing an Invitation to a General Meeting as a stock exchange release at NASDAQ OMX Nordic Exchange Helsinki and by announcing the meeting in one Finnish- and one Swedish-language newspaper of the Board's choice.

At a General Meeting, each shareholder has one vote per share. No-one, however, may vote with more than one fifth of the total number of shares represented at the meeting. The President & CEO, the Chairman of the Board and a sufficient number of Members of the Board shall attend a General Meeting. In addition, the auditor shall be present at the Annual General Meeting.

BOARD OF DIRECTORS

The Board of Directors' duties and responsibilities are determined primarily by the Finnish Companies Act and the company's Articles of Association. The Board of Directors is responsible for the administration of the company and the appropriate organisation of its operations. The Board also directs and supervises the company's operational management.

The Annual General Meeting elects the members of the Board of Directors. A person proposed for the first time as a director shall participate in the General Meeting that decides on his or her election unless there are well-founded reasons for his or her absence.

According to the Articles of Association, the Board of Directors consists of minimum of five and a maximum of nine members. Members of the Board are elected for one year at a time, and the term of office of Members of the Board expires at the end of the next Annual General Meeting that follows their election. A person who has reached 67 years of age cannot be elected a Member of Board. The Board of Directors elects from among its members a Chairman and a Deputy Chairman for one year at a time.

The Board of Directors meets according to a timetable agreed in advance, generally 7–10 times per year. The Board of Directors may meet in addition to the aforementioned meetings, if necessary. The Board of Directors shall have a quorum if more than half of its members are present at the meeting. Matters shall be resolved by a simple majority of the votes cast. In the event of a tie, the Chairman shall have the casting vote.

The President & CEO, or another member of the company management designated by him, shall act as the presiding officer at Board meetings. The Board of Directors shall elect a secretary, who does not need to be a Member of the Board.

KEY TASKS OF THE BOARD OF DIRECTORS

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 tasks and operating principles of the Board of Directors are defined in the Board charter approved by the Board. It is the Board's task to prepare the matters to be handled by the General Meeting and to ensure that the decisions made by the General Meeting are appropriately implemented. It is also the Board's task to ensure that monitoring of accounting and financial management is appropriately arranged. 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 also decides on strategic and fundamentally important issues affecting the Group. Such matters are:

- the Group's strategy
- approving the Group's budget and action plans, and monitoring their implementation
- acquisitions and the Group's operating structure
- significant capital expenditures
- internal control systems and risk management
- main organisational issues and incentive schemes

The Board is also responsible for the following tasks:

- monitoring of financial statements reporting
- monitoring of financial reporting
- internal control, if necessary internal auditing, and monitoring of the effectiveness of the risk management system
- evaluating the internal control and risk management systems in respect of financial statements reporting
- monitoring of the audit of statutory financial statements and consolidated financial statements
- assessment of the independence of the statutory auditor and auditing firm, particularly with respect to the services unrelated to the auditing
- preparing a proposal on the election of the auditor

MANAGEMENT ORGANISATION

CHIEF EXECUTIVE OFFICER

The Board of Directors of Glaston Corporation appoints the company's Chief Executive Officer (CEO), whose key terms and conditions of employment are specified in a written contract approved by the Board. The CEO is responsible for the operational management of Glaston Group in accordance with the Finnish Companies Act and instructions given by the Board. The CEO reports to the Board on, among other things, the company's financial position, the business environment as well as changes therein, and on other matters of significance. The CEO prepares the matters to be handled by the Board and implements the decisions made on them. The CEO is the Chairman of Glaston's Executive Management Group and steers the business of the company and its business areas and units.

EXECUTIVE MANAGEMENT GROUP

The Executive Management Group includes the CEO, the Senior Vice Presidents (SVP) of the Pre-processing, Heat Treatment and Software Solutions business areas, the SVPs of OSP Deliveries and Service Solutions units, as well as the SVP Human Resources, the Chief Financial Officer and the SVP Quality and Business Development.

The members of the Executive Management Group report to the CEO and assist him in implementing the company's strategy, operational planning and management, and in reporting the development of business. The Executive Management Group meets under the direction of the CEO.

BOARDS OF DIRECTORS OF SUBSIDIARIES

The Boards of Directors of subsidiaries consist of management from the Glaston Group's parent company and subsidiaries as well as external expert members.

REMUNERATION

The remuneration of the members of the Board of Directors is decided by shareholders in the Annual General Meeting. The company's Board of Directors decides on the terms and conditions and other compensation of the President & CEO. The company's Board of Directors also decides the remuneration of the Executive Management Group.

Remuneration of members of the Executive Management Group consists of a fixed monthly salary, a performance bonus and a share-based incentive scheme intended as a long-term reward. The performance bonus is determined on the basis of the Group result, business area and unit results, and personal targets.

The company's CEO has the opportunity to retire at 62 years of age. The retirement age of other members of the Executive Management Group is in accordance with normal local legislation.

The CEO's notice period is three months, in addition to which he is paid compensation corresponding to 15 months' salary if the company dismisses him.

INCENTIVE SCHEMES

On 9 May 2007, Glaston's Board of Directors decided on a new share-based incentive scheme for the Group's key personnel. The scheme has three one-year performance periods, namely the calendar years 2007, 2008 and 2009. Bonuses will be settled in 2008, 2009 and 2010 in company shares and cash.

A maximum of 652,500 shares, namely 217,000 shares per year, will be given as bonus from the scheme, and cash paid will be at most the amount needed for the taxes and tax-related costs arising to key personnel from the bonus at the time the bonus is paid. Shares cannot be disposed of within two years of the bonus being awarded.

Various units of Group companies have their own short-term incentive schemes, which follow the practices of the location country and whose terms and conditions are decided by each company's President & CEO.

AUDITING

Under the Articles of Association the company has one auditor, which must be an auditing firm approved by the Finnish Central Chamber of Commerce. The auditor's term of office covers the financial year during which it is elected and ends at the conclusion of the Annual General Meeting that follows its election. The auditor gives to the company's shareholders the auditor's report required by law in connection with the annual financial statements. In addition, the auditor reports regularly to the Board of Directors.

INTERNAL CONTROL AND AUDITING

The purpose of internal control is to ensure the effective and profitable operations of the company, sufficient and appropriate management of business risks, and reliable information. The control system is also used to monitor compliance with specified operating principles and issued instructions. Ultimate responsibility for monitoring accounting and asset management rests with the company's Board of Directors. The Board monitors the effectiveness of the company's internal control. The CEO is responsible for ensuring that accounting is in compliance with the laws and that financial management is arranged in a reliable manner.

Glaston uses a Group-wide internal reporting system for monitoring business operations and financial management. The fulfilment of set targets is monitored monthly using an internal reporting system. In addition to actual figures, forecasts of the Group's financial situation for the current year are reported quarterly.

Glaston has no separate internal auditing organisation. The Group's auditor assesses the effectiveness of the Group's internal control system as part of its statutory auditing of operations. In addition, Glaston gives, when necessary, separate assignments to external experts to carry out internal auditing.

RISK MANAGEMENT

Risk management is part of Glaston's management system. Risk management is an essential part of planning, decision-making and management processes, and a renewed risk management programme will be applied from 2009 in all of Glaston's operations worldwide. The objective of risk management is to ensure the achievement of business targets and to safeguard operational continuity. Glaston applies a risk management policy approved by the company's Board of Directors.

The principle purpose of Glaston's risk management is the continuous, systematic and appropriate development and implementation of the risk management process, with the aim of the comprehensive recognition and appropriate management of risks.

From the perspective of risk management, Glaston has divided risks into four different groups: strategic risks, operational risks, financial risks and hazard risks. Risks of property, business interruption and liability losses arising from the Group's operations have been covered by appropriate insurance, and management of financial risks is the responsibility of the Group Treasury in the Group's parent company.

Glaston's risk management consists of the following stages: risk recognition, risk assessment, risk handling, risk reporting and communication, monitoring of risk management measures and processes, operational continuity planning and crisis management.

As part of the risk management process, the most significant risks and their possible effects 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 business areas and units are possibly ready to accept in each situation or at a certain time.

In practice, risk management consists of appropriately specified tasks, operating practices and tools, which have been adapted to Glaston's business area, business unit and Group-level management systems. Risk management is the responsibility of the directors and managers of each business area, business unit and Group function. Risk recognition is in practice the responsibility of every Glaston employee.

The Group's risks are covered in more detail in the Board of Director's Review on page 44, and in Note 3 of the consolidated financial statements.

INSIDERS

Glaston Group has insider guidelines, which comply with the NASDAQ OMX Helsinki Guidelines on Insiders.

The members of the company's Board of Directors, the executive management group and the auditor are considered to be insiders with the obligation to disclose. Under the above standard, the company also maintains a company-specific register of insiders. Information about the company's insiders with the obligation to disclose as well as their shareholdings is available from the SIRE system of Euroclear Finland Ltd and from Glaston Corporation's website.

Glaston Corporation does not arrange investor meetings during the three weeks preceding the publication of financial statements or interim reports.

COMMUNICATION

The objective of the company's external communications is to support the correct pricing of the company's share and possible other securities by giving the market sufficient information about the company's business structure, its financial position, the development of the market, and the company's objectives and its strategy for achieving those objectives.

The company publishes an annual report and three interim reports. Key information on the company's corporate governance as well as information that must be declared under listed companies' obligation to disclose is published on the company's website at the address www.glaston.net.

In addition, key management presentation material can be viewed on the company's website after publication.

GOVENANCE IN 2008

ANNUAL GENERAL MEETING

The Annual General Meeting was held on 11 March, 2008. In total 162 shareholders, representing 59 per cent of the company's votes, participated in the Annual General Meeting either in person or by proxy. All Members of the Board and Glaston's President & CEO attended the meeting. The decisions made by the Annual General Meeting can be viewed on the company's website www.glaston.net.

BOARD OF DIRECTORS

On 11 March, 2008, the Annual General Meeting elected to Glaston's Board of Directors seven members: Andreas Tallberg, Claus von Bonsdorff, Klaus Cawén, Carl-Johan Rosenbröijer, Christer Sumelius and, as new members, Jan Lång and Mikael Mäkinen. At its organisation meeting on 11 March, 2008, the Board of Directors elected from among its members Andreas Tallberg as Chairman of the Board and Christer Sumelius as Deputy Chairman. The Board of Directors met 10 times in 2008. The average attendance was 98 per cent. In 2008, the activities of the Board of Directors were evaluated by an external party. Information about the members of the Board of Directors and their shareholdings in the company can be found on pages 36-37.

According to an independence assessment performed by the company's Board of Directors, all of the Board's seven members are, in principle, independent of the company. Excluding Andreas Tallberg, the Members of the Board are independent of the company's significant shareholders. Andreas Tallberg is Chairman of the Board of GWS Trade Oy (GWS Trade Oy's ownership of Glaston Corporation shares was 16.95 per cent on 31 December 2008) and Managing Director of Oy G.W. Sohlberg Ab (Oy G.W. Sohlberg Ab's ownership was 16.16 per cent on 31 December 2008).

Based on a broader assessment, however, the Board considers that Carl-Johan Rosenbröijer and Christer Sumelius are not independent, because they have served as Members of Board continously for over 12 years.

In 2008, the company had no committees appointed by the Board of Directors.

PRESIDENT & CEO

Mika Seitovirta continued as Glaston Corporation's President & CEO in 2008.

Information on the President & CEO and his shareholdings can be found on page 35 of this annual report.

EXECUTIVE MANAGEMENT GROUP (EMG)

On 31 December, 2008, the Group's Executive Management Group comprised, in addition to the President & CEO, SVP Preprocessing Paolo Ceni, SVP Heat Treatment Topi Saarenhovi, SVP Software Solutions and One-Stop-Partner Offering Günter Befort, SVP One-Stop-Partner Deliveries Henrik Reims, SVP Software Solutions Timo Nieminen, Chief Financial Officer Kimmo Lautanen, SVP Human Resources Ari Himma and SVP Quality and Business Development Juha Liettyä. Information about the members of the Group's Executive Management Group and their shareholdings can be found on page 34-35 of this annual report.

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS

In accordance with a decision of the Annual General Meeting held on 11 March 2008, the annual remuneration of the Chairman of Glaston's Board of Directors is EUR 40,000, the remuneration of the Deputy Chairman EUR 30,000 and the remuneration of Members of the Board EUR 20,000. In addition to the annual remuneration, the members of the Board are paid a meeting remuneration for every Board meeting attended. The meeting remuneration is EUR 800 for the Chairman and EUR 500 for a Member of the Board. In financial year 2008, a total of EUR 191,200 was paid in remuneration to Members of the Board of Directors whose term began on 11 March, 2008. Members of the Board were not awarded remuneration in the form of shares or share derivatives during the financial year.

REMUNERATION PAID TO MEMBERS OF THE BOARD IN FINANCIAL PERIOD 2008, EUROS

	2008	2007
CHAIRMAN OF THE BOARD OF DIRECTORS	47,200	43,100
DEPUTY CHAIRMAN OF THE BOARD OF DIRECTORS	34,500	35,000
OTHER MEMBERS	116,000	129,300
TOTAL	**197,700**	**207,400**

Employees of the Group who serve on the Boards of Directors of subsidiaries do not receive separate remuneration.

MANAGEMENT REMUNERATION AND OTHER BENEFITS, AND INCENTIVE SCHEMES

President & CEO Mika Seitovirta's salary with fringe benefits in 2008 totalled EUR 667,959. A total of EUR 1,785,125 in salaries and fringe benefits was paid to other members of the Executive Management Group in 2008.

The potential bonus from the share-based incentive scheme for the 2008 performance period was based on growth of the Group's operating profit and net sales. A total of 32 key employees belonged to the target group of the scheme in the 2008 performance period. Glaston's Board of Directors confirmed the bonus from the incentive scheme for 2008 to be 0 per cent.

In 2008, bonuses totalling EUR 707,484 were paid to a total of 18 people, of whom five were members of the EMG, from the share-based incentive scheme for management. The proportion of bonuses paid to other managers was EUR 332,175.

EXECUTIVE MANAGEMENT GROUP REMUNERATION IN FINANCIAL PERIOD 2008, EUROS

	2008	2007
PRESIDENT & CEO		
SALARIES	444,434	382,216
SHARE-BASED INCENTIVE PLANS, SETTLED IN CASH	74,204	-
SHARE-BASED INCENTIVE PLANS, SETTLED IN SHARES, VALUE OF SHARES	61,391	-
BONUSES	87,930	-
TOTAL	667,959	382,216
OTHER EXECUTIVE MANAGEMENT GROUP MEMBERS		
SALARIES	1,247,174	1,173,303
OPTION ARRANGEMENTS, SETTLED IN CASH	-	4,253,077
SHARE-BASED INCENTIVE PLANS, SETTLED IN CASH	137,395	-
SHARE-BASED INCENTIVE PLANS, SETTLED IN SHARES, VALUE OF SHARES	102,319	-
BONUSES	298,237	699,471
TOTAL	**1,785,125**	**6,125,851**

AUDITING

The 2008 Annual General Meeting elected as auditor the authorised public accounting firm KPMG Oy Ab, with the responsible auditor being Sixten Nyman, APA, who is responsible for directing and coordinating auditing for the entire Group.

For 2008 the auditors of all the Group companies were paid a total of EUR 406,000 for statutory auditing. A total of EUR 12,000 was paid to KPMG for other services in 2008.

CONTENTS

BOARD OF DIRECTORS' REVIEW

STRATEGY AND FINANCIAL TARGETS

In January 2008, Glaston announced its new strategy and financial targets. The architectural glass segment and the strongly developing solar energy market supporting it form the foundation for the Group's growth in future. Investments in maintenance and service business will be significantly increased. Glaston's One-Stop-Partner concept is a strategic strength which distinguishes Glaston from its competitors. In machine deliveries to the automotive and furnishing industries, the focus is on good profitability and cash flow.

Tamglass Glass Processing, which operates mainly in Finland, is defined in the strategy as not included in Glaston's core business. Tamglass Glass Processing is now focusing strongly on improving its profitability and enhancing its operational efficiency. Options for Tamglass Glass Processing's future are currently under review in Glaston.

The financial targets underlying Glaston's strategy will run until 2012. The financial targets are annual growth of net sales of more than 8 per cent, raising the operating profit to at least 10 per cent of net sales and raising return on capital employed (ROCE) to 20 per cent.

MARKETS

Due to the global financial crisis and the deteriorating economic climate, Glaston's market situation weakened substantially during the autumn, and in the final quarter the market was particularly quiet. More extensive One-Stop-Partner projects stopped in the latter part of the year. Service and maintenance business as well as demand for glass industry software continued to be satisfactory. In all markets, excluding South America, demand fell during the final quarter of the year.

PRE-PROCESSING

In the second quarter of 2008, the Pre-processing markets began to slow rapidly. In addition to North America, demand also weakened in the EMEA area and Asia. To strengthen its market position, Glaston both restructured and strengthened the Pre-processing business area's sales organisation, with the emphasis being on the EMEA area.

In 2008, the market developed positively, however, in South America, where growing demand for glass applications, particularly in the architectural glass segment, supported demand for pre-processing machines and tools. Glaston succeeded in increasing its market share and net sales in the area in 2008.

Assembly of Bavelloni cutting tables and lines began at the Tianjin factory in China during the year, and the first products were delivered to the local market in the third quarter. These actions represented the first steps towards a new localised produt range through which the Group will be able to meet local market needs in China and grow its operations in low cost countries.

The first ever global upgrade agreement for pre-processing machines was signed at the beginning of the year. Sales of service agreements developed positively in all geographical areas.

Orders received in January-December totalled EUR 56.9 (68.7) million. January-December net sales totalled EUR 89.7 (94.1) million.

HEAT TREATMENT

In 2008, the market situation of the Heat Treatment business area was good, with the exception of the latter part of the year. Activity in the solar energy glass market continued to be favourable throughout nearly the entire year. Market uncertainty and financial market instability postponed customers' decisions and delivery times in several market areas.

In the EMEA area and in South America demand continued to be strong. The strong downturn in the North American market continued. In Asia, the market slow-down intensified the competitive situation. To strengthen market position in Northern Asia, production of two safety glass machine product families began at Glaston's factory in Tianjin, China.

Sales of ceramic rollers as spare parts began via the Tampere delivery centre in Finland in the latter part of the year. In North and South America, sales of upgrade packages also developed positively towards the end of the year.

The Heat Treatment business area's January-December net sales totalled EUR 152.9 (162.3) million. Orders received during the financial year totalled EUR 113.9 (141.0) million.

The restructuring of Tamglass Glass Processing, which operates in Finland, continued during 2008. As part of the reorientation of operations, the glass processing unit discontinued production of working machine and special automotive glass in order to focus in future on architectural and interior glass as well as glass needed for solar energy producing solutions. In late summer, the unit started production at a factory in Akaa, Finland.

SOFTWARE SOLUTIONS

During the financial year, the integration of Albat+Wirsam into Glaston's organisation and operations was completed. The acquisition of Albat+Wirsam increased Glaston's glass processing expertise and strengthened Glaston's comprehensive offering. During 2008, the Software Solutions business area focused strongly on integrating Albat+Wirsam software with Glaston's machines and ensuring their compatibility.

The Software Solutions business area developed favourably in 2008 and the market was strong throughout nearly the entire year. A higher degree of automation and flexibility, long sought after in the industry, clearly influenced demand. The EMEA area in particular boosted the business area's growth. In addition, an extensive project in Japan furthered the adaptation of Glaston's software products to the requirements of the Asian market. The North American market showed no signs of recovery during the financial year.

In October 2008, Glaston acquired the operations of the Chinese company Shanghai Yunzhe Software Co., Ltd. The acquired business is connected with the expansion of the Software Solutions market area into China.

January-December net sales totalled EUR 28.2 (7-12 2007: 14.7) million. Licence orders received totalled EUR 13.9 (3.0) million.

ONE-STOP-PARTNER

To improve Glaston's delivery process and accelerate One-Stop-Partner product integration, in January 2008 the One-Stop-Partner unit was divided into two, namely One-Stop-Partner Offering and One-Stop-Partner Deliveries. During the year, the product offering was defined and delineated more clearly than before, focusing on the glass processing needs of the architectural and solar energy segments.

In 2008, demand for integrated glass processing solutions, except for the latter part of the year, was good in Eastern and Southern Europe, the Middle East, North Asia and the APAC area. Demand was weak in Central and Northern Europe. During the first months of 2008, demand for solar energy solutions was strong in the Americas, and flat panels and Glaston's bending technology were of particular interest to customers. Due to the global financial crisis, customers' decision-making processes lengthened significantly in many areas and projects came to a halt in the final quarter.

In 2008, Glaston delivered OSP solutions to both the architectural and the solar energy sectors. Total sales for One-Stop-Partner joint deliveries were EUR 25.9 (47.7) million in January-December. The unit's earnings are included in Glaston's reported segments.

ORDERS RECEIVED

Glaston's orders received during the financial year totalled EUR 184.7 (212.7) million. Of orders received, Heat Treatment accounted for 61.7 per cent, Pre-processing 30.8 per cent and Software Solutions 7.5 per cent.

GEOGRAPHICAL DISTRIBUTION OF ORDERS RECEIVED, EUR MILLION	2008	2007	CHANGE, %
EMEA	**126.2**	134.4	-6.1
AMERICA	**35.5**	44.0	-19.3
ASIA	**23.0**	34.3	-33.0
TOTAL	**184.7**	212.7	-13.2

ORDER BOOK

Glaston's order book on 31 December 2008 was EUR 60.7 (87.0) million. The Heat Treatment business area accounted for EUR 44.2 (59.9) million of the order book, Pre-processing for EUR 13.0 (20.9) million and Software Solutions for EUR 3.5 (6.2) million.

ORDER BOOK, EUR MILLION	31.12.2008	31.12.2007	CHANGE, %
PRE-PROCESSING	**13.0**	20.9	-37.8
HEAT TREATMENT	**44.2**	59.9	-26.2
SOFTWARE SOLUTIONS	**3.5**	6.2	-43.5
TOTAL	**60.7**	87.0	-30.2

NET SALES AND OPERATING PROFIT

Glaston's January-December net sales totalled EUR 270.4 (269.8) million. Pre-processing's net sales in the financial period were EUR 89.7 (94.1) million, Heat Treatment's net sales EUR 152.9 (162.3) million and Software Solutions' net sales EUR 28.2 (14.7) million.

Operating profit excluding non-recurring items was EUR 6.2 (16.8) million, i.e. 2.3 (6.2) per cent of net sales.

The operating result was a loss of EUR 6.1 (12.2 profit) million. Non-recurring items totalling EUR 12.3 million were recognised in the final quarter, due to the efficiency programme as well as one-off costs recognised for agreements made in previous years and for uncertain receivables.

Pre-processing's operating result in January-December was a loss of EUR 8.4 (0.1 profit) million. The operating result, excluding non-recurring items, for January-December was a loss of EUR 3.0 (1.6 profit) million. The weak profit development is explained by intensifying price competition resulting from the market situation and a narrow product range.

NET SALES, EUR MILLION	2008	2007	2006
PRE-PROCESSING	**89.7**	94.1	89.1
HEAT TREATMENT	**152.9**	162.3	131.3
SOFTWARE SOLUTIONS *)	**28.2**	14.7	–
PARENT COMPANY, ELIM.	**-0.3**	-1.3	-1.5
TOTAL	**270.4**	269.8	218.9

*) Software Solutions 7-12/2007

The Heat Treatment business area's operating result for January-December was EUR 6.7 (13.7) million. The business area's operating profit for the full year, excluding non-recurring items, was EUR 13.0 (19.6) million.

Tamglass Glass Processing's operating loss of EUR 6.3 (2.0 loss) million significantly weakened the result of Heat Treatment business area and of Glaston as a whole. The restructuring of Tamglass Glass Processing's operations was continued in 2008.

Software Solutions' operating result in January-December was EUR 3.2 (2.6) million. Operating profit in the reporting period, excluding non-recurring items, was EUR 3.7 (2.6) million.

OPERATING RESULT, EXCLUDING NON-RECURRING ITEMS, EUR MILLION	1-12/2008	1-12/2007
PRE-PROCESSING	-3.0	1.6
HEAT TREATMENT	13.0	19.6
SOFTWARE SOLUTIONS	3.7	2.6
PARENT COMPANY, ELIM.	-7.5	-7.0
TOTAL	6.2	16.8
NON-RECURRING ITEMS	-12.3	-4.6
OPERATING RESULT AFTER NON-RECURRING ITEMS	-6.1	12.2

	2008	2007	2006
OPERATING RESULT, EUR MILLION	-6.1	12.2	5.3
OPERATING RESULT, % OF NET SALES	-2.3	4.5	2.4
PROFIT/LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT, EUR MILLION	-9.1	10.8	8.7
PROFIT/LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT, % OF NET SALES	-3.4	4.0	4.0

The result for the financial period was a loss of EUR 9.2 (10.8 profit) million. Return on capital employed (ROCE) was –2.3 (11.3) per cent. Earnings per share were EUR –0.12 (0.14)

	2008	2007	2006
EARNINGS PER SHARE, CONTINUING OPERATIONS, EUR	-0.12	0.09	0.05
EARNINGS PER SHARE, DISCONTINUED OPERATIONS, EUR	-	0.05	0.06
EARNINGS PER SHARE, TOTAL, EUR	-0.12	0.14	0.11

	2008	2007	2006
RETURN ON CAPITAL EMPLOYED (ROCE)	-2.3	11.3	8.4
RETURN ON EQUITY, %	-7.0	7.7	6.2

The definition of key ratios is presented in the consolidated financial statements.

FINANCING AND CASH FLOW

The Group's financial position remained reasonably good, despite strongly increased net debt. The need for working capital was increased above all by a decrease in advance payments from customers (EUR -8.4 million) and growth in inventories (EUR +9.8 million). Reducing working capital is a key element of the restructuring programme. The equity ratio on 31 December, 2008, was 45.8 (55.5) per cent. Cash flow from operating activities of Glaston's Continuing Operations was EUR -23.3 (8.7) million and cash flow from investing activities was EUR –13.4 (–27.3) million.

Cash flow from financing in January-December was EUR 37.8 (1.5) million, including dividends paid in the financial period of EUR 7.8 (7.1) million.

The Group's liquid funds at the end of the financial period totalled EUR 11.5 (11.4) million. Interest-bearing net debt totalled EUR 57.9 (9.9) million and net gearing was 46.8 (7.1) per cent. The financing structure was changed by drawing down a long-term pension loan amounting to EUR 16.4 million. To ensure liquidity, the Group has a EUR 65 million committed revolving credit facility. At the end of 2008, EUR 29 million of the facility was in use.

	2008	2007	2006
EQUITY RATIO, %	45.8	55.5	62.0
GEARING, %	56.1	15.2	5.7
NET GEARING, %	46.8	7.1	-1.9
INTEREST-BEARING NET DEBT, EUR MILLION	57.9	9.9	-2.6

EFFICIENCY PROGRAMME

To improve profitability Glaston initiated efficiency measures in all units. The objective of the programme is to improve the profitability of the whole Group and of the Pre-processing business area in particular, as well as to adjust operations to the market situation.

Negotiations held with personnel representatives were completed in December. The outcome was that Glaston Finland Oy's personnel, a total of around 200 people, will be laid off for an average of 4-8 weeks in winter and spring 2009.

In the Pre-processing business area 25

per cent of personnel, i.e. 100 people, have been regularly laid off since December. In addition, personnel reductions have taken place in a number of the Group's other units, resulting in the redundancy of around 100 employees. The number of externally hired workers has also been reduced.

The efficiency measures are estimated to generate around EUR 5 million in cost savings on an annual basis. These will be realised in full from the beginning of 2010.

As part of operational reorientation and restructuring, Glaston's Tamglass Glass Processing Ltd., which processes glass in Finland, initiated negotiations in July on the closing down of working machine and special automotive glass operations in order to focus in future on architectural glass business. Operations at the Pihtipudas unit in Finland ceased at end of the year and the temporary employment of 17 people ended. In terms of the working machine and special automotive glass operations to be closed down, the primary adjustment measure is a three-month lay-off period for 10 employees during winter 2008/2009.

RESEARCH AND DEVELOPMENT

Research and development expenditure totalled EUR 14.4 (6.3) million, representing 5.3 (2.3) per cent of net sales.

Pre processing business area's product development focused on product integration and mainly on new products directed at the architectural and solar energy markets. During the year, Glaston launched eight new glass and stone processing products for the architectural, furniture and solar energy segments. Pre-processing machines equipped with Albat+Wirsam software were launched for the first time in the autumn.

A new product strategy was prepared for the Heat Treatment business area, and product management was reorganised. The product development priorities were the development of solar energy products and the development of production line automation systems. The Tamglass CHF Pro™ model, launched into the Tamglass CHF flat tempering product range, is particularly suitable for the tempering of flat architectural applications and solar energy glass, particularly photovoltaic (PV) glass. In bending machines, the Tamglass ESU EcoPower™ was launched, which is able to bend high quality CSP (Concentrated Solar Power) technology solar panels. The ProE Magnum™ product family was expanded to larger glass sizes: the new launched machine can temper glass sizes up to 3.3 m x 9.6 m.

Product development in the Software Solutions business area focused on integration of glass processing machines and software. In addition to developing pre-processing machine systems, a new product group, the Panorama line control systems, was introduced.

	2008	2007	2006
RESEARCH AND DEVELOPMENT EXPENDITURE, EUR MILLION	**14.4**	6.3	5.6
RESEARCH AND DEVELOPMENT EXPENDITURE, % OF NET SALES	**5.3**	2.3	2.5

CAPITAL EXPENDITURE AND DEPRECIATION

Glaston's gross capital expenditure totalled EUR 18.4 (34.1) million. The most significant capital expenditure during the year was related to the global ERP project, product development and production machines.

During 2008, depreciation and amortisation of property, plant and equipment and intangible assets totalled EUR 8.7 (7.1) million. In addition, impairment losses totalling EUR 2.6 million were recognised, of which most were directed at capitalised development expenses which are no longer expected to generate future economic benefits.

	2008	2007	2006
GROSS CAPITAL EXPENDITURE, EUR MILLION	**18.4**	34.1	12.0
GROSS CAPITAL EXPENDITURE, % OF NET SALES	**6.8**	12.6	5.5
DEPRECIATION AND AMORTISATION, EUR MILLION	**8.7**	7.1	5.4
IMPAIRMENT LOSSES, EUR MILLION	**2.6**	-	-

ORGANISATION AND PERSONNEL

To streamline the Finnish operations, Glaston Service Ltd. Oy's. operations were transferred on 1 January, 2008, to Glaston Finland Oy. The transfer had no impact on the number of personnel. Albat+Wirsam France S.A. was merged with Glaston France S.A.S.U. at end of June.

In October, as part of an efficiency programme, it was decided to combine the operations of Uniglass Engineering Oy with Glaston Finland Oy. The combination of the operations will take place during 2009.

On 31 December, 2008, Glaston Corporation had a total of 1,541 (1,435) employees, of whom 29 per cent were in Finland and 47 per cent elsewhere in Europe, mainly in Germany and Italy. The proportion of the employees working in Asia was 10 per cent and in the Americas 14 per cent. The average number of employees was 1,519 (1,288).

	2008	2007	2006
SALARIES AND BONUSES, EUR MILLION	**59.7**	49.7	43.5
PERSONNEL AT END OF YEAR	**1,541**	1,435	1,211
PERSONNEL (AVERAGE)	**1,519**	1,288	1,264

ENVIRONMENT

Alternative energy sources and energy efficiency are key environmental trends for Glaston. In addition, increasing environmental awareness means that energy-saving targets are growing, which impacts demand for energy glass: using the right kind of glass, energy consumption can be significantly reduced. Solar energy production will grow strongly during the coming years and the emphasis of Glaston's product development is on solutions aimed at the manufacture of solar energy glass. Concepts launched during 2008 for the needs of solar energy customers were well received.

In its own operations, Glaston's aim is to adopt as environmentally friendly operating practices as possible, and processes are continually developed taking the principles of sustainable development into account. The life cycle of a glass processing machine is long, on average around 20 years. The design of Glaston's machines takes into account a machine's entire life cycle, and they are manufactured to withstand continuous use at high production capacity. Special attention is also paid to the machines' energy consumption. During 2008, Glaston launched a new flat tempering machine in which, due to new technology, the energy consumption of glass processing can be reduced by 6-7 per cent.

CHANGES IN MANAGEMENT

In January 2008, Henrik Reims was appointed SVP, OSP Deliveries and in May Timo Nieminen was appointed SVP, Service Solutions. Both are members of Glaston's Executive Management Group. Timo Rautarinta was appointed Managing Director of Glaston's glass processing unit Tamglass Glass Processing Ltd. in March 2008.

RISKS AND RISK MANAGEMENT

Glaston operates globally and changes in the development of the world economy directly affect the Group's operations and risks. The Board of Directors of Glaston Corporation is responsible for the Group's risk management policy and supervises its implementation. The President & CEO and the Executive Management Group, reporting to the Board of Directors, are responsible for risk management operating practices, implementation and control.

A strategic risk for Glaston is above all the possible arrival on the market of a competing machine technology, which would require Glaston to make large product development investments. Moreover, losing the Group's market share, particularly in the most strongly developing markets (Asia, the Middle East) is a strategic risk. Implementing the Group's strategy may require acquisitions, the possible failure of which would affect financial performance and Glaston's risk profile.

Glaston's most significant operational risks include management of large customer projects, availability and price development of raw materials and components, management of the subcontractor network, and the availability and permanence of personnel. Glaston is developing its information systems and a new enterprise resource planning system will be taken into use in Finland according to plan in 2009. Despite careful planning, temporary disruptions to operations might be associated with the introduction of the system.

Financial risks connected with operations, such as foreign exchange, interest rate, financing and counterparty risks as well as credit and liquidity risks, which have grown particularly in the last few months. The nature of international business means that Glaston has risks arising from fluctuations in foreign exchange rates. Changes in interest rates represent an interest rate risk. Credit and counterparty risk arises from risk associated with the payment period granted to customers. The liquidity risk arises from Glaston's negotiated credit facilities being insufficient to financial needs of the business. Financial risks and their management are explained in more detail in Note 3 to the consolidated financial statements.

In 2008, Glaston strongly developed its global risk management, and a new risk management policy, process and reporting were approved by the Board of Directors and implemented. The development of comprehensive risk management is a Group-level responsibility. The business areas and units are responsible for recognising, managing and reporting risks associated with their own operations. The Group Treasury handles centrally the management of the Group's financial risks in accordance with a treasury policy approved by and within the restrictions issued by the Board of Directors.

In protecting against possible hazard risk, worldwide insurance programmes covering all companies are used, in addition to preventative risk handling measures. The coverage of these programmes is regularly reviewed as part of overall risk management.

SHARES AND SHARE PRICE

Glaston Corporation's share (GLA1V) is quoted on the NASDAQ OMX Helsinki Mid Cap List. The company's paid and registered share capital on 31 December, 2008, was EUR 12.7 million and the number of issued shares totalled 79,350,000. The company has one series of share.

At the end of December, the company held 809,793 of its own shares (treasury shares), corresponding to 1 per cent of the total number of issued shares and votes.

The counter book value of the treasury shares is EUR 129,567. Every share that the company does not hold itself entitles its owner to one vote at the Annual General Meeting. The share has no nominal value. Each share has a counter book value of EUR 0.16.

During January-December, a total of 3,965,341 of the company's shares were traded, representing 5.1 per cent of the average number of shares. The lowest price paid for a share was EUR 0.87 and the highest price EUR 3.33. The volume-weighted average price during the period was EUR 2.07 and the closing price on 31 December, 2008, was EUR 0.91. On 31 December, 2008, the market capitalisation of the company's shares, treasury shares excluded, was EUR 71.5 (217.3) million.

The equity per share attributable to the owners of the parent was EUR 1.58 (1.78).

PER SHARE DATA	2008	2007	2006
Equity per share attributable to owners of the parent, EUR	1.58	1.78	1.78
Dividend per share, EUR *)	0.05	0.10	0.09
Dividend payout ratio, % *)	-43.0	73.2	81.9
Dividend yield, % *)	5.5	3.6	2.2
Price / earnings per share (P/E)	-7.8	20.3	37.7
Price / equity attributable to owners of the parent per share	0.58	1.55	2.34
Share price at end of the year, EUR	0.91	2.77	4.15
Market capitalisation at end of the year, EUR million	71.5	217.3	327.9
Number of shares traded (1,000)	3,965	7,993	6,978
As percentage of average number of shares, %	5.1	10.2	8.8
Number of shares at end of the year	79,350,000	79,350,000	79,350,000
Average number of shares, treasury shares excluded	78,507,338	78,682,449	79,020,096

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

The definition of key ratios is presented in the consolidated financial statements.

SHAREHOLDERS

GLASTON CORPORATION'S LARGEST SHAREHOLDERS AT 31 DECEMBER, 2008

	Shareholders	Number of shares	% of shares and votes
1	GWS Trade Oy	13,446,700	16.95
2	Oy G.W.Sohlberg Ab	12,819,400	16.16
3	Sumelius Henning	3,642,600	4.59
4	Society of Swedish Literature in Finland	2,245,000	2.83
5	Investsum Oy	1,820,000	2.29
6	Suutarinen Helena Estate	1,802,400	2.27
7	Von Christierson Charlie	1,600,000	2.02
8	Sumelius Maria	1,541,393	1.94
9	Sumelius Bjarne Henning	1,399,840	1.76
10	Sumelius-Koljonen Barbro	1,206,875	1.52
	10 largest, total	41,524,208	52.33
	Other shareholders	37,750,592	47.67
	In joint account	75,200	0.00
	Total	79,350,000	100.00
	Treasury shares	-809,793	1.02
	Total, excluding treasury shares	**78,540,207**	

OWNERSHIP DISTRIBUTION AT 31 DECEMBER, 2008

	Number of shares	% of shares and votes
Corporations	32,941,245	41.5
Financial and insurance corporations	1,019,407	1.3
Non-profit institutions	3,771,994	4.8
Households	34,602,818	43.6
Foreign countries	4,142,706	5.2
General government	1,785,315	2.2
Total	78,263,485	98.6
Nominee-registered	1,011,315	1.3
Total	79,274,800	99.9
In joint account	75,200	0.1
Total	**79,350,000**	**100.0**

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

Information on the Glaston Corporation shares owned by Members of the Board of Directors and the President & CEO is given in Note 32 to the consolidated financial statements.

Glaston Corporation has no issued share options.

SHARE-BASED INCENTIVE SCHEME

On 9 May, 2007, Glaston's Board of Directors decided on a new share-based incentive scheme for the Glaston Group's key personnel. The scheme has three one-year performance periods, namely the calendar years 2007, 2008 and 2009. The scheme will be settled in 2008, 2009 and 2010 in shares and cash. The proportion to be settled in cash is intended to cover taxes and tax-related social costs arising to key personnel from the bonus. Shares cannot be disposed of within two years of the bonus being awarded.

The potential bonus from the scheme for the 2008 performance period was based on growth of the Group's EBIT and net sales. If the targets set for the performance criteria of the incentive scheme for the years 2007-2009 are achieved in full, a maximum of 652,500 shares, i.e. 217,000 shares per year, will be given as bonus from the scheme, and cash paid will be at most the amount needed for the taxes and tax-related social costs arising to key personnel from the bonus at the time the bonus is paid.

Glaston's Board of Directors confirmed the incentive scheme return for 2008 as 0 per cent. The impact of incentive schemes on the 2008 result was EUR 0.3 million.

DECISIONS OF THE ANNUAL GENERAL MEETING

Glaston's Annual General Meeting was held on 11 March, 2008. The meeting approved the financial statements for 2007 and released the Board of Directors and the President & CEO from liability for the financial year.

The meeting also approved the Board of Directors' proposal to pay a dividend of EUR 0.10 per share, a total of EUR 7.8 million.

The Annual General Meeting confirmed that the following will continue on the Board of Directors for a year-long term of office: Claus von Bonsdorff, Klaus Cawén, Carl-Johan Rosenbröijer, Christer Sumelius and Andreas Tallberg. Ahlstrom Oyj's CEO Jan Lång and Cargotec Oyj's CEO Mikael Mäkinen were elected new members of the Board of Directors. The Annual General Meeting re-elected as auditor the authorised public accounting firm KPMG Oy Ab, with the responsible auditor being Sixten Nyman, APA.

ACQUISITION AND DISPOSAL OF OWN SHARES AND AUTHORISATIONS OF THE BOARD OF DIRECTORS

The 2007 Annual General Meeting authorised the Board of Directors to acquire the company's own shares up to a maximum of 7,605,096 shares. During January-September, the company did not acquire its own shares. The authorisation to acquire shares was valid for 18 months from the decision of the 2007 Annual General Meeting, so it was no longer valid at the end of 2008.

The Annual General Meeting also decided to authorise the Board of Directors to decide on the disposal of own shares in the company's possession (treasury shares). The authorisation is valid until the end of the 2009 Annual General Meeting. On 23 April, 2008, the company transferred 103,707 treasury shares to personnel included in the Group's share-based incentive scheme. The counter book value of the transferred shares was EUR 16,593.

The Board of Directors has no other authorisations.

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The distributable funds of Glaston Corporation, the parent of Glaston Group, are EUR 56,122,554, of which EUR 153,094 represent the net profit for the financial year.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.05 per share be distributed from the net profit for the year and from retained earnings, i.e. a maximum of EUR 3,967,500 in total. EUR 52,155,054 will be left in distributable funds. Treasury shares held by the company are not entitled to dividends.

The company's financial position has not materially changed after the end of the financial year, and it is the Board of Directors' opinion that the proposed distribution of funds does not compromise the company's liquidity.

INFORMATION IN ACCORDANCE WITH THE ORDINANCE 153/2007 OF THE MINISTRY OF FINANCE OF FINLAND

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 – reaches or exceeds 33 1/3 per cent or 50 per cent, 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 control over 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 expires at the end of the next Annual General Meeting that follows their election.

The Board appoints and dismisses the Chief Executive Officer (CEO). The Board and the CEO have no special agreements with the company relating to compensation when the Board or the CEO resign or are dismissed or their term of office is otherwise terminated as a result of a public tender offer.

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 covenants of a loan, according to which the lender has the option to recall the loan if control in Glaston changes.

SEPARATE FINANCIAL STATEMENTS OF THE PARENT COMPANY

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

Glaston Corporation's net sales in the financial period were EUR 0.6 (0.6) million and the operating loss EUR 7.2 (loss 4.0) million. Net financial income was EUR 2.2 (11.3) million and extraordinary items EUR 5.1 (1.0) million. The result for the financial period was a profit of EUR 0.2 (8.5) million.

The parent company had an average 28 (13) employees in the financial period and 26 (20) employees at the end of the year.

The parent company has no branches. The company has not granted loans to management.

PARENT COMPANY INFORMATION, EUR MILLION	2008	2007	2006
NET SALES	0.6	0.6	0.8
OPERATING LOSS	-7.2	-4.0	-3.6
RESULT BEFORE TAXES AND APPROPRIATIONS	0.0	8.2	11.0
APPROPRIATIONS	-0.2	-0.1	0.1
INCOME TAX	0.3	0.4	-2.8
RESULT FOR THE FINANCIAL PERIOD	0.2	8.5	8.2
BALANCE SHEET TOTAL	153.2	134.7	127.0
SHAREHOLDERS' EQUITY	94.1	101,4	102.7
SALARIES AND BONUSES	3.0	4.9	1.7
PERSONNEL (AVERAGE)	28	13	9

EVENTS AFTER THE REVIEW PERIOD

On January 2009, Tamglass Glass Processing Ltd. initiated statutory employer-employee negotiations under the Act on Co-determination within Undertakings (YT negotiations) in respect of the adjustment of architectural glass operations to the present market situation. The architectural glass operations employ around 110 people.

UNCERTAINTIES IN THE NEAR FUTURE

Due to the global financial crisis and the economic recession, Glaston's market rapidly changed during the second half of the year. The situation has adversely affected the investment possibilities of Glaston's customers to a significant extent, and the instability has had a particularly strong impact on large One-Stop-Partner orders.

Owing to the recession, demand for glass processing machines will be weak in the coming months. Customers' financing difficulties mean that orders may be postponed and those already confirmed may be cancelled.

Risks relating to raw materials have decreased. Raw material prices have levelled off and subcontracting capacity problems have nearly disappeared.

OUTLOOK

The current situation in the operating environment will have a strong impact on Glaston's business in 2009. Adjustment of operations to the prevailing market situation will be continued.

The cornerstones of Glaston's business remain the architectural glass segment and the solar energy market. In the economic downturn, the significance of service and maintenance business will increase.

The market outlook for the early part of 2009 is very poor. Prospects for service and maintenance business are reasonable. The emphasis of new machine sales will be on sales of single machines. No significant demand for One-Stop-Partner projects is perceptible for the first half of the year. Demand for glass processing machines in the latter part of the year is very difficult to forecast in the uncertain economic climate.

Due to a weak order book at the end of 2008 and exceptionally low demand, Glaston expects 2009 net sales to fall short of the 2008 level. Due to poor visibility, a forecast for the operating profit is not given.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand

	Note	2008	2007 restated	2006 restated
			at 31 December	
Assets				
Non-current assets				
Goodwill	17	66,183	67,641	53,179
Intangible assets	17	22,546	19,567	15,849
Property, plant and equipment	16	35,004	32,513	43,270
Holdings in associates and joint ventures	18	892	770	-
Available-for-sale financial assets	19	321	105	592
Deferred tax assets	14	7,916	4,446	8,574
Total non-current assets		**132,862**	**125,042**	**121,464**
Current assets				
Inventories	20	53,918	46,188	49,477
Assets for current tax	14	4,369	1,655	908
Trade and other receivables	21	83,258	91,287	67,800
Cash and cash equivalents				
Other financial assets		-	88	-
Cash		11,524	11,322	10,528
Assets held for sale	6	-	327	-
Total current assets		**153,068**	**150,867**	**128,713**
Total assets		**285,930**	**275,909**	**250,177**
Equity and liabilities				
Equity				
Share capital		12,696	12,696	12,696
Share premium account		25,270	25,270	25,270
Reserve for invested unrestricted equity		177	269	-
Treasury shares	4	-3,487	-3,933	-950
Fair value reserve		33	-	-
Hedging reserve		-	21	-169
Retained earnings and translation differences		98,166	94,795	94,761
Net result attributable to owners of the parent		-9,134	10,756	8,688
Attributable to owners of the parent		**123,721**	**139,873**	**140,296**
Non-controlling interest		50	37	21
Total equity	22	**123,771**	**139,910**	**140,317**
Non-current liabilities				
Non-current interest-bearing liabilities	24	16,440	1,890	858
Non-current interest-free liabilities	26	599	263	50
Non-current provisions	25	3,388	4,868	1,381
Deferred tax liabilities	14	8,439	9,374	7,431
Defined benefit pension and other defined long-term employee benefit liabilities	23	3,991	4,265	6,082
Total non-current liabilities		**32,857**	**20,661**	**15,802**
Current liabilities				
Current interest-bearing liabilities	24	52,995	19,426	7,151
Current provisions	25	10,572	2,579	6,149
Trade payables and other current interest-free liabilities	26	63,802	89,814	78,194
Liabilities for current tax	14	1,933	3,520	2,564
Total current liabilities		**129,302**	**115,338**	**94,058**
Total liabilities		**162,159**	**135,999**	**109,860**
Total equity and liabilities		**285,930**	**275,909**	**250,177**

CONSOLIDATED INCOME STATEMENT

EUR thousand

	Note	1 January - 31 December 2008	2007 restated
Net sales		**270,419**	**269,801**
Other operating income	10	444	603
Changes in inventories of finished goods and work in process		4,351	-1,380
Own work capitalized		1,136	1,376
Materials	11	86,157	-93,036
Personnel expenses	12	-76,888	-63,692
Other operating expenses	11	-108,234	-94,379
Share of results of joint ventures and associates	18	28	-
Depreciation, amortization and impairment charges	15	-11,205	-7,090
Operating profit / loss		**-6,107**	**12,203**
Income from assets held for sale	13,19	83	-
Financial income	13	2,157	2,971
Financial expenses	13	-4,218	-2,986
Net financial expenses		-1,978	-15
Profit / loss before income taxes		**-8,085**	**12,188**
Income tax expense	14	-1,091	-5,202
Profit / loss from Continuing Operations		**-9,176**	**6,986**
Profit from Discontinued Operations	6	-	3,784
Profit / loss for the year		**-9,176**	**10,770**
Attributable to non-controlling interest		-42	14
Attributable to owners of the parent		**-9,134**	**10,756**
Total		-9,176	10,770
Earnings per share, EUR, Continuing Operations		-0.12	0.09
Earnings per share, EUR, Discontinued Operations		-	0.05
Earnings per share, EUR, total, basic and diluted		**-0.12**	**0.14**
Net result attributable to owners of the parent, EUR thousand		-9,134	10,756
Average number of shares (1,000 shares)		78,507	78,682
Earnings per share (EPS), EUR		**-0.12**	**0.14**

Glaston Corporation has no potential ordinary shares which would dilute earnings per share.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand

	Financial year ended 31 December	
	2008	2007
		restated
Profit / loss for the period	**-9,176**	**10,770**
Other comprehensive income		
Total exchange differences on translating foreign operations	681	-1,786
Hedging of net investment in foreign operations	-	184
Effective portion of fair value changes of cash flow hedges	-	35
Fair value changes of cash flow hedges reclassified in profit or loss	-28	217
Fair value changes of available-for-sale assets	17	-
Other reclassifications	11	-
Income tax on other comprehensive income	3	-109
Other comprehensive income for the year, net of tax	**683**	**-1,460**
Total comprehensive income for the year	**-8,493**	**9,309**
Attributable to		
Owners of the parent	-8,506	9,294
Non-controlling interest	13	16
Total comprehensive income for the year	**-8,493**	**9,309**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR thousand

	Share capital	Share premium account	Reserve for invested unrestricted equity	Hedging reserve	Fair value reserve	Treasury shares	Retained earnings	Cumulative exchange difference	Attributale to owners of the parent	Non-controlling interest	Total equity
Equity 1 January, 2007, as published	**12,696**	**25,270**	**-**	**-169**	**-**	**-950**	**102,797**	**424**	**140,067**	**21**	**140,088**
Effect of restatement	-	-	-	-	-	-	228	-	228	-	228
Equity 1 January, 2007	**12,696**	**25,270**	**-**	**-169**	**-**	**-950**	**103,025**	**424**	**140,295**	**21**	**140,316**
Total comprehensive income for the year	-	-	-	190	-	-	10,756	-1,653	9,293	16	9,309
Acquisition of treasury shares	-	-	-	-	-	-3,933	-	-	-3,933	-	-3,933
Disposal of treasury shares	-	-	363	-	-	950	-	-	1,314	-	1,314
Tax effect of net income recognized directly in equity	-	-	-94	-	-	-	-	-	-94	-	-94
Share-based incentive plan	-	-	-	-	-	-	111	-	111	-	111
Dividends paid	-	-	-	-	-	-	-7,112	-	-7,112	-	-7,112
Equity 31 December, 2007	**12,696**	**25,270**	**269**	**21**	**-**	**-3,933**	**106,779**	**-1,228**	**139,873**	**37**	**139,910**

	Share capital	Share premium account	Reserve for invested unrestricted equity	Hedging reserve	Fair value reserve	Treasury shares	Retained earnings	Cumulative exchange difference	Attributale to owners of the parent	Non-controlling interest	Total equity
Equity 1 January, 2008	**12,696**	**25,270**	**269**	**21**	**-**	**-3,933**	**106,779**	**-1,228**	**139,873**	**37**	**139,910**
Total comprehensive income for the year	-	-	-	-21	33	-	-9,209	691	-8,506	13	-8,493
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	0	0
Disposal of treasury shares	-	-	-124	-	-	447	-	-	323	-	323
Tax effect of net income recognized directly in equity	-	-	32	-	-	-	-	-	32	-	32
Reversal of unpaid dividends	-	-	-	-	-	-	11	-	11	-	11
Share-based incentive plan	-	-	-	-	-	-	-196	-	-196	-	-196
Share-based incentive plan, tax effect	-	-	-	-	-	-	27	-	27	-	27
Dividends paid	-	-	-	-	-	-	-7,844	-	-7,844	-	-7,844
Equity 31 December, 2008	**12,696**	**25,270**	**177**	**-**	**33**	**-3,487**	**89,569**	**-537**	**123,721**	**50**	**123,771**

DISTRIBUTABLE EQUITY OF THE PARENT (FAS)

EUR thousand

	2008	2007
Reserve for invested unrestricted equity	177	269
Retained earnings	59,279	58,598
Treasury shares	-3,487	3,933
Net profit for the period	153	8,513
Total	**56,123**	**63,447**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand

	Financial year ended 31 December	
	2008	2007
Continuing Operations		
Cash flows from operating activities		
Net result attributable to owners of the parent	-9,134	6,972
Adjustments to net result attributable to owners of the parent [1]	16,352	1,646
Depreciation, amortization and impairment	11,205	7,090
Interest received	966	267
Interest paid	-2,469	-1,206
Dividends received	9	12
Other financing items	-375	-
Income taxes paid	-9,398	-4,450
Total funds from operations	**7,156**	**10,329**
Change in net working capital		
Change in inventories	-9,801	3,374
Change in current receivables	5,095	-16,242
Change in interest-free current liabilities	-25,731	11,288
Change in net working capital, total	**-30,437**	**-1,580**
Net cash flow from operating activities	**-23,282**	**8,749**
Cash flows from investing activities		
Business combinations less of acquired cash and cash equivalents	666	-17,692
Acquisition of other investments	-4	-
Capital expenditure in property, plant and equipment and intangible assets	-14,492	-11,282
Proceeds from sale of assets held for sale	170	-
Proceeds from sale of property, plant and equipment and intangible assets	217	1,681
Proceeds from sale of other available-for-sale investments	17	-
Proceeds from sale of available-for-sale shares	12	10
Net cash used in investing activities	**-13,416**	**-27,283**
Cash flow before financing	**-36,697**	**-18,534**
Cash flows from financing activities		
Draw-down of non-current loans	17,532	-
Repayments of non-current loans	-	-31
Change in non-current loan receivables (decrease +, increase -)	279	-
Short-term financing, net (increase +, decrease -)	27,856	11,266
Acquisition of treasury shares	-	-3,933
Disposal of treasury shares	-	1,314
Dividends paid	-7,836	-7,105
Other financing	14	-
Net cash used in financing activities	**37,845**	**1,511**
Discontinued Operations		
Cash flow from operations	-	7,580
Cash flow from investments	-	10,671
Cash flow from Discontinued Operations	**-**	**18,251**
Effect of exchange rate fluctuations	**-1,034**	**-346**
Net increase (- decrease) in cash and cash equivalents	**114**	**882**
Cash and cash equivalents at end of period	11,524	11,410
Cash and cash equivalents at beginning of period	11,410	10,528
Net increase (- decrease) in cash and cash equivalents	**114**	**882**

[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

EUR thousand

	Financial year ended 31 December	
	2008	2007
Business combinations		
Purchase consideration on business combinations	199	21,725
Cash and cash equivalents in business combinations	-	-3 777
	199	17,948
Non-cash transactions		
Unpaid part of the purchase consideration recorded in liabilities	-192	-935
Purchase consideration of acquisitions made in previous years	-673	679
Cash flow on acquisitions net of cash acquired	**-666**	**17,692**
Acquired net assets		
Net working capital	-	-3,841
Property, plant and equipment, intangible assets and shares	160	7,588
Goodwill	39	14,201
Total net assets of business combinations	**199**	**17,948**
Unpaid part of the purchase consideration recorded in liabilities	-192	-935
Purchase consideration of acquisitions made in previous years	-673	679
Cash flow on acquisitions net of cash acquired	**-666**	**17,692**

PER SHARE DATA

	2008	2007 restated	2006 restated
Earnings per share, Continuing Operations, EUR	-0.12	0.09	0.05
Earnings per share, Discontinued Operations, EUR	-	0.05	0.06
Earnings per share, EUR, basic and diluted	-0.12	0.14	0.11
Dividend per share, EUR [1]	0.05	0.10	0.09
Dividend payout ratio, % [1]	-43.0%	73.2%	81.9%
Dividend yield [1]	5.5%	3.6%	2.2%
Equity attributable to owners of the parent per share, EUR	1.58	1.78	1.78
Price per earnings per share (P/E) ratio	-7.8	20.3	37.7
Price per equity attributable to owners of the parent per share	0.58	1.55	2.34
Dividends paid, EUR million [1]	4.0	7.1	13.4
Number of shares at the end of the year	79,350,000	79,350,000	79,350,000
Number of shares at the end of the year, treasury shares excluded	78,540,207	78,436,500	79,020,096
Weighted average number of shares, treasury shares excluded	78,507,338	78,682,449	79,020,096
Share price and turnover			
Share price, year high, EUR	3.33	4.53	4.84
Share price, year low, EUR	0.87	2.70	3.75
Share price, volume-weighted year average, EUR	2.07	3.84	4.33
Share price, end of year, EUR	0.91	2.77	4.15
Number of shares traded (1,000)	3 965	7 993	6 978
% of average number of shares	5.1%	10.2%	8.8%
Market capitalization, end of year, EUR million	71.5	217.3	327.9

[1] The 2008 dividend is the Board of Directors' proposal to the Annual General Meeting.

FINANCIAL RATIOS

EUR thousand

	2008	2007	2006
Income statement and profitability		restated	restated
Net sales	270,419	269,801	218,872
Operating profit / loss	-6,107	12,203	5,266
% of net sales	-2.3%	4.5%	2.4%
Operating profit / loss, non-recurring items excluded	6,192	16,766	10,506
% of net sales	2.3%	6.2%	4.8%
Financial income and expenses (net)	-1,978	-15	251
% of net sales	0.7%	0.0%	-0.1%
Result before income taxes and non-controlling interests	-8,085	12,188	5,517
% of net sales	-3.0%	4.5%	2.5%
Income taxes	-1,091	-5,202	-1,593
Profit from Discontinued Operations	-	3,784	4,770
Net profit / loss attributable to owners of the parent	-9,134	10,756	8,688
% of net sales	-3.4%	4.0%	4.0%
Return on capital employed (ROCE), %	-2.3%	11.3%	8.4%
Return on equity, %	-7.0%	7.7%	6.2%
Research and development expenses	14,430	6,265	5,573
% of net sales	5.3%	2.3%	2.5%
Gross capital expenditure	18,432	34,083	11,994
% of net sales	6.8%	12.6%	5.5%
Orderbook, EUR million	60.7	87.0	97.8
Balance sheet and solvency			
Property, plant and equipment and intangible assets	57,550	52,080	59,119
Goodwill	66,183	67,641	53,179
Non-current assets total	132,862	125,042	121,464
Equity attributable to owners of the parent	123,721	139,873	140,296
Equity (includes non-controlling interest)	123,771	139,910	140,317
Liabilities	162,159	135,999	109,860
Total assets	285,930	275,909	250,177
Capital employed	193,206	161,226	148,325
Net liabilities	57,911	9,906	-2,604
Equity ratio, %	45.8%	55.5%	62.0%
Gearing, %	56.1%	15.2%	5.7%
Net gearing, %	46.8%	7.1%	-1.9%
Personnel			
Personnel, average, Continuing Operations	1,519	1,288	1,264
Personnel, at the end of the period	1,541	1,435	1,211
in Finland	440	425	427

DEFINITION OF KEY RATIOS

PER SHARE DATA

Earnings per share (EPS)

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

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

Operating profit (EBIT)

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

Cash and cash equivalents

Cash + other financial assets

Net interest-bearing debt

Interest-bearing liabilities - cash and cash equivalents

Financial expenses

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

Equity ratio, %

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

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

BASIC INFORMATION

Glaston Corporation is a public limited liability company organized under the laws of the Republic of Finland and domiciled in Hämeenkyrö, Finland. Glaston's shares are publicly traded in the NASDAQ OMX Helsinki Ltd. Mid Cap in Helsinki, Finland. Glaston Corporation is the parent of Glaston Group and its registered office is at Vehmaistenkatu 5, 33730 Tampere, Finland. The name of the parent company changed from Kyro Corporation to Glaston Corporation on 1 June, 2007.

Glaston Group is an international glass technology company. Glaston is a global market leader of glass processing machines and its customers' One-Stop-Partner, comprehensive supplier. Its product range and service network are the most extensive in the industry. Glaston's well-known brands are Bavelloni in pre-processing machines and tools, Tamglass and Uniglass in safety glass machines as well as Albat+Wirsam in glass industry software. Glaston's own glass processing unit, Tamglass Glass Processing, operating in Finland, is a manufacturer of high-quality safety glass products. The operations of the Glaston Group are organized in three business segments, which are Pre-processing, Heat Treatment and Software Solutions. Supporting activities include head office operations.

The Board of Directors of Glaston Corporation has in its meeting on 10 February, 2009, 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, 2008:

- IFRIC 11 IFRS 2 Group and Treasury Share Transactions
- IFRIC 12 Service Concession Arrangements
- IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets (applied from 1 July, 2008)
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (applied from 1 October, 2008)

These new or amended standards or interpretations are not material for Glaston Group.

In addition, Glaston has applied IAS 1 (revised) Presentation of Financial Statements standard in its financial statements for the reporting period of 2008. In accordance with the revised standard, income and expense items are not presented in the statement of changes in equity for the period, so these changes in equity which are not related to owners are separated from the changes in equity which are related to owners. Changes in equity not related to the owners are presented in two separate statements, in income statement and in other comprehensive income in the statement of comprehensive income. The statement of comprehensive income includes, in addition to profit or loss for the period, also those income and expense items which are not recognized in the income statement and which are not related to owners.

Revised IAS 1 also changes the names of the statements of the financial statements. "Balance sheet" is replaced with "statement of financial position" and "cash flow statement" with "statement of cash flows".

Glaston will apply the following new or revised or amended standards and interpretations from 1 January, 2009:

- IAS 23 (revised) Borrowing Costs
- IFRS 8 Operating Segments
- IFRIC 13 Customer Loyalty Programs
- Amendments to IFRS 2 Share-based Payments: Vesting Conditions and Cancellations
- Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation
- IFRIC 15 Agreements for the Construction of Real Estate
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items
- Changes to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

In addition, Glaston applies the annual Improvements to IFRSs issued in May, 2008.

Glaston estimates that applying IFRS 8 will not have any material effect on the financial information of Glaston.

Applying revised IAS Borrowing Costs will change Glaston's accounting principles from 1 January, 2009. From that date on the borrowing costs that are directly attributable to the acquisition, construction or production of an asset will be capitalized to the acquisition cost of the asset. The capitalization will apply mainly to property, plant and equipment and intangible assets.

Other new or amended standards or interpretations are not material for Glaston Group.

Glaston will apply the following new or revised or amended standards and interpretations from 1 January, 2010:

- IFRS 3 (revised) Business Combinations
- IAS 27 (amended) Consolidated and Separate Financial Statements.
- IFRIC 17 Distribution of Non-cash Assets to Owners

In accordance with the revised IFRS 3 standard all acquisition-related costs arising from the business combinations made after 1 January, 2010, will be recognized in profit or loss and not capitalized as a part of the purchase consideration, as currently is done. In addition, all consideration transferred in the business combination will be measured at the acquisition-date fair value, and liabilities classified as contingent consideration will subsequently be measured at fair value with any resulting gain or loss recognized in profit or loss. Also, remuneration to be paid to former owners for future services will be recognized as employee benefit expenses in profit or loss, and it will not be capitalized as a part of the acquisition cost, as currently is done. For each business combination it will be possible to choose, whether the non-controlling interest will be measured at fair value or as the non-controlling interest's proportionate share of the acquiree's net assets. This choice will have an effect on the goodwill arising from the business combination.

In accordance with the revised IAS 27 standard, the effects of the transactions made with non-controlling interests will be recognized in equity, if there is no change in control. These transactions will not result in goodwill or gains or losses. If the control is lost, the possible remaining ownership share will be measured at fair value and the resulting gain or loss will be recognized in profit or loss. Also, in accordance with the revised standard, total comprehensive income will be attributed also to non-controlling interest even if this will result in the non-controlling interest having a deficit balance.

Other new or amended standards or interpretations 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.

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

Other shares (shares in companies in which Glaston owns less than 20 per cent of voting rights) are classified as available-for-sale financial assets and presented at cost or fair value in the statement of financial position, and dividends received from them are recognized in profit or loss.

All inter-company transactions are eliminated as part of the consolidation process. Non-controlling interests (minority interest) 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.

Unrealized gains arising from transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

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 and the statements of financial positions have been translated using the closing exchange rates at the end of the reporting period.

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

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

TRANSACTIONS IN FOREIGN CURRENCY

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

FINANCIAL ASSETS AND LIABILITIES

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

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

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

Glaston doesn't have any financial assets or liabilities which would not fully or partly fulfill the derecognition criteria.

DERIVATIVE FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS AND HEDGE ACCOUNTING

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

Derivatives are recorded in the statement of financial position at their fair values. Fair values of publicly traded derivatives are calculated based on quoted market rates at the end of the reporting period. All Glaston's derivatives are publicly traded. Fair values of forward foreign exchange contracts are determined using forward exchange market rates at the end of the reporting period. At the end of the reporting periods of 2008 and 2007, Glaston had no other derivatives than forward foreign exchange contracts.

Most of the Group's derivative transactions, while providing economic hedges, do not qualify for hedge accounting under IAS 39, and therefore changes in the fair values of these derivative instruments are recognized immediately in profit or loss. Group companies mainly hedge their sales in foreign currency as well as those orders received, for which there are firm commitments. The hedging instruments used are forward contracts mainly made with Group Treasury or directly with banks. These hedges are recognized in profit or loss as sales adjustments.

If the hedge accounting criteria are fulfilled, derivatives are reported as cash flow hedges in accordance with IAS 39 hedge accounting principles. In that case the changes in fair value of the derivatives are recognized in other comprehensive income net of tax, and included in hedging reserve in equity. Ineffective part of the hedge is recognized immediately in profit or loss. The cumulative gain or loss of the derivative recognized in other comprehensive income is reclassified from equity in profit or loss as a reclassification item in the same period in which the hedged item affects profit or loss. Hedge accounting was applied in 2007 and partly in 2008. At the end of 2008, hedge accounting was no longer applied.

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. There were no net investment hedges in foreign entities at the end of 2007 or 2008.

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

OTHER ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

LOANS AND RECEIVABLES

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

Loans and receivables include loan receivables, trade receivables, other receivables and cash in hand and in bank.

Loans and receivables are included in current or non-current financial assets in accordance with their maturity. Loan and trade receivables falling due after 12 months are discounted, and the increase in the receivable which reflects the passage of time is recognized as interest income in financial income and expenses.

Trade receivables are carried at the original invoice amount less the share of the discounted interest and an estimate made for doubtful receivables. Estimate made for doubtful receivables is based on a periodic review of all outstanding amounts. For example, payment defaults or late payments are considered as indications of impairment of the receivable. Impairment loss of trade receivables are recorded in a separate allowance account within trade receivables, and the impairment losses are recognized in profit or loss as other operating expenses. If the impairment loss is final, the trade receivable is derecognized from the allowance account. If a payment is later received from the impaired receivable, the received amount is recognized in profit or loss as a deduction of other operating expenses.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

Glaston has classified other shares than shares in joint ventures or associates as available-for-sale financial assets. Available-for-sale assets include also other non-current investments.

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

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

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

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

CASH AND CASH EQUIVALENTS

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

FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST

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

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

Interest expenses are accrued for and recognized in profit or loss for each period. Applying revised IAS Borrowing Costs will change Glaston's accounting principles from 1 January, 2009. From that date on, the borrowing costs that are directly attributable to the acquisition, construction or production of an asset will be capitalized to the acquisition cost of the asset. The capitalization will apply mainly to property, plant and equipment and intangible assets.

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 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 reparations made is recognized in profit or loss when the service has been rendered or the work has been finished.

Revenue from tailor-made glass processing machine deliveries is recognized based on a milestone method, according to which revenue from a glass processing machine is recognized when the machine delivery leaves the manufacturing plant and the revenue from the installation is recognized when the machine has been installed and is taken into use by the customer. The stage of completion is determined project-specifically as the ratio between the costs incurred and attributable to the work performed by the end of the reporting period and the total estimated costs of the project. Costs which are attributable to a project for which revenue is not yet recognized, are included in inventories under 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 schemes are generally funded through payments to insurance companies as determined by actuarial calculations.

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

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

The defined benefit pension 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.

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

As allowed by IFRS 1, the cumulative actuarial gains and losses from the defined benefit pension plans were recognized in the statement of financial position at the date of transition 1 January, 2004. Glaston records actuarial gains and losses of defined benefit pension plans using the so called corridor method, which means that actuarial gains and losses are recognized only to the extent that they exceed 10 per cent 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.

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.

SHARE-BASED PAYMENTS

SHARE-BASED INCENTIVE PLAN

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

The expenses arising from the incentive plan are recognized in profit or loss during the vesting period. The unpaid cash-settled part of the incentive plan 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 plan to the extent it is liable to pay them. The share-based incentive plans are described in Note 31 to the consolidated financial statements.

SYNTHETIC OPTIONS

In addition, the Group had a share-based payment programme which has ended during 2008. Within the programme the key management of the Group was granted share appreciation rights (synthetic options). The payments have been settled in cash. The expenses arising from the programme have been recognized as employee benefit expenses in profit or loss during the vesting period. The corresponding liability was recognized at fair value at the grant date and remeasured at the end of each reporting period and at the settlement date. Any changes in the fair value were recognized as employee benefit expense in profit or loss. The fair value measurement for the profit-related component was based on the terms and conditions of the programme. For the share-value-related component an applicable valuation technique was used.

SHARE-BASED PUT OPTION

The redemption of 18 per cent interest in Diapol S.r.l., which was incorporated from Glaston Italy S.p.A. in Italy in the beginning of 2006, included a cash-settled share-based put option based on the financial statements for the years 2006, 2008 and 2010 as well as on a condition concerning the person's employment. The arrangement was interpreted as a share-based arrangement and the liability arising from this arrangement was measured at fair value at the date of each reporting period and recognized in profit or loss during the vesting period. During 2007 Glaston Italy S.p.A. redeemed all the shares of Diapol S.r.l., and the arrangement ended.

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 of available-for-sale assets and derivative instruments at fair value, inter-company inventory profits, untaxed accumulated depreciation and confirmed tax losses.

Temporary differences for untaxed accumulated depreciation, relevant only for Finnish group companies, are recorded in equity and deferred tax liability in the consolidated statement of financial position.

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 for impairment. Research expenditure and development expenditure recognized in profit or loss are recognized in operating expenses.

The Group no longer has carbon dioxide emission right allowances after the divestment of the Energy business in 2007. Carbon dioxide emissions rights were sold as a part of the divestment and they were included in the gain from the sale of Discontinued Operations and presented in the profit from the Discontinued Operations.

GOODWILL

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

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

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

Glaston reorganized its businesses and re-determined its reportable segments in the summer 2007 in accordance with its new operational model. The goodwill was re-allocated to the segments accordingly.

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. Borrowing costs have not been capitalized as part of the acquisition cost, but capitalization begins on 1 January, 2009.

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.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

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

A discontinued operation is a segment or a unit representing a significant geographical area. A coordinated disposal plan has been prepared regarding the discontinued operation. The profit for the period attributable to the discontinued operation is presented separately in the consolidated income statement. The assets and liabilities included in the discontinued operation are presented in Note 6. Glaston divested in 2007 the Energy business, which is presented in these financial statements as a discontinued operation of the year of comparison. The continuing operations consist of the glass technology related businesses.

IMPAIRMENT OF ASSETS

Annual impairment tests for goodwill are performed during the fourth quarter of the 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 previous years is reversed no more than up to the value which would have been determined for the asset item if an impairment loss had not been booked on it in previous years. For goodwill, a recognized impairment loss is not reversed.

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

INVENTORIES

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

The cost of finished goods and work in process includes materials, direct labour, other direct costs and a systematically allocated appropriate share of variable and fixed production overheads, but excludes interest expenses.

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 rental obligations net of finance charges are included in interest-bearing liabilities, with the interest element charged to profit or loss over the lease period.

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

The Group has acquired production plants and machinery and equipment under finance leases.

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

PROVISIONS

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

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

A provision for warranties is recognized when the underlying products are sold. The provision is estimated on the basis of historical warranty expense data.

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 on surrender of treasury shares has been recorded in reserve for invested unrestricted equity net of tax.

EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net result attributable to owners of the parent by the weighted average number of shares outstanding during the year, excluding shares acquired by the Group and held as treasury shares. Glaston Corporation has no potential ordinary shares which would dilute earnings per share.

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 are recognized in the order book only after receiving a binding agreement and either 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.

CHANGES IN ACCOUNTING PRINCIPLES

Glaston changed in 2007 its accounting policy regarding the recognition of revenue from projects to comply with the principles of revenue recognition as prescribed in IAS 11 Construction Contracts. The change was due to the fact, that the revenue from tailor-made glass processing machines to be sold as a comprehensive delivery was increased significantly, and the revenue recognition in accordance with the standard IAS 11 Construction Contracts was considered to give better information on this business. The comparative information for the year 2006 was restated accordingly.

RESTATEMENT OF PRIOR PERIOD ERRORS

Due to an error discovered in the actuarial calculations of defined benefit plans, the figures of the 2007 financial statements have been restated accordingly. The effect of the corrections is presented in Note 33 to the consolidated financial statements.

AUDIT

Quarterly information as well as interim reports are not audited.

NOTE 2
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 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 15 to the consolidated financial statements.

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

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

Glaston capitalizes development costs of new products. In addition to other capitalization criteria, management has to estimate the future economic benefits arising from the development cost. If management estimates, that there will not be future economic benefits, the development cost is recognized in profit or loss. Whether a development cost is capitalized or recognized immediately in profit or loss can have an effect on the result of the reporting period. At the end of the reporting period of 2008, Glaston had EUR 10.9 (12.0) million of capitalized development expenditure.

Calculation of defined benefit pensions and other defined long-term employee benefits requires choosing certain assumptions which actuaries use in calculation of the obligations arising from defined benefit plans. These assumptions include, among other things, discount rates used in the measurement of plan assets and liabilities as well as other actuarial assumptions such as future salary increases and mortality rate. Actual results, which differ from the initial estimates and assumptions, are recognized using the corridor method in profit or loss over the expected average remaining working lives of the employees participating in the plan. The annual result effect arising from the defined benefit plan is not material.

Measurement of inventories and trade receivables includes some management estimates. Inventories are measured at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Net realisable value is used in testing the recoverable amount of inventories in order to avoid the inventories being carried in excess of amount expected to be realized from their sale or use. If management estimates that carrying amount of a trade receivable exceeds its fair value, an impairment loss is recognized.

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.

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

NOTE 3
MANAGEMENT OF FINANCIAL RISKS

FINANCIAL RISK MANAGEMENT

The financial risks in Glaston Group are managed according to the Glaston Group's Treasury Policy approved by the Board of Directors of Glaston Corporation. It is the responsibility of the CFO and Group Treasurer to update the Policy and to propose amendments to the Policy to the Board of Directors of Glaston Corporation. Group Treasury is also responsible for monitoring the adherence to the Policy.

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 funds, as well as the Group's internal funding allocations according to the liquidity needs of each group company.

The main objectives for the Treasury function are to secure sufficient funding of the group companies and to manage financial risks within the Glaston Group. Group Treasury cooperates with the group companies to identify the risks and provides financial services for them.

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 value of interest-bearing liabilities and interest expenses create an interest rate risk. Credit and counterparty risks primarirly consist of risk related to payment time granted to customers. Liquidity risk is defined as the risk that the Group's funds and borrowing facilities become insufficient to meet the financing needs of business or that extra costs are incurred in order to arrange the financing needed.

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

FOREIGN EXCHANGE RISK

The Group operates internationally and is therefore exposed to transaction and translation risks arising from fluctuations in foreign exchange rates, which may have an effect on the Group's result 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 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. These two currencies account for over 90 per cent of the Group's sales invoicing. However, the Group's portion of US dollar invoicing has decreased significantly as more customers accept the euro as the invoicing currency. Also other currencies, such as Brazilian Real and UK Pound Sterling, are used in invoicing, but they are not signifigant for Glaston.

The Group's foreign currency denominated loans at 31 December, 2008, were insignificant. The working capital credit facilities of foreign subsidiaries are denominated in their domestic currencies but the use of these facilities was very limited. The amount drawn from such facilities was at 31 December, 2008, approximately EUR 0.5 million.

The objective for foreign exchange risk management is primarily to secure the result of group companies and minimize net financial expenses. Hedging of foreign exchange risk is done in accordance with the Treasury Policy, and the group companies are responsible for reporting their respective positions. Foreign exchange positions consist of foreign currency denominated receivables and liabilities as well as revenue and expenses based on binding contracts. Net positions vary greatly between different group companies. Group companies' net positions are hedged primarily with forward contracts with a maximum duration of 12 months. The average hedging period is 4 to 6 months. The Group has not hedged the net investments in foreign entities.

During 2008, the Group has elected not to use cash flow hedge accounting as defined by IAS 39.

For the sensitivity analysis as defined in IFRS 7, a possible +/- 10 per cent change in the main currency 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, 2008. The analysis also takes into consideration the impact of the foreign exchange derivatives, which offsets the effects of changes in foreign exchange rates.

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

EUR million		2008			2007	
Change in the exchange rate, %		**-10**	**+10**		**-10**	**+10**
	net position	effect on result before taxes	effect on result before taxes	net position	effect on result before taxes	effect on result before taxes
EUR / USD	8.5	0.2	-0.4	13.0	0.2	-0.2

INTEREST RATE RISK

Possible changes in the interest rates cause a risk that will affect the result of the Group. The objective 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 has been used and 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, 2008, was 10.4 months in comparison to 0.5 months at the end of the previous year.

On 31 December, 2008, the Group's interest-bearing net debt consisted of fixed rate loans, use of revolving credit facilities and commercial paper programme.

For the sensitivity analysis as defined by IFRS 7, a possible +/- 1 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 31 December, 2008, is +/- EUR 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 the Group's result. Credit risk is managed according to the Group's Credit Management Policy.

The objective for credit risk management is to minimize the risk without compromising the flexibility needed by different business segments. 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 to secure the receivables. In addition, the Group accelerates fund inflows and reduces risks by using advance payments.

At the end of 2008, 32.5 per cent of Group's trade receivables were secured by guarantees.

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 activity, could negatively impact the development of the Group's credit risk.

The quality of trade receivables is assessed by each group company based on the Group's Credit Management Policy. Based on these assessments provisions are made in accordance with the Credit Policy. The total carrying amount of trade receivables on 31 December, 2008, was EUR 69.1 (72.8) million. Of this amount the receivables, that would have been past due but which have been renegotiated, was EUR 3.3 (0.9) million.

The Group's liquid funds are invested to mitigate risk and only counterparties with high credit rating are accepted. Portfolio investments primarily consist 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.

The carrying amounts of financial assets mainly equal their maximum credit risk.

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 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 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 the group companies' operational activity together with the Group Treasury.

The Group's funding is mainly organized by using committed credit facilities and long-term fixed rate loans.

Committed credit facilities

EUR million	facility in use	unused facility	total facility
Committed facilities 31.12.2008	29	36	65
Committed facilities 31.12.2007	0	30	30

Maturity analysis of financial liabilities 2008

EUR thousand

Maturity of liabilities			maturing in	
Cash flows	Carrying amount	Contractual cash flows	‹ 12 months	› 12 months
Financial liabilities				
Secured credit facilities	29,000	29,366	29,366	-
Unsecured credit facilities	18,625	19,170	17,837	1,333
Loans from financial institutions (*	16,425	17,184	5,868	11,316
Finance lease liabilities	4,886	7,237	843	6,394
Trade and other payables	15,754	15,754	15,754	-
Other liabilities	500	500	500	-
Forward contracts				
- inflow	6,033	6,033	6,033	-
- outflow	6,159	6,159	6,159	-

Maturity analysis of financial liabilities 2007

EUR thousand

Maturity of liabilities			maturing in	
Cash flows	Carrying amount	Contractual cash flows	‹ 12 months	› 12 months
Financial liabilities				
Secured credit facilities	-	-	-	-
Unsecured credit facilities	18,219	18,239	18,239	-
Loans from financial institutions (*	-	-	-	-
Finance lease liabilities	2,122	2,122	233	1,890
Trade and other payables	23,041	23,041	23,041	-
Other liabilities	974	974	974	-
Forward contracts				
- inflow	12,955	12,955	12,955	-
- outflow	12,848	12,848	12,848	-

(* Includes also pension loans

MANAGEMENT OF CAPITAL

The objective for management of capital is to secure the continuation of operations at all times and also to maintain optimal capital structure.

The primary measure for the Group's capital structure is net gearing. It is calculated as the ratio between net debt to equity. The Group's equity ratio is also used as a measure for the capital structure.

Some of the Group's loan agreements include loan covenants. These covenants are tied to the Group's key figures. In case these covenants are not fulfilled, negotiations have to be started with the lender. Negotiations may lead into increased cost of funding.

EUR thousand

Interest-bearing net debt	31.12.2008	31.12.2007
Non-current interest-bearing liabilities	16,440	1,890
Current interest-bearing liabilities	52,995	19,426
Cash and cash equivalents	-11,524	-11,410
Interest-bearing net debt	**57,911**	**9,906**
Equity		
Attributable to owners of the parent	123,721	139,873
Non-controlling interest	50	37
Total	**123,771**	**139,910**
Total assets	285,930	275,905
Advances received	-15,444	-23,834
Total	**270,486**	**252,071**
Equity ratio, %	45.8%	55.5%
Net gearing, %	46.8%	7.1%

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 financial year, as well as by changes in hedging and fair value reserves and exchange differences included in equity.

NOTE 4
SHARES AND SHAREHOLDERS

SHARES AND VOTING RIGHTS

Glaston Corporation has one class of shares. The number of outstanding shares is 79,350,000 (treasury shares are excluded from 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 2008 and 2007, Glaston Corporation's share capital amounted to EUR 12,696,000. The share has no nominal value. The share's counter book value is EUR 0.16 per share. Glaston's shares are registered in the book-entry securities system maintained by Euroclear Finland Ltd.

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

SHARE TRADING

During 2008, the highest price of the Glaston share was EUR 3.33 (in 2007 EUR 4.53) and the lowest price EUR 0.87 (2.70). The average volume-weighted share price was EUR 2.07 (3.84). At the end of 2008, the share price stood at EUR 0.91 (2.77). The turnover of the share in NASDAQ OMX Helsinki Ltd. in 2008 was 3,965,341 (7,993,461) shares and in euro-terms EUR 8.3 (31.2) million. Number of shares traded was 5.1 (10.2) per cent of the average share stock. Market capitalization at the end of 2008 was approximately EUR 71.5 (217.3) million.

NOTIFICATIONS AS PER SECTION 9 OF CHAPTER 2 OF THE SECURITIES MARKET ACT

There were no notifications as per Section 9 of Chapter 2 of the Finnish Securities Market Act.

AUTHORIZATIONS OF THE BOARD OF DIRECTORS

The 2007 Annual General Meeting of Glaston Coproration authorized the Board of Directors to acquire the company's own shares up to a maximum of 7,605,096 shares. Own shares could have been acquired, otherwise than in proportion to shares owned by shareholders, using the company's non-restricted shareholders' equity at the market price in public trading on the NASDAQ OMX Helsinki Ltd. at the time of acquisition .

The authorization to acquire own shares was valid for 18 months from the decision of the Annual General Meeting of 2007 and thus it was no longer valid at the end on 2008.

In accordance with the decisions made in the 2007 Annual General Meeting, the Board of Directors of Glaston Corporation is entitled to decide on the issuing of a maximum of 7,935,000 new shares and/or the transfer a maximum of 7,935,000 own shares possessed by the company. The maximum number of shares issued and/or transferred can be a 7,935,000 shares. The own shares possessed by the company can be transferred to the company's shareholders in the proportion to the company shares they already own or as an exception to shareholders' pre-emptive subscription rights, if the company has a substantial financial reason for doing so, such as the use of the shares to develop the company's capital structure, in financing or implementing possible acquisitions or other arrangements, as part of the company's or its subsidiaries' incentive schemes.

Shares can be issued or transferred in exception to shareholders' pre-emptive subscription rights without payment only if the company has a substantial financial reason for doing so and the interests of all the company's shareholders are taken into account. The Board of Directors may also decide on a free share issue to the company itself.

The number of shares that can be issued to the company is, together with the number of own shares acquired under the authorization to acquire new shares, a maximum of 7,935,000 shares.

The authorization is valid until the end of the 2009 Annual General Meeting.

The Board of Directors of Glaston Corporation has no authorization to issue convertible bonds or warrants or options.

SHARE-BASED INCENTIVE PLAN AND MANAGEMENT'S SHAREHOLDING

Share-based incentive plan is presented in detail in Note 31.

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

Number of shares and treasury shares	2008	2007
Number of shares		
Number of shares 31 December	79,350,000	79,350,000
Treasury shares 31 December	-809,793	-913,500
Number of shares 31 December, excluding treasury shares	**78,540,207**	**78,436,500**
Average number of shares 31 December, excluding treasury shares	**78,507,338**	**78,682,449**

Acquisition and disposal of treasury shares

Treasury shares 1 January, shares	913,500	329,904
Acquired during the year, shares	-	913,500
Surrendered during the year, shares	-103,707	-329,904
Treasury shares 31 December, shares	**809,793**	**913,500**
Treasury shares 1 January, EUR thousand	3,933	950
Acquired during the year, EUR thousand	-	3,933
Surrendered during the year, EUR thousand	-447	-950
Treasury shares 31 December, EUR thousand	**3,487**	**3,933**

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.

Equity attributable to owners of the parent per share

Equity attributable to owners of the parent, EUR thousand	123,721	139,873
Number of shares	78,540,207	78,436,500
Equity attributable to owners of the parent per share, EUR	**1.58**	**1.78**

Dividend

Dividend per share, EUR (*	0.05	0.10

(* The 2008 dividend is the Board of Directors' proposal to the Annual General Meeting.

Largest shareholders 31 December, 2008

	Shareholder	Number of shares	% of shares and votes
1	GWS Trade Oy	13,446,700	16.95%
2	Oy G.W.Sohlberg Ab	12,819,400	16.16%
3	Sumelius Henning	3,642,600	4.59%
4	Society of Swedish Literature in Finland	2,245,000	2.83%
5	Investsum Oy	1,820,000	2.29%
6	Suutarinen Helena Estate	1,802,400	2.27%
7	Von Christierson Charlie	1,600,000	2.02%
8	Sumelius Maria	1,541,393	1.94%
9	Sumelius Bjarne Henning	1,399,840	1.76%
10	Sumelius-Koljonen Barbro	1,206,875	1.52%
11	Sumelius-Fogelholm Birgitta	1,114,000	1.40%
12	Nordea Bank Finland Abp	958,702	1.21%
13	Alexander Management Oy	809,793	1.02%
14	Sumelius Christer	803,800	1.01%
15	Huber Karin	800,800	1.01%
16	Wipunen Varainhallinta Oy	800,000	1.01%
17	Mutual Insurance Company Pension Fennia	655,890	0.83%
18	Fontell Niilo Armas	640,700	0.81%
19	Nordea Life Assurance Finland Ltd.	635,207	0.80%
20	Storhannus Marianne	634,195	0.80%
	Total 20 largest shareholders	49,377,295	62.23%
	Other shareholders	29,897,505	37.77%
	Not in the book-entry securities system (in joint account)	75,200	0.00%
	Total	**79,350,000**	**100.00%**
	Treasury shares	-809,793	1.02%
	Total excluding treasury shares	**78,540,207**	

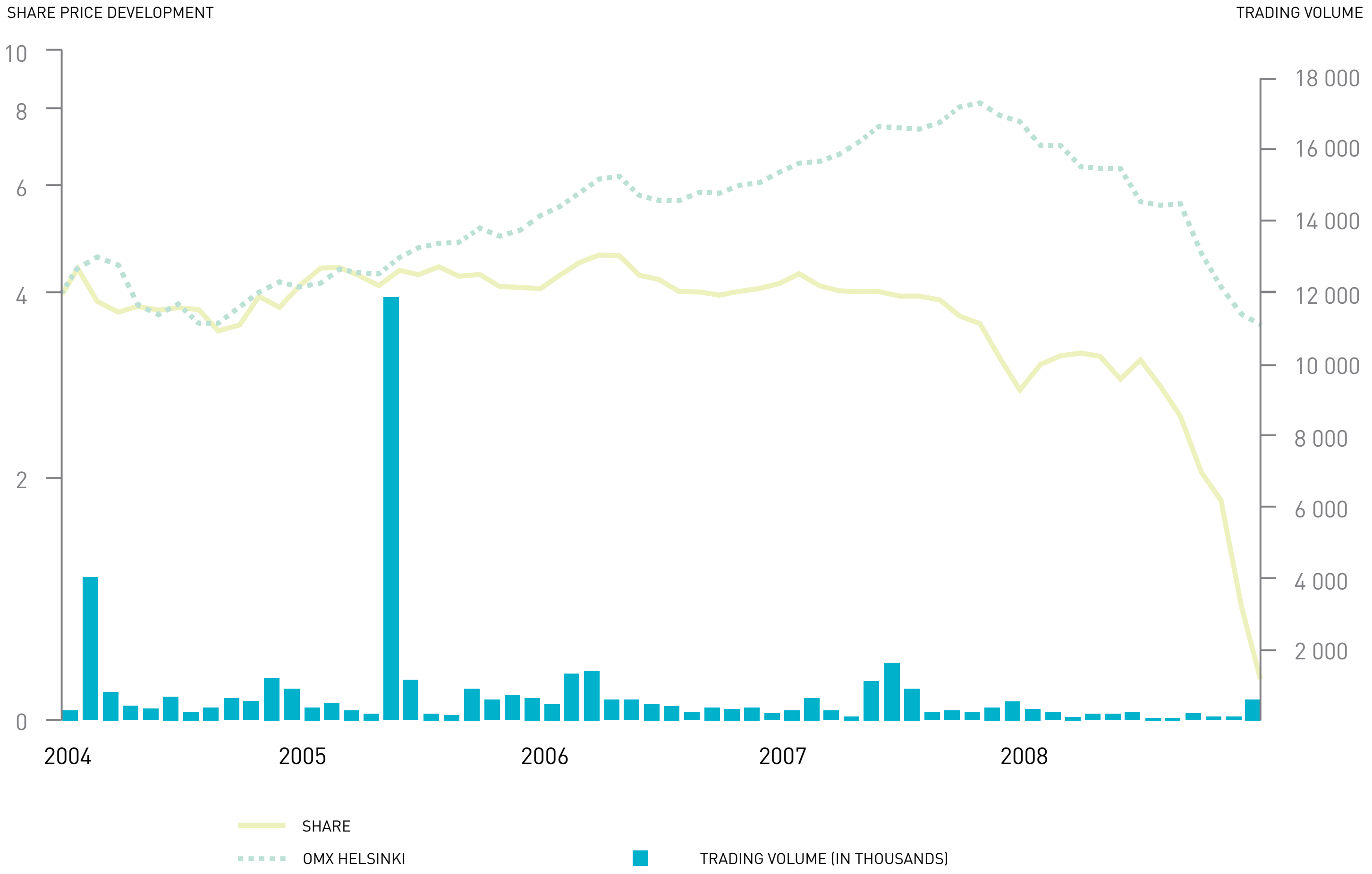
Ownership distribution 31 December, 2008

	Shares total	% of shares and votes
Corporations	32,941,245	41.5%
Financial and insurance corporations	1,019,407	1.3%
Non-profit institutions	3,771,994	4.8%
Households	34,602,818	43.6%
Foreign countries	4,142,706	5.2%
General goverment	1,785,315	2.2%
Total	78,263,485	98.6%
Nominee registered	1,011,315	1.3%
Total	79,274,800	99.9%
Not in the book-entry securities system (in joint account)	75,200	0.1%
Total	**79,350,000**	**100.0%**

Shareholders by share ownership 31 December, 2008

Number of shares	Number of shareholders	% of share-holders	Shares total	% of shares and votes
1 - 100	230	6.6%	14,439	0.02%
101 - 1,000	1,878	54.0%	997,549	1.26%
1,001 - 10,000	1,088	31.3%	3,433,010	4.33%
10,001 - 100,000	189	5.4%	6,937,904	8.74%
100,001 - 1,000,000	81	2.3%	25,253,690	31.83%
Over 1,000,000	11	0.3%	42,638,208	53.73%
Total	3,477	100.0%	79,274,800	99.91%
Not in the book-entry securities system (in joint account)			75,200	0.09%
Number of shares issued			**79,350,000**	**100.00%**

Share price development and trading volume



NOTE 5
SEGMENT INFORMATION

EUR thousand

The business segments of Glaston are Pre-processing, Heat Treatment and Software Solutions. The business segments apply the same accounting principles as described in Note 1 to the consolidated financial statements.

The Pre-processing segment includes glass pre-processing machines sold under the Bavelloni brand, maintenance and service operations, as well as tool manufacturing. The Heat Treatment segment includes tempering, bending and laminating machines, maintenance and service operations as well as the glass processing operations of Tamglass Glass Processing. Heat Treatment's brands are Tamglass and Uniglass. The Software Solutions segment's product offering, sold under the Albat+Wirsam brand, covers enterprise resource planning systems for the glass industry, software for window and door glass manufacturers, and software for glass processor's integrated line solutions. Software Solutions has been consolidated to Glaston Group from 1 July, 2007.

The Energy business area was divested from Glaston Group in July 2007, and is thus classified as Discontinued Operations in 2007 figures.

Glaston follows the same commercial terms in transactions between segments as with third parties.

Business segments 2008	**Pre-processing**	**Heat Treatment**	**Software Solutions**	**Unallocated and eliminations**	**Total**
External net sales	89,560	152,784	28,145	-70	270,419
Internal net sales	161	81	9	-251	0
Total net sales	**89,721**	**152,866**	**28,153**	**-321**	**270,419**
Operating result of the segments, non-recurring items excluded	**-2,960**	**12,963**	**3,733**	**-7,544**	**6,191**
Operating result includes share of results of joint ventures and associates	19	-	9	-	28
Non-recurring items	-5,426	-6,288	-549	-35	-12,298
Operating result, non-recurring items included	**-8,386**	**6,674**	**3,184**	**-7,579**	**-6,107**
Financial items					-1,978
Income taxes					-1,091
Result for the reporting period					**-9,176**
Assets	80,314	148,630	26,740	29,354	285,038
Investment in associates and joint ventures	869	-	23	-	892
Total assets	**81,183**	**148,630**	**26,763**	**29,354**	**285,930**
Liabilities	32,346	46,461	4,450	78,902	162,159
Total liabilities	**32,346**	**46,461**	**4,450**	**78,902**	**162,159**

Non-recurring items for 2008 include expenses arising from Glaston's efficiency programme. The objective of the programme is to improve the profitability of Glaston, and of Pre-processing business area in particular, as well as to adjust Glaston's operations to the market situation. The programme is mainly focused in Italy, Finland and North America. In addition, Glaston recognized EUR 6 million as non-recurring costs for agreements and for doubtful receivables made in previous years.

Business segments 2007	Pre-processing	Heat Treatment	Software Solutions	Unallocated and eliminations	Total
External net sales	93,503	161,870	14,703	-275	269,801
Internal net sales	623	381	-	-1,004	0
Total net sales	**94,126**	**162,251**	**14,703**	**-1,279**	**269,801**
Operating result of the segments, non-recurring items excluded	**1,568**	**19,556**	**2,613**	**-6,971**	**16,766**
Non-recurring items	-1,449	-5,870	-	2,756	-4,563
Operating result, non-recurring items included	**119**	**13,686**	**2,613**	**-4,215**	**12,203**
Financial items					-15
Income taxes					-5,202
Result for the reporting period, Continuing Operations					6,986
Result for the reporting period, Discontinued Operations					3,784
Result for the reporting period					**10,770**
Assets	79,679	143,386	26,330	25,744	275,139
Investment in associates and joint ventures	770	-	-	-	770
Total assets	**80,449**	**143,386**	**26,330**	**25,744**	**275,909**
Liabilities	37,137	73,157	5,808	19,897	135,999
Total liabilities	**37,137**	**73,157**	**5,808**	**19,897**	**135,999**

Non-recurring items for 2007 included restructuring costs in Brazil and Switzerland. In addition, non-recurring items included costs for projects delivered in 2006. Unallocated non-recurring items included gain from sale of property, plant and equipment and intangible assets not related to segments.

Non-cash income and expenses included in operating result (*	2008	2007
Pre-processing	-5,868	-394
Heat Treatment	-11,100	-5,318
Software Solutions	-1,053	-
Business segments total	-18,021	-5,712
Corporate functions and other	118	-
Total non-cash expenses and income	**-17,903**	**-5,712**

(* Excluding impairment.

Property, plant and equipment and intangible assets, depreciation, amortization and impairment and capital expenditure by segment

	2008	2007
Property, plant and equipment and intangible assets		
Pre-processing	32,071	32,348
Heat Treatment	66,787	65,358
Software Solutions	19,040	19,077
Business segments total	117,898	116,783
Corporate functions and other	5,835	2,938
Total property, plant and equipment and intangible assets	**123,733**	**119,721**

Goodwill (included in intangible assets)		
Pre-processing	25,418	26,066
Heat Treatment	28,426	28,993
Software Solutions	12,339	12,582
Business segments total	**66,183**	**67,641**

Depreciation and amortization by segment		
Pre-processing	1,927	1,796
Heat Treatment	4,140	3,972
Software Solutions	1,728	1,114
Business segments total	7,795	6,882
Corporate functions and other	856	208
Total depreciation and amortization	**8,651**	**7,090**

Impairment losses of property, plant and equipment and intangible assets		
Pre-processing	151	-
Heat Treatment	2,403	-
Software Solutions	-	-
Business segments total	2,554	-
Corporate functions and other	-	-
Total impairment losses	**2,554**	**-**

Gross capital expenditure by segment		
Pre-processing	2,914	7,384
Heat Treatment	8,979	15,652
Software Solutions	2,071	10,474
Business segments total	13,964	33,510
Corporate functions and other	4,468	573
Total gross capital expenditure	**18,432**	**34,083**

Including property, plant and equipment and intangible assets of acquired companies at the time of acquisition.

Capital expenditure in property, plant, equipment and intangible assets		
Pre-processing	2,914	6,614
Heat Treatment	8,979	15,652
Software Solutions	2,071	10,474
Business segments total	13,964	32,740
Corporate functions and other	4,468	573
Total capital expenditure	**18,432**	**33,313**

Including property, plant and equipment and intangible assets of acquired companies at the time of acquisition.

Orders received		
EUR million		
Pre-processing	56.9	68.7
Heat Treatment	113.9	141.0
Software Solutions	13.9	3.0
Total	**184.7**	**212.7**

Order book		
EUR million	**31.12.2008**	**31.12.2007**
Pre-processing	13.0	20.9
Heat Treatment	44.2	59.9
Software Solutions	3.5	6.2
Total	**60.7**	**87.0**

Personnel	2008	2007
Number of personnel at the end of the year by segment		
Pre-processing	614	556
Heat Treatment	640	612
Software Solutions	262	247
Segments in total	1,515	1,415
Parent	26	20
Total number of personnel	**1,541**	**1,435**
Number of personnel at the end of the year by geographical location		
Finland	440	425
Other EMEA	729	708
Americas	217	195
Asia	156	107
Total number of personnel	**1,541**	**1,435**

Geographical segments

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

Net sales by country by destination		
EMEA	175,637	150,536
Americas	55,960	75,553
Asia	38,822	43,712
Total	**270,419**	**269,801**

Property, plant and equipment and intangible assets and capital expenditure by geographical location

Property, plant and equipment and intangible assets (goodwill excluded)		
Finland	40,753	36,669
Other EMEA	11,268	10,508
Americas	1,266	1,111
Asia	4,264	3,792
Total property, plant and equipment and intangible assets	**57,550**	**52,080**
Capital expenditure in property, plant, equipment and intangible assets (*		
Finland	12,925	10,774
Other EMEA	4,290	8,479
Americas	583	162
Asia	388	444
Total capital expenditure	**18,185**	**19,860**

Including property, plant and equipment and intangible assets of acquired companies at the time of acquisition.

(* Does not include capital expenditure in goodwill

Geographical distribution of orders received		
EUR million		
EMEA	126.2	134.4
America	35.5	44.0
Asia	23.0	34.3
Total	**184.7**	**212.7**

NOTE 6
DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

EUR thousand

Discontinued operations

The Group sold its Energy business to M-real Corporation in July 2007. The deal was based on the agreement signed on 29 September, 2006, by which Glaston had the right to sell and M-real the right to buy the energy business operations in summer 2007, when the energy supply contract between the two companies expired.

A receivable of EUR 4.7 million was recognized from the sale of the Energy business related to the sale of the future $C0_2$ emission rights. The receivable will be received in 2009 - 2013.

	2007
Result of the Energy business	
Income	15,980
Expenses	-11,893
Profit before income taxes	4,087
Income taxes	-1,075
Profit after income taxes	3,012
Gains from disposal of the Energy business	
Gain from the disposal before income taxes	1,043
Income taxes	-271
Gain from the disposal after income taxes	772
Profit of the Discontinued Operations in the reporting period	**3,784**
Cash flows of Energy business	
Cash flows from operating activities	7,580
Cash flows from investing activities	10,671
Total cash flows	**18,251**

Impact of disposal of the Energy business on the Group's financial position

	1 July, 2007
Carrying amounts of sold assets	
Property, plant and equipment	13,841
Intangible assets	134
Inventory	179
Trade and other payables	-134
Total assets and liabilities	**14,020**
Consideration received	
Received as cash	10,630
Expenses attributable to the divestment	-276
Cash flow effect	10,354
Recognized as a receivable	4,720
Total consideration received	**15,074**

Assets classified as held for sale	2008	2007
Non-current assets	-	327

Non-current assets classified as held for sale were related to the the parent's real estate investments and shares. At the end of 2008, these items were determined to no longer meet the classification criteria of IFRS 5.

NOTE 7
BUSINESS COMBINATIONS

EUR thousand

Business combinations in 2008

In October 2008, Glaston acquired the business of the Chinese company Yunzhe Software Co. Ltd. The acquired business is related to software business, i.e. Software Solutions segment, which with the acquisition will expand its geographical market area to China. The acquisition was an asset deal. The purchase consideration was EUR 0.2 million, and it was recognized as a liability at the end of 2008. A part of the purchase consideration is contingent and it depends on the future net sales resulting from the acquired business.

Glaston acquired in the business combination identifiable intangible assets consisting of patents and customer list. The fair value of the acquired intangible assets was EUR 0.2 million. A minor goodwill arose from the acquisition. The basis of the goodwill is the transferred expertise of Yunzhe Software Co. Ltd.'s personnel.

If the acquistion would have taken place 1 January, 2008, its effect on Glaston's consolidated net sales and result of 2008 would have been immaterial.

The acquired net assets at the date of acquisition in 2008

	Carrying amounts before combination	Fair values of net assets acquired
Intangible assets	-	160
Acquired net assets	**-**	**160**
Purchase consideration		192
Expenses related to acquisition		7
Total acquisition cost		**199**
Goodwill		**39**
Purchase consideration paid in cash		-
Expenses related to acquisition		7
Effect on cash flow		**-7**

Business combinations in 2007

Through an agreement signed on 2 July, 2007, Glaston Corporation acquired all of the shares of German Albat+Wirsam Software AG Group. Albat+Wirsam Group is the world's leading company in production management and reporting (ERP) software for the flat glass, window and door industries.

The purchase consideration paid by Glaston Corporation was a total of EUR 21.2 million, of which a sum of EUR 0.9 million represents a discounted portion of an additional purchase consideration payable within two years. The acquisition cost of the shares was EUR 21.8 million, including expert fees amounting to EUR 0.6 million. The goodwill and acquisition cost of the acquired business may change on the basis of terms and conditions relating to the purchase consideration in the share purchase agreement.

Glaston acquired identifiable intangible assets mainly in the form of product rights and an order book of technology deliveries in this acquisition. From the purchase consideration EUR 6.5 million was allocated to the product rights and order book. The fair value of these assets was determined using the Multi-period Excess Earnings (MEEM) method. The useful life of the acquired assets is five years.

The goodwill from the acquisition amounted to EUR 14.2 million. The goowill arose from expert personnel, expected synergy benefits as well as the strong profitability of the acquired business.

A+W Software AG Group's six months' net sales, EUR 14.7 million, were included in consolidated net sales in 2007. Glaston estimated that consolidated net sales in 2007 would have been approximately EUR 282 million, if A+W acquisition had been completed on 1 January, 2007.

The acquired net assets at the date of acquisition in 2007

	Carrying amounts before combination	Fair values of net assets accquired
Property, plant and equipment	816	816
Intangible assets	0	6,491
Other non-current assets	281	281
Inventories	264	264
Interest-free receivables	8,749	8,749
Cash and cash equivalents	3,777	3,777
Interest-free liabilities	-12,721	-12,854
Acquired net assets	**1,166**	**7,524**

Purchase consideration	21,166
Expenses related to acquisition	559
Total acquisition cost	**21,725**
Goodwill	**14,201**
Purchase consideration paid in cash	-20,231
Expenses related to acquisition	-559
Cash and cash equivalents of acquired companies	3,777
Effect on cash flow	**-17,013**

The allocation of the purchase consideration in 2007 was preliminary. The purchase consideration was adjusted in 2008 based on the terms of the share purchase agreement. In addition, the allocation of the purchase consideration was finalized. The goodwill decreased due to the the purchase consideration adjustment by EUR 1.2 million and the due to the final recognition of the acquired net assets by EUR 0.2 million. The total adjustment of goodwill was EUR 1.5 million.

Acquisition cost, adjusted	
Purchase consideration	19,946
Expenses related to acquisition	559
Total acquisition cost	**20,505**
Goodwill, adjusted	**12,747**

NOTE 8
NET SALES

EUR thousand

Net sales	**2008**	**2007**
Goods sold	239,288	246,674
Services rendered	31,131	23,127
Total net sales	**270,419**	**269,801**

NOTE 9
CONSTRUCTION CONTRACTS

EUR thousand

Construction contracts	2008	2007
Total revenue from construction contracts included in net sales	103,124	96,030
Revenue from unfinished construction contracts included in net sales	53,434	61,428
Advances received recognized in statement of financial position from construction contracts	10,283	13,240

NOTE 10
OTHER OPERATING INCOME

EUR thousand

Other operating income	2008	2007
Capital gains on sale of property, plant and equipment	116	72
Rents	71	26
Other income	257	505
Other operating income total	**444**	**603**

NOTE 11
MATERIALS AND OTHER OPERATING EXPENSES

EUR thousand

Materials	2008	2007
Materials and supplies, purchases during the period	87,179	92,781
Change in inventories of materials and supplies	-1,022	255
Total materials	**86,157**	**93,036**

Other operating expenses		
Leases	4,260	4,317
Losses on sale of property, plant and equipment	11	155
Subcontracting and maintenance	37,608	37,438
Other expenses	66,355	52,469
Total other operating expenses	**108,234**	**94,379**

Fees for professional services rendered by auditors		
Auditing, KPMG	355	386
Official statements, KPMG	3	-
Other services, KPMG	9	218
Other services, other auditing companies	50	-
Total	**416**	**604**

The principal auditor of Glaston Group is KPMG.		
Principal auditor's audit fees of the audit of the financial year	406	386

Research and development costs	2008	2007
Recognized in profit or loss	9,940	4,061
Amortization and impairment losses of capitalized development costs during the reporting period	4,490	2,204
Total	**14,430**	**6,265**
As a percentage of net sales	5.3%	2.3%
Capitalized development costs during the reporting period	4,186	9,028

NOTE 12
PERSONNEL EXPENSES, NUMBER OF PERSONNEL AND MANAGEMENT REMUNERATION

EUR thousand

Personnel expenses	2008	2007
Wages and salaries	59,712	49,655
Pension expenses	7,739	5,904
Other personnel expenses	9,154	8,689
Other post-employment benefits	283	-556
Total personnel expenses	**76,888**	**63,692**

Pension expenses		
Defined benefit plans	-97	124
Defined contribution plans	7,836	5,780
Total pension expenses	**7,739**	**5,904**

Pension benefits are described in more detail in Note 23 to the consolidated financial statements.
Share-based incentive plans and option arrangements are described in more detail in Note 31 to the consolidated financial statements.

Remuneration of the Executive Management Group

EUR	2008	2007
CEO Mika Seitovirta		
Salaries	442,014	377,612
Share-based incentive plans, settled in cash	74,204	-
Share-based incentive plans, settled in shares, value of shares	61,391	-
Bonuses	87,930	-
Total	665,539	377,612
Fringe benefits	2,420	4,604
Total	**667,959**	**382,216**
Compulsory pension payments (Finnish TyEL or similar plan)	21,827	16,439

EUR	2008	2007
Other members of the Executive Management Group		
Salaries	1,176,370	1,116,584
Option arrangements, settled in cash	-	4,253,077
Share-based incentive plans, settled in cash	137,395	-
Share-based incentive plans, settled in shares, value of shares	102,319	-
Bonuses	298,237	699,471
Total	1,714,321	6,069,132
Fringe benefits	70,804	56,719
Total	**1,785,125**	**6,125,851**
Compulsory pension payments (Finnish TyEL or similar plan)	137,193	141,698

The CEO's period of notice is 3 months. In the event the company would give notice to the CEO, he/she will receive an additional remuneration equaling 15 months' salary. The CEO has no special agreement related to public tender offers.

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 31). The criteria for bonus payments are consolidated result, result of the business area or business unit as well as personal targets.

The CEO of Glaston Corporation is entitled to retire at the age of 62. The retirement age of other members of the Executive Management Group is according to the normal local legislation.

Remuneration of the Board of Directors

EUR	2008	2007
Andreas Tallberg, Chairman of the Board of Directors	47,200	43,100
Christer Sumelius, Deputy Chairman of the Board of Directors	34,500	35,000
Claus von Bonsdorff	24,500	25,000
Klaus Cawén	24,500	26,000
Carl-Johan Rosenbröijer	24,500	25,500
Mikael Mäkinen (*	18,000	-
Jan Lång (*	18,000	-
Jan Hasselblatt (**	6,500	24,500
Lars Hammarén	-	6,500
Heikki Mairinoja	-	7,000
Carl-Johan Numelin	-	14,800
Total	**197,700**	**207,400**

(* Member of the Board of Directors from 11 March, 2008
(** Member of the Board of Directors until 11 March, 2008

The members of Glaston Corporation's Board of Directors were paid a monthly 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.

Number of personnel	2008	2007
Personnel, Continuing Operations, average	1,519	1,288
Personnel, Discontinued Operations, average	-	14
Total	**1,519**	**1,302**
Personnel in Finland, end of the period	440	425
Personnel outside Finland, end of the period	1,101	1,010
Total	**1,541**	**1,435**

Average number of personnel in joint ventures was 51. Glaston Group's number of personnel does not include the number of personnel in joint ventures.

NOTE 13
FINANCIAL INCOME AND EXPENSES
EUR thousand

	2008	2007
Recognized in income statement		
Interest income		
Interest income on assets at fair value through profit or loss	5	-
Interest income on loans and receivables	836	741
Other interest income	133	-
Total interest income	974	741
Dividend income		
Dividend income on available-for-sale financial assets	9	9
Gains		
Gains on sale of assets held for sale	83	-
Gains on sale of available-for-sale financial assets	6	-
Gains on sale of financial assets at fair value through profit or loss	14	-
Total gains	103	-
Other financial income		
Financial income on emission right receivable	1,154	-
Interest expenses		
Interest expenses on financial liabilities measured at amortized cost	-2,411	-1,059
Other interest expenses	-123	-
Total interest expenses	-2,534	-1,059
Other financial expenses		
On financial liabilities measured at amortized cost	-60	-
On loans and receivables	-251	-499
Other financial expenses	-53	-120
Total other financial expenses	-364	-619
Impairment losses on available-for-sale financial assets	-109	-
Foreign exchange differences, net		
On financial liabilities measured at amortized cost	-1,598	913
On loans and receivables	291	-
Other foreign exchange gains	96	-
Total foreign exchange differences	-1,211	913
Total financial income and expenses in financial items	**-1,978**	**-15**
Net foreign exchange differences in operating profit		
Net sales	38	133
Purchases	114	148
Total	**152**	**281**

Derivatives	2008	2007
Currency derivatives, hedge accounting applied		
Realized currency derivatives recognized in net sales	450	1,635
Unrealized currency derivatives recognized in net sales	-1	344
Realized currency derivatives recognized in financial items	-	36
Unrealized currency derivatives recognized in financial items	-	-10
Total	**449**	**2,005**
Currency derivatives, non-hedge accounting		
Realized currency derivatives recognized in net sales	-364	-
Unrealized currency derivatives recognized in net sales	-223	-
Total	**-587**	**-**

Recognized in other comprehensive income

Fair value changes of available-for-sale financial assets	17	-
Change in fair value of cash flow hedges, effective part	-	35
Change in fair value of cash flow hedges, effective part, reclassified in profit or loss	-28	217
Hedging of net investment in foreign entity	-	184
Total in other comprehensive income	**-12**	**436**

Borrowing costs have not been capitalized in Glaston Group in 2008 or 2007. In 2009, in accordance with IAS 23 Borrowing Costs, borrowing costs related to qualifying assets will be capitalized.

Impairment losses on trade receivables have been described in Note 21.

NOTE 14
INCOME TAXES

EUR thousand

Income tax charge in income statement	2008	2007
Current income tax charge	-4,662	-2,289
Adjustments in respect of current income tax of previous years	-472	173
Deferred tax charge	4,366	-3,078
Other	-323	-8
Total income tax charge in income statement, Continuing Operations	**-1,091**	**-5,202**
Income tax charge in income statement, Discontinued Operations	-	-1,346
Total income tax charge	**-1,091**	**-6,548**

Income taxes recognized in other comprehensive income and in equity		
Deferred taxes		
Disposal of treasury shares recognized in equity	5	-
Share-based incentive plan recognized in equity	-62	-
Cash flow hedge, net losses and gains on changes in fair value recognized in other comprehensive income	7	-61
Available-for-sale assets, fair value changes recognized in other comprehensive income	-4	-
Total deferred taxes recognized in other comprehensive income and equity	-54	-61
Current taxes		
Disposal of treasury shares recognized in equity	27	-94
Share-based incentive plan, recognized in equity	89	-
Hedging of net investment in foreign operations recognized in equity	-	-48
Total current taxes recognized in other comprehensive income and in equity	116	-142
Total taxes recognized in other comprehensive income and in equity	**62**	**-203**

Reconciliation of income tax expense calculated at statutory tax rates with income tax expense in the income statement		
Profit before taxes	-8,085	12,188
Tax at the tax rate applicable to the parent	2,102	-3,169
Difference due to different tax rates of foreign subsidiaries	182	-1,520
Tax exempt income and non-deductible expenses	-1,836	-410
Effect of changes in tax rates and tax laws	334	390
Losses, where no deferred tax benefit is recognized	-473	-
Deferred taxes recognized during the financial year in respect of previous years' temporary differences	-	-267
Withholding taxes and adjustments in respect of current income tax of previous periods	-614	173
Effect of joint ventures' and associates' results	7	-
Use of losses, where no deferred tax asset was recognized	262	-
Deferred tax assets recognized of confirmed losses	-632	-
Eliminations	-412	
Other	-11	-399
Income taxes in the income statement	**-1,091**	**-5,202**
Effective tax rate	**N/A**	**42.7%**

The Group companies have tax losses, totalling EUR 11.2 (8.3) 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 1.8 (1.8) million.

Limited right to carry forward the tax losses concerns 83 (85) per cent of the tax losses and unlimited right 17 (15) per cent of the tax losses.

Deferred tax assets are recognized for deductible temporary differences and tax losses to the extent that it is probable that taxable profit will be available, against which tax credits and deductible temporary differences can be utilized. Changes in tax rates have been taken into account when calculating deferred taxes. Corporate tax rate in Finland is 26 per cent.

Deferred tax liability has not been recognized in 2008 or 2007 of the undistributed earnings of Finnish or foreign subsidiaries as the majority of such earnings can be transferred to the owner without any tax consequences. Deferred tax liability of undistributed earnings of associates or joint ventures has also not been recognized.

Tax assets and tax liabilities

	2008	2007
Deferred tax assets	7,916	4,446
Assets for current tax	4,369	1,655
Deferred tax liabilities	8,439	9,374
Liabilities for current tax	1,933	3,520

Reconciliation of deferred tax assets and deferred tax liabilities

EUR thousand

2008

Deferred tax assets	1 January	Exchange difference	Acquisitions and disposals	Charge in income statement (- tax expense)	Recognized in equity	Recognized in other comprehensive income	31 December
Defined benefit employee benefits	-	-	-	26	-	-	26
Unrealized internal profits, inventory	702	120	-	-9	-	-	813
Unrealized internal profits, property, plant and equipment and intangible assets	282	-	-	-57	-	-	226
Confirmed tax losses carried forward	1,802	-	-	11	-	-	1,813
Share-based payments	155	-	-	-76	-56	-	23
Other temporary differences	1,504	-30	-	3,540	-	-	5,014
Deferred tax assets in balance sheet	**4,446**	**90**	**-**	**3,436**	**-56**	**-**	**7,916**

EUR 0.6 million previously unrecognized deferred tax asset from losses of prior periods 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.

Deferred tax liabilities	1 January	Exchange difference	Acquisitions and disposals	Charge in income statement (+ tax expense)	Recognized in equity	Recognized in other comprehensive income	31 December
Untaxed reserves	2,573	-	-	-287	-	-	2,286
Defined benefit employee benefits	402	-	-	-38	-	-	363
Intangible assets recognized at fair value	2,468	-	-	-768	-	-	1,700
Available-for-sale financial assets at fair value and cash flow hedges	13	-	-	2	-	-3	12
Share-based payments	-	-	-	44	-	-	44
Other temporary differences	3,918	-2	-	118	-	-	4,034
Deferred tax liabilities in balance sheet	**9,374**	**-2**	**-**	**-930**	**-**	**-3**	**8,439**

Change in deferred taxes in income statement (- tax expense) **4,366**

2007

Deferred tax assets	1 January	Exchange difference	Acquisitions and disposals	Charge in income statement (- tax expense)(*	Recognized in equity	Recognized in other comprehensive income	31 December
Unrealized internal profits, inventory	794	-	-	-92	-	-	702
Unrealized internal profits, property, plant and equipment and intangible assets	327	-	-	-45	-	-	282
Confirmed tax losses carried forward	3,317	-	-	-1,515	-	-	1,802
Share-based payments	1,536	-	-	-1,381	-	-	155
Cash flow hedges	56	-	-	-64	-	8	0
Other temporary differences	2,544	-	-	-1,039	-	-	1,505
Deferred tax assets in balance sheet	**8,574**	**-**	**-**	**-4,136**	**-**	**8**	**4,446**

Deferred tax liabilities	1 January	Exchange difference	Acquisitions and disposals	Charge in income statement (+ tax expense)(*	Recognized in equity	Recognized in other comprehensive income	31 December
Untaxed reserves	4,088	-	-	-1,515	-	-	2,573
Defined benefit employee benefits	113	-	-	289	-	-	402
Intangible assets recognized at fair value	-	-	2,560	-92	-	-	2,468
Available-for-sale financial assets at fair value and cash flow hedge	8	-	-	-48	-	53	13
Other temporary differences	3,222	-1	-	697	-	-	3,918
Deferred tax liabilities in balance sheet	**7,431**	**-1**	**2,560**	**-669**	**-**	**53**	**9,374**

Change in deferred taxes in income statement (- tax expense) **-3,467**

(* Change in income statement includes the change of both Continued and Discontinued Operations.

NOTE 15
DEPRECIATION, AMORTIZATION AND IMPAIRMENT OF ASSETS

EUR thousand

Depreciation and amortization	**2008**	**2007**
Intangible assets		
Intangible rights	762	716
Capitalized development costs	2,904	2,204
Other intangible assets	184	115
Property, plant and equipment		
Buildings and constructions	1,316	1,161
Machinery and equipment	3,284	2,764
Other tangible assets	201	130
Total depreciation and amortization	**8,651**	**7,090**
Impairment losses		
Intangible assets		
Intangible rights	149	-
Capitalized development expenditure	1,586	-
Other intangible assets	26	-
Property, plant and equipment		
Machinery and equipment	553	-
Other tangible assets	240	-
Total impairment	**2,554**	**-**
Total depreciation, amortization and impairment	**11,205**	**7,090**

Impairment of assets

Glaston's cash generating units consist of segments, generating cash flows, which are largely independent of the cash flows of other business units.

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

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

The recoverable amount of a cash generating unit is its value in use, based on its discounted future cash flows. These cash flows are mainly based on the budgets and estimates approved by the management. Budgets and estimates are used as a basis of the future cash flows for a maximum of five years. Subsequent cash flows are estimated by extrapolating the cash flow estimates. Terminal values have been calculated using Western European long-range growth rate.

If the asset has been classified as held for sale, the recoverable amount used is the fair value of the asset, less costs of sale.

The assumptions used in value in use calculations are mainly the same as used in budgets. Cash flows based on the assumptions have, however, been adjusted so that the future cash flows used in impairment testing exclude any cash flows from uncommitted future restructuring, and cash flows arising from improving or enhancing the asset's performance. The cash flows of restructuring programmes, in which the Group was committed at the date of the testing, are included in testing.

The most significant assumptions used in impairment calculations, such as development of markets and price development of products and the most important raw materials, are based on information gathered from various external sources. Based on this information and past experience Glaston has arrived at the assumptions used in estimates. The effects of the international financial crisis during the latter part of the reporting period have been taken into account in the cash flows of the near future as negative development of the cash flows, but the fundamentals of the business are expected to remain unchanged, so the development of the subsequent years is expected to turn positive. Though the sales development of new machines is expected to be negative in the coming years as compared to the past, the growing service business is generating more steady cash flows and thus offsets the weakened cash flows of new machine sales. In addition, software business (Software Solutions) is not estimated to the suffer from the financial crisis the same way as new machine sales.

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 Glaston's target capital structure has been taken into acccount in determining the discount rate. Discount rates have been calculated separately for each segment, and they can vary between the segments.

The most significant assumptions used in value in use calculations in 2008	Pre-processing	Heat Treatment	Software Solutions
Pre-tax discount rate	12.9%	11.3%	11.3%
Long-term growth rate	2.0%	2.0%	2.0%
Annual sales growth during the forecast period compared with the reporting period	-1% - + 37%	-12% - +35%	+7% - +31%
EBITDA percentage during the forecast period	4% - 12%	8% - 14%	14% - 15%

The most significant assumptions used in value in use calculations in 2007	Pre-processing	Heat Treatment	Software Solutions
Pre-tax discount rate	13.4%	10.3%	10.0%
Long-term growth rate	2.5%	2.5%	2.5%
Annual growth during the forecast period	5 - 10%	5 - 10%	5 - 10%
EBIT development during the forecast period compared with the reporting period	higher	higher	slighty lower

Impairment testing of goodwill

Goodwill is allocated to the segments on a basis which reflects the business concept lauched in 2007.

Goodwill

EUR million

Segment	2008	2007
Pre-processing	25.4	26.1
Heat Treatment	28.4	29.0
Software Solutions	12.3	12.6
Total	**66.2**	**67.6**

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

Sensitivity analysis

The management estimates, that in most cases, a reasonably possible change in a key assumption does not cause the cash generating unit's carrying amount to exceed its recoverable amount. The cases in which a reasonably possible change in a key assumption would cause the carrying amount of a cash generating unit to exceed its recoverable amount are presented below. The recoverable amounts of these cash generating units exceed their carrying amounts by 31 - 47 per cent.

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

Post-tax discount rate	Value assigned to the assumption	Change
Pre-processing	9.1%	2.5 percentage points
Heat Treatment	8.4%	2 percentage points
Software Solutions	7.7%	1.5 percentage points

EBITDA development	Value assigned to the assumption	Change
Pre-processing	4% - 12%	Decrease of 3 percentage points
Heat Treatment	8% - 14%	Decrease of 2 percentage points
Software Solutions	14% - 15%	Decrease of 2 percentage points

Impairment of property, plant and equipment and intangible assets

The impairment of property, plant and equipment is mainly related to machines that are no longer in use and capitalized leasehold improvements. An impairment loss has been recognized of capitalized leasehold improvements if the operations in the leased premises has ended or will end in the near future.

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

NOTE 16
PROPERTY, PLANT AND EQUIPMENT

EUR thousand

Glaston has not pledged property, plant and equipment as security of liabilities. Real estate mortgages provided as security of liabilities are presented in Note 29.

At the end of 2008, Glaston had EUR 0.1 million of contractual commitments for the acquisition of property, plant and equipment.

In 2008 or 2007, Glaston did not receive any material third party compensation for items of property, plant and equipment that were impaired, lost or given up.

2008

	Land and water areas	Buildings and constructions	Machinery and equip-ment	Other tangible assets	Advances paid and assets under construction	2008 total
Acquisition cost at beginning of year	1,700	27,288	29,662	1,955	1,973	62,579
Business combinations	-	-	-	-	-	-
Other increases	-	3,629	4,084	170	3,505	11,388
Decreases	-	-64	-368	-415	-	-847
Reclassifications and other changes	-	-2	-416	1,629	-5,016	-3,805
Exchange differences	4	380	17	-87	42	357
Acquisition cost at end of year	**1,704**	**31,232**	**32,979**	**3,252**	**505**	**69,673**
Accumulated depreciation and impairment at beginning of year	-	-11,692	-17,349	-1,026	-	-30,067
Accumulated depreciation relating to decreases and transfers	-	44	166	414	-	624
Depreciation during the reporting period	-	-1,316	-3,284	-201	-	-4,801
Reclassifications and other changes	-	-	1,480	-1,014	-	466
Impairment losses (note 15)	-	-	-553	-240	-	-793
Exchange differences	-	-31	-96	30	-	-97
Accumulated depreciation and impairment at end of year	**-**	**-12,995**	**-19,636**	**-2,037**	**-**	**-34,668**
Carrying amount at end of year	**1,704**	**18,237**	**13,343**	**1,215**	**505**	**35,004**

2007

	Land and water areas	Buildings and constructions	Machinery and equip-ment	Other tangible assets	Advances paid and assets under constructions	2007 total
Acquisition cost at beginning of year	2,062	25,463	56,756	2,384	3,884	90,549
Business combinations	-	-	248	568	-	816
Other increases	232	2,752	2,733	105	1,996	7,819
Decreases	-586	-3,479	-30,666	-1,095	-491	-36,317
Reclassifications and other changes	-	2,676	735	-	-3,411	0
Exchange differences	-8	-124	-144	-7	-5	-288
Acquisition cost at end of year	**1,700**	**27,288**	**29,662**	**1,955**	**1,973**	**62,579**
Accumulated depreciation and impairment at beginning of year	-	-12,159	-33,193	-1,921	-	-47,273
Accumulated depreciation relating to decreases and transfers	-	1,621	18,500	1,009	-	21,130
Depreciation during the reporting period	-	-1,161	-2,764	-130	-	-4,055
Reclassifications and other changes	-	-	-	-	-	0
Impairment losses	-	-	-	-	-	0
Exchange differences	-	7	108	16	-	131
Accumulated depreciation and impairment at end of year	**-**	**-11,692**	**-17,349**	**-1,026**	**-**	**-30,067**
Carrying amount at end of year	**1,700**	**15,596**	**12,313**	**929**	**1,973**	**32,513**

Carrying amount of machinery and equipment used in production 31 December, 2008	10,848
Carrying amount of machinery and equipment used in production 31 December, 2007	10,436

NOTE 17
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 life.

2008

	Capitalized development expenditure	Intangible rights	Goodwill	Other capitalized expenditure	Advances paid	2008 total
Acquisition cost at beginning of year	20,575	8,573	67,641	2,909	4,294	103,992
Business combinations	-	115	39	45	-	199
Other increases	1,908	1,536	-	595	2,598	6,636
Decreases	-1,476	-222	-1,454	-3	-	-3,155
Reclassifications and other changes	1,464	77	-43	-1,616	1,056	938
Exchange differences	-	19	-	-17	-	2
Acquisition cost at end of year	**22,471**	**10,098**	**66,183**	**1,913**	**7,948**	**108,612**
Accumulated amortization and impairment at beginning of year	-8,597	-5,859	-	-2,326	-	-16,782
Accumulated amortization related to decreases and transfers	1,476	203	-	3	-	1,682
Amortization during the reporting period	-2,904	-762	-	-184	-	-3,850
Impairment losses (note 15)	-1,586	-149	-	-26	-	-1,761
Reclassifications and other changes	-1	-1	-	851	-	849
Exchange differences	-	-37	-	16	-	-21
Accumulated amortization and impairment at end of year	**-11,612**	**-6,605**	**-**	**-1,666**	**-**	**-19,883**
Carrying amount at end of year	**10,859**	**3,493**	**66,183**	**247**	**7,948**	**88,729**

2007

	Capitalized development expenditure	Intangible rights	Goodwill	Other capitalized expenditure	Advances paid	2007 total
Acquisition cost at beginning of year	10,992	11,853	53,179	4,573	4,267	84,864
Business combinations	6,491	-	14,200	-	-	20,691
Other increases	1,102	1,172	336	287	2,173	5,070
Decreases	-120	-4,401	-	-1,953	-36	-6,510
Reclassifications and other changes	2,110	-	-74	-	-2,110	-74
Exchange differences	-	-51	-	2	-	-49
Acquisition cost at end of year	**20,575**	**8,573**	**67,641**	**2,909**	**4,294**	**103,992**
Accumulated amortization and impairment at beginning of year	-6,418	-5,305	-	-4,112	-	-15,835
Accumulated amortization related to decreases and transfers	25	97	-	1,903	-	2,025
Amortization during the reporting period	-2,204	-716	-	-114	-	-3,034
Reclassifications and other changes	-	-	-	-	-	-
Exchange differences	-	65	-	-3	-	62
Accumulated amortization and impairment at end of year	**-8,597**	**-5,859**	**-**	**-2,326**	**-**	**-16,782**
Carrying amount at end of year	**11,978**	**2,714**	**67,641**	**583**	**4,294**	**87,210**

NOTE 18
ASSOCIATES AND JOINT VENTURES
EUR thousand

Investment in joint ventures	2008	2007
Carrying amount 1 January	770	-
Exchange differences	80	-
Additions	-	770
Share of net result of joint ventures	19	-
Reclassifications	-	-
Carrying amount 31 December	**869**	**770**

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

Investment in associates

Carrying amount 1 January	-	-
Exchange differences	-	-
Additions	-	-
Share of net result of joint ventures	9	-
Reclassifications	14	-
Carrying amount 31 December	**23**	**-**

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

Associates and joint ventures			Group ownership, %		Carrying amount of shares	
			2008	2007	2008	2007
Sanhe AAA Tools Co.	Sanhe	China	70	70	869	770
Bitec GmbH Büro fur Informationstechnik	Chemnitz	Germany	49	49	23	-
					892	770

Sanhe AAA Tools Co. has been consolidated using the equity method and not as a subsidiary because Glaston does not have control of the company.

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

Share of assets and liabilities of joint ventures	2008	2007
Non-current assets	531	498
Current assets	435	354
Total	**966**	**853**
Non-current liabilities	-	-
Current liabilities	97	4
Total	**97**	**4**

Share of income and expenses of joint ventures	2008	2007
Net sales	**469**	**-**
Production expenses	-342	-
Other operating expenses and depreciation and amortization	-103	-
Operating profit	**23**	**-**
Financial income and expenses	2	-
Result before income taxes	**25**	**-**
Income taxes	-6	-
Net result	**19**	**-**

Joint venture had no transactions during 2007.

Joint venture balances

Receivables		
Current receivables	30	-

No bad debts have been recorded from receivables from joint ventures.

Transactions with joint ventures

Sales to joint ventures	24	-

Associated company balances

In 2008 and 2007, Glaston group companies did not have any receivables from or payables to associates.

Transactions with associates

In 2008 and 2007, 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 is from the 2007 financial statements of Bitec GmbH Büro für Informationstechnik as the 2008 financial statements of Bitec GmbH Büro für Informationstechnik were not available when preparing Glaston's consolidated financial statements.

	2007
Profit	38
Assets	369
Liabilities	224

NOTE 19
AVAILABLE-FOR-SALE FINANCIAL ASSETS
EUR thousand

2008	Available-for-sale shares	Other available-for-sale investments
Carrying amount 1 January	87	18
Exchange difference	-	-
Additions	-	4
Disposals	-6	-17
Reclassifications	256	69
Impairments	-40	-67
Changes in fair values recognized in other comprehensive income	17	-
Carrying amount 31 December	**314**	**7**

2007	Available-for-sale shares	Other available-for-sale investments
Carrying amount 1 January	592	-
Exchange difference	-	-
Additions	-	18
Disposals	-	-
Reclassifications	-505	-
Impairments	-	-
Changes in fair values recognized in other comprehensive income	-	-
Carrying amount 31 December	**87**	**18**

Glaston has classified its non-current investments as available-for-sale shares and other available-for-sale investments. Glaston recognizes changes in fair value 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.

Reclassifications in 2007 include mainly shares owned by the parent that were reclassified as assets held for sale. Reclassifications in 2008 include mainly the reclassification of these assets held for sale back to available-for-sale shares. Impairment losses of available-for-sale financial assets are recognized in the income statement in financial items.

NOTE 20
INVENTORIES
EUR thousand

	2008	2007
Inventories		
Materials and supplies	6,494	6,205
Work in process	20,541	22,398
Finished goods	25,867	16,960
Advances paid	1,015	625
Total inventories	**53,918**	**46,188**
Inventory write-downs during the period	-3,470	-2,000
Reversals of inventory write-downs during the period	84	-
Total write-downs and reversals of write-downs during the period	**-3,386**	**-2,000**
Carrying amount of inventories carried at fair value less costs to sell	4,254	0

NOTE 21
CURRENT RECEIVABLES
EUR thousand

	2008	2007
Current receivables		
Trade receivables	66,041	64,693
Trade receivables, falling due after 12 months	3,090	8,058
Total trade receivables	69,131	72,752
Prepaid expenses and accrued income	6,942	9,420
Other receivables	2,270	3,819
Other receivables, falling due after 12 months	4,915	5,018
Loan receivables	-	279
Total current receivables	**83,258**	**91,287**

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

Prepaid expenses and accrued income related to derivative instruments are disclosed in more detail in Note 28.

Receivables falling due after 12 months have been discounted.

Ageing analysis of trade receivables at 31 December

	Carrying amount of trade receivables, after recognizing bad debt provision	Not past due	Past due			
			‹ 30 days	31 - 180 days	181 - 360 days	› 360 days
2008	69,131	41,075	11,299	12,808	3,274	675
2007	72,752	45,113	9,917	9,408	7,750	566

Carrying amount of trade receivables, which would be past due, but whose terms have been renegotiated, was EUR 3.3 (0.9) million.

Changes in bad debt provision of trade receivables

Bad debt provision 1 January, 2007	3,733
Charge for the year	1,044
Utilized	-722
Unused amounts reversed	-
Bad debt provision 31 December, 2007	**4,055**
Charge for the year	3,746
Utilized	-177
Unused amounts reversed	-152
Bad debt provision 31 December, 2008	**7,472**

	2008	2007
Impairment losses of trade receivables recognized in profit or loss, net, EUR thousand	3,708	1,044

NOTE 22
TOTAL COMPREHENSIVE INCOME INCLUDED IN EQUITY
EUR thousand

	Hedging reserve	Fair value reserve	Retained earnings	Cumulative exchange difference	Non-controlling interest	Total
Total other comprehensive income for 2007						
Total exchange differences on translating foreign operations	-	-	-	-1,789	2	-1,786
Hedging of net investment in foreign operations	-	-	-	184	-	184
Income taxes on hedging of net investment in foreign operations	-	-	-	-48	-	-48
Cash flow hedges	251	-	-	-	-	251
Income taxes on cash flow hedges	-61	-	-	-	-	-61
Available-for-sale financial assets, change in fair value	-	-	-	-	-	-
Income taxes on change in fair value of available-for-sale financial assets	-	-	-	-	-	-
Other comprehensive income	**190**	**-**	**-**	**-1,653**	**2**	**-1,460**
Profit for 2007	**-**	**-**	**10,756**	**-**	**14**	**10,770**
Total comprehensive income for 2007	**190**	**-**	**10,756**	**-1,653**	**16**	**9,309**

	Hedging reserve	Fair value reserve	Retained earnings	Cumulative exchange difference	Non-controlling interest	Total
Total other comprehensive income for 2008						
Total exchange differences on translating foreign operations	-	-	-	691	-10	681
Other changes and reclassifications	-	21	-75	-	65	11
Cash flow hedges	-28	-	-	-	-	-28
Income taxes on cash flow hedges	7	-	-	-	-	7
Available-for-sale financial assets, change in fair value	-	17	-	-	-	17
Income taxes on change in fair value of available-for-sale financial assets	-	-4	-	-	-	-4
Other comprehensive income	**-21**	**33**	**-75**	**691**	**55**	**683**
Loss for 2008	**-**	**-**	**-9,134**	**-**	**-42**	**-9,176**
Total comprehensive income for 2008	**-21**	**33**	**-9,209**	**691**	**13**	**-8,493**

NOTE 23
PENSIONS AND OTHER DEFINED LONG-TERM EMPLOYEE BENEFITS

EUR thousand

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

The Group has defined benefit pension plans in Finland. The Group has also defined contribution pension plans, of which the charge to the income statement was EUR 7.8 (5.8) million.

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

Amounts in the balance sheet relating to Finnish defined benefit pension plans	**2008**	**2007**
Fair value of plan assets	-	-255
Present value of funded obligations	48	495
Unrecognized actuarial gain (loss -)	109	31
Net liability (asset -)	**157**	**271**
Amounts in the statement of financial position		
Liabilities	157	271
Assets	-	-
Net liability (asset -)	**157**	**271**

Amounts in the balance sheet relating to other long-term employee benefits

Fair value of plan assets	-	-
Present value of unfunded obligations	4,400	4,499
Unrecognized actuarial gain (loss -)	-566	-505
Net liability (asset -)	**3,834**	**3,994**
Amounts in the statement of financial position		
Liabilities	3,834	3,994
Assets	-	-
Net liability (asset -)	**3,834**	**3,994**

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

Fair value of plan assets 1 January	**255**	**270**
Expected return on plan assets	14	13
Actuarial gains (losses -)	-	-84
Benefits paid	-	-29
Contributions by employer	1	85
Other changes	-270	-
Fair value of plan assets 31 December	**0**	**255**

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

Present value of defined benefit obligation 1 January	**495**	**536**
Current service cost	1	110
Interest cost	24	28
Actuarial losses (gains -)	-99	-150
Benefits paid	-15	-29
Other changes	-358	-
Present value of defined benefit obligation 31 December	**48**	**495**

Changes in the present value of other defined long-term employee benefits	2008	2007
Present value of defined benefit obligation 1 January	**4,499**	**6,191**
Exchange differences on foreign plans	-13	-7
Current service cost	5	48
Interest cost	227	278
Actuarial losses (gains -)	113	163
Effect of curtailment	-	-882
Benefits paid	-431	-1,292
Present value of defined benefit obligation 31 December	**4,400**	**4,499**

Amounts recognized in income statement, Finnish defined benefit pensions		
Current service cost	1	109
Expected return on plan assets	-14	-13
Interest on obligation	24	28
Actuarial losses and gains (-)	-20	-
Other changes	-88	-
Total included in pension expenses (gain -)	**-97**	**124**

The Group expects to contribute EUR 8 thousand to its defined benefit pension plans in 2009.

Amounts recognized in income statement, other defined long-term employee benefits		
Current service cost	5	48
Interest on obligation	227	278
Actuarial losses and gains (-)	51	-
Effect of curtailment	-	-882
Total included in other personnel expenses (gain -)	**283**	**-556**

The Group expects to contribute EUR 350 thousand to its other long-term employee benefit plans in 2009.

Actual return on plan assets, Finnish pensions		
Expected return on plan assets	0	67
Actuarial gains and losses (-) on plan assets	0	17
Actual return on plan assets	**0**	**84**

Actuarial assumptions	2008		2007	
	Finnish defined pension plans	Other plans	Finnish defined pension plans	Other plans
Discount rate, %	6.00%	5.00% - 8.68%	5.00%	4.60% - 7.64%
Expected return on plan assets, %	6.00%	-	5.00%	-
Future salary increase, %	3.30%	5.04%	3.30%	3.00% - 5.56%
Future pension increases, %	2.10%	-	2.10%	-
Inflation, %	2.00%	2.30% - 4.00%	2.00%	1.90% - 2.00%
Expected remaining working years of staff	4	11 - 22	10	11 - 17

Information of the asset categories is not available.

Amounts for the current and previous periods, defined benefit pensions	2008	2007	2006	2005
EUR thousand				
Defined benefit pension obligation	48	494	536	504
Plan assets	0	254	269	254
Surplus / deficit (-)	-48	-240	-267	-250
Experience adjustments on plan assets	0	84	0	0
Experience adjustments on plan liabilities	-97	-114	0	0

Amounts for the current and previous periods, other plans	2008	2007	2006	2005
EUR thousand				
Defined benefit obligation	4,400	4,499	6,193	6,346
Plan assets	-	-	-	-
Surplus / deficit (-)	-4,400	-4,499	-6,193	-6,346
Experience adjustments on plan assets	-	-	-	-
Experience adjustments on plan liabilities	113	163	-1	-

NOTE 24
INTEREST-BEARING LIABILITIES

EUR thousand

	2008	2007
Non-current interest-bearing liabilities		
Pension loans	10,950	-
Finance leasing liabilities	4,383	1,859
Other non-current liabilities	1,107	31
Total non-current interest-bearing liabilities	**16,440**	**1,890**
Maturity of non-current interest-bearing liabilities		
2010 (2009)	5,931	401
2011 (2010)	5,922	220
2012 (2011)	451	204
2013 (2012)	1,564	143
2014 (2013) or later	2,572	922
Total	**16,440**	**1,890**
Non-current liabilities by currency		
EUR	16,440	1,890
Total	**16,440**	**1,890**
Non-current interest-bearing loans maturing after 5 years		
Finance leasing liabilities	2,572	922
Total	**2,572**	**922**
Current interest-bearing liabilities		
Loans from financial institutions	41,053	5,732
Commercial paper programme	4,965	12,452
Pension loans	5,475	-
Finance leasing liabilities	502	269
Other current interest-bearing liabilities	1,000	974
Total current interest-bearing liabilities	**52,995**	**19,427**
Interest-bearing net liabilities		
Non-current interest-bearing liabilities	16,440	1,890
Current interest-bearing liabilities	52,995	19,427
Other financial assets	-	-88
Cash	-11,524	-11,322
Total	**57,912**	**9,907**

Glaston's main liquidity reserve is a commited revolving credit facility. At the end of 2008, EUR 29 million of the EUR 65 million revolving credit facility was in use. At the end of 2007, the EUR 30 million revolving credit facility was not in use.

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

Glaston has no convertible bonds or debentures or other bond loans.

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

Finance leasing

Glaston has several finance lease agreements concerning machinery and equipment. The most significant individual agreement is an agreement made in 2008 with Akaa town, Finland, concerning a building.

	2008	2007
Minimum lease payments, maturing in		
Less than 1 year	859	333
2 - 5 years	3,040	1,209
Over 5 years	3,332	1,092
Total minimum lease payments	**7,230**	**2,634**
Future finance charge	-2,345	-506
Present value of minimum lease payments	**4,886**	**2,128**

Present value of minimum lease payments, maturing in		
Less than 1 year	502	269
2 - 5 years	1,811	937
Over 5 years	2,572	922
Total present value of minimum lease payments	**4,886**	**2,128**

The carrying amount of machinery and equipment financed with finance leasing was EUR 0.5 (0.8) million, and depreciation thereon was EUR 0.2 (0.2) million. The carrying amount of buildings financed with finance leasing was EUR 5.0 (1.7) million, and depreciation thereon was EUR 0.3 (0.1) million.

NOTE 25
PROVISIONS

EUR thousand

Non-current provisions

2008

	Warranty provision	Restructuring provisions	Other provisions	Total
Carrying amount 1 January	2,588	2,212	68	4,868
Exchange difference	-2	9	-	4
Reclassification	1	-	-	1
Increase in provisions	3,224	-	10	3,234
Provisions used during the period	-2,088	-977	-	-3,065
Provisions released during the period	-821	-798	-40	-1,659
Carrying amount 31 December	**2,904**	**446**	**38**	**3,388**

2007

	Warranty provision	Restructuring provisions	Other provisions	Total
Carrying amount 1 January	1,378	-	3	1,381
Exchange difference	-	-	-	-
Reclassification	-	-	-	-
Increase in provisions	2,828	2,212	65	5,105
Provisions used during the period	-1,618	-	-	-1,618
Provisions released during the period	-	-	-	-
Carrying amount 31 December	**2,588**	**2,212**	**68**	**4,868**

Current provisions

2008

	Environmental and damage provisions	Warranty provisions	Restructuring provisions	Other provisions	Total
Carrying amount 1 January	-	592	100	1 887	2 579
Exchange difference	-	0	-	-2	-3
Reclassification	-	-1	-37	37	-1
Increase in provisions	-	161	5,600	3,251	9,012
Provisions used during the period	-	-3	-164	-791	-958
Provisions released during the period	-	-24	0	-34	-58
Carrying amount 31 December	**-**	**724**	**5,499**	**4,348**	**10,572**

2007

	Environmental and damage provisions	Warranty provisions	Restructuring provisions	Other provisions	Total
Carrying amount 1 January	4,321	-	1,504	323	6,148
Exchange difference	-	-	-	-	-
Reclassification	-	-	-	-	-
Increase in provisions	-	592	-	1,564	2,156
Provisions used during the period	-4,321	-	-1,404	-	-5,725
Provisions released during the period	-	-	-	-	-
Carrying amount 31 December	**0**	**592**	**100**	**1,887**	**2,579**

Warranty provisions

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

Restructuring provisions

Glaston has recorded restructuring provisions for rationalization measures by closing production units or reducing activities at the units. Restructuring provisions only include expenses that are necessarily entailed by the restructuring, and which are not associated with the on-going activities. The restructuring provision includes, but is not limited to, estimated provisions for employee benefits related to personnel whose employment has been terminated. Glaston estimates, that a significant portion of the restructuring provisions will be realized in 2009. 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

Increase in 2008 is primarily related to expense provisions associated with previous year agreements.

NOTE 26
INTEREST-FREE LIABILITIES

EUR thousand

	2008	2007
Non-current interest-free liabilities		
Other non-current interest-free liabilities	599	263
Current interest-free liabilities		
Trade payables	15,754	23,041
Advances received	15,444	23,834
Accrued expenses and deferred income	26,412	35,317
Other current interest-free liabilities	6,192	7,622
Total current interest-free liabilities	**63,802**	**89,814**

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

Accrued expenses and deferred income related to derivative instruments are disclosed in more detail in Note 28.

NOTE 27
FINANCIAL ASSETS AND LIABILITIES
EUR thousand

31 December, 2008	Note	Assets available-for-sale	Financial assets and liabilities at fair value through profit and loss	Loans and receivables	Financial liabilities at amortized cost	Derivatives, hedge accounting applies	Total carrying amounts	Total fair value
Cash				11,524			11,524	11,524
Other financial assets							-	-
Derivatives (in assets)	28						-	-
Trade receivables	21			69,131			69,131	69,131
Other interest-free receivables	21			7,185			7,185	7,185
Interest-bearing current receivables	21						0	0
Available-for-sale shares	19	314					314	314
Other available-for-sale investments	19	7					7	7
Non-current interest-bearing liabilities	24				-16,440		-16,440	-16,440
Current interest-bearing liabilities	26				-52,995		-52,995	-52,995
Trade payables	26				-15,754		-15,754	-15,754
Advances received	26				-15,444		-15,444	-15,444
Other current interest-free liabilities	26				-6,791		-6,791	-6,791
Derivatives (in liabilities)	28		-126				-126	-126
		321	-126	87,840	-107,424	-	-19,389	-19,389

31 December, 2007	Note	Assets available-for-sale	Financial assets and liabilities at fair value through profit and loss	Loans and receivables	Financial liabilities at amortized cost	Derivatives, hedge accounting applies	Total carrying amounts	Total fair value
Cash				11,322			11,322	11,322
Other financial assets			88				88	88
Derivatives (in assets)	28					110	110	110
Trade receivables	21			72,751			72,751	72,751
Other interest-free receivables	21			8,837			8,837	8,837
Interest-bearing current receivables	21			279			279	279
Available-for-sale shares	19	87					87	87
Other available-for-sale investments	19	18					18	18
Non-current interest-bearing liabilities	24				-1,890		-1,890	-1,890
Current interest-bearing liabilities	24				-19,427		-19,427	-19,427
Trade payables	26				-23,041		-23,041	-23,041
Advances received	26				-23,834		-23,834	-23,834
Other non-current interest-free liabilities	26				-263		-263	-263
Other current interest-free liabilities	26				-7,622		-7,622	-7,622
Derivatives (in liabilities)	28						-	-
		105	88	93,189	-76,077	110	17,415	17,415

NOTE 28
DERIVATIVE INSTRUMENTS
Most of the Group's derivative transactions, while providing economic hedges, do not qualify for hedge accounting under IAS 39. As hedge accounting is not applied for currency derivatives, changes in the fair values of derivative instruments are immediately recognized in profit or loss. Group companies primarily hedge their sales in foreign currency as well as those orders received, for which there are firm commitments. The hedging instruments used are forward contracts mainly made with Group Treasury, or directly with banks. These hedges are rocognized in profit or loss as sales adjustments.

During the year 2008 and 2007, the Group has recorded currency derivatives for which hedge accounting applies. Changes in the fair value of these derivatives are recognized in other comprehensive income net of tax, and presented in hedging reserve in equity. The ineffective part of the hedge is recognized immediately in profit or loss. The cumulative gain or loss of the derivative recognized in other comprehensive income is reclassified from the equity in profit or loss as a reclassification item in the same period in which the hedged item affects profit or loss. At the end of 2008, the Group did not have derivatives which would qualify for hedge accounting.

Changes in the fair value of foreign currency derivatives designated as hedges of net investment in foreign entities, and which are effective hedges, are recorded in equity in cumulative exchange difference. When the net investment is disposed, the cumulative exchange difference relating to the net investment is reclassified in profit of loss. At the end of 2008, Glaston did not have hedges of net investment in foreign entities.

Valuation methods of derivative instruments are presented in the

Nominal and fair values of derivative instruments

EUR thousand	2008		2007	
	Nominal value	Fair value	Nominal value	Fair value
Currency derivatives				
Forward contracts	6,156	-126	12,848	110

Change in fair values of derivatives included in equity

	Hedging reserve
Equity 1 January, 2007	**-169**
Cash flow hedges, change in fair values, effective portion	35
Cash flow hedges, reclassified in profit or loss	217
Deferred taxes	-61
Cash flow hedges included in equity, net	**190**
Equity 31 December, 2007	**21**
Cash flow hedges, change in fair values, effective portion	-
Cash flow hedges, reclassified in profit or loss	-28
Deferred taxes	7
Cash flow hedges included in equity, net	**-21**
Equity 31 December, 2008	**0**

	Cumulative exchange difference
Equity 1 January, 2007	**-**
Hedging of net investment in foreign entity	184
Current taxes	-48
Net income included in equity	**136**
Equity 31 December, 2007	**136**
Hedging of net investment in foreign entity	-
Current taxes	-
Net income included in equity	**-**
Equity 31 December, 2008	**136**

Derivative instruments in the income statement	**2008**	**2007**
Items included in net sales	-138	1,979
Items included in financial items	-	26
Derivative instruments in the statement of financial position, receivables and liabilities		
Prepaid expenses and accrued income		
Currency derivatives	-	110
Accrued expenses and deferred income		
Currency derivatives	126	-

NOTE 29
CONTINGENCIES
EUR thousand

Loans secured with mortgages or pledges	2008	2007

Group does not have loans secured with mortgages or pledges.

Contingent liabilities

	2008	2007
Mortgages		
On behalf of own commitments	168	168
Repurchase obligations	782	2,990
Guarantees		
On behalf of own commitments	772	1,391
On behalf of others	133	324
Total	905	1,715
Total contingent liabilities	**1,855**	**4,873**

Operating leases

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

Minimum future payments of operating lease commitments	2008	2007
Maturity within one year	4,352	4,345
Maturity later than one year and not later than five years	13,738	11,322
Maturity later than five years	1,213	2,914
Total minimum future payments of operating lease commitments	**19,303**	**18,581**

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	2008	2007
Maturity within one year	13	-
Maturity later than one year and not later than five years	23	-
Maturity later than five years	-	-
Total minimum future payments of operating leases	**36**	**-**

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 results of operations.
.
A customer of the US subsidiary Glaston USA, Inc. has made a claim of approximately USD 22 million due to a sale of a machine in 2004. It is Glaston's opinion that the claim is unfounded. The matter has been referred to arbitration court in the USA and the court's decision is expected to be received during the second quarter of 2009.

The Group recognized a tax refund of approximately EUR 2 million in 2006 after having received an affirmative decision according to which the expenses arising from the management incentive scheme of the Group are deductible in taxation. The tax authorities of the Tax Office for Major Corporations appealed against the decision to the Administrative Court of Helsinki. Administrative Court of Helsinki decided the case on Glaston's favour in January 2009. The decision is subject to appeal until late March, 2009.

NOTE 30
SHARES AND HOLDINGS

Group companies			Group holding %	Parent holding %
Glaston Oyj Abp	Hämeenkyrö	Finland		
Uniglass Engineering Oy	Tampere	Finland	100.0%	100.0%
Glaston Estonia Oü	Tallinn	Estonia	100.0%	
Glaston Services Ltd. Oy	Tampere	Finland	100.0%	100.0%
Glaston Finland Oy	Tampere	Finland	100.0%	
Tamglass Lasinjalostus Oy	Tampere	Finland	100.0%	
Tamglass Project Development Oy	Tampere	Finland	100.0%	
Tamglass EMA Sales Ltd. Oy	Tampere	Finland	100.0%	
Glaston America, Inc.	Pittsburgh, PA	United States	100.0%	
Glaston USA, Inc.	Cinnaminson, NJ	United States	100.0%	
Glaston North America, Inc.	Greensboro, NC	United States	100.0%	
Glaston UK Ltd.	Nottinghamshire	United Kingdom	100.0%	
Bavelloni UK Ltd. (*	Rugby	United Kingdom	100.0%	
Glaston France S.A.S.U.	Chassieu	France	100.0%	
Glaston Spain S.L.	Barcelona	Spain	100.0%	
Glaston Germany GmbH	Nürnberg	Germany	100.0%	
Glaston Japan, Inc.	Osaka	Japan	100.0%	
Glaston Singapore Pte. Ltd.	Singapore	Singapore	100.0%	
Cattin Machines, S.A.	La Chaux-de-Fonds	Switzerland	100.0%	
Glaston Brazil Ltda	São Paulo	Brazil	99.0%	
Glaston Tianjin Co. Ltd.	Tianjin	China	100.0%	
Glaston (Shanghai) Co. Ltd.	Shanghai	China	100.0%	
Glaston China Co. Ltd.	Tianjin	China	100.0%	
LLC Glaston	Moskow	Russia	100.0%	
Glaston Australia Pty Ltd.	Queensland	Australia	100.0%	
Glaston Mexico S.A. de C.V.	Jalisco	Mexico	100.0%	
Glaston Servicios S.A. de C.V.	Jalisco	Mexico	100.0%	
Z. Bavelloni South America Ltda	São Paulo	Brazil	100.0%	
Glasto Holding B.V.	Sittard	Netherlands	100.0%	
Glaston Netherlands B.V.	Hoensbroek	Netherlands	100.0%	
Glaston Hong Kong Ltd.	Hong Kong	China	100.0%	
Bavelloni Tools (Tianjin) Co., Ltd.	Tianjin	China	70.0%	
Glaston Italy S.p.A.	Bregnano	Italy	100.0%	
DiaPol S.r.l.	Bregnano	Italy	100.0%	
Albat+Wirsam Software AG	Linden	Germany	100.0%	100.0%
Cantor Software GmbH	Linden	Germany	100.0%	
Glaston Belgium GmbH	Eupen	Belgium	100.0%	
Albat+Wirsam Software (UK) Ltd.	Hertfordshire	United Kingdom	100.0%	
Albat+Wirsam Polska Sp.z.o.o.	Krakow	Poland	100.0%	
Albat+Wirsam North America Inc.	Ontario	Canada	100.0%	
Joint ventures				
Sanhe AAA Tools Co., Ltd. (**	Sanhe	China	70.0%	
Associated companies				
Bitec GmbH Büro für Informationstechnik	Chemnitz	Germany	48.8%	

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

(** Company is consolidated using the equity method as Glaston does not have control in the company.

NOTE 31
SHARE-BASED INCENTIVE PLANS

Share-based incentive plans

Glaston's share-based incentive plan is directed to the Group's key personnel as part of the Group's incentive schemes. The plan aims 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 in 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 plan of Glaston is a combination of shares and cash payments. Glaston has the option to settle the possible reward in cash in its entirety. The granted amount of the incentive plan settled in shares is measured at fair value at the grant date, and the cash-settled part of the plan is measured at fair value at the reporting or payment date. The expenses arising from the incentive plan have been recognized in profit or loss during the vesting periods. The cash-settled portion of the incentive plan 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 plan to the extent it is liable to pay them.

Share-based incentive plan 2007 - 2009

Glaston's Board of Directors decided on 9 May, 2007, to adopt a new share-based incentive plan which is based on three performance periods: 2007, 2008 and 2009. The Board of Directors determines on the target group and on the criteria used and sets targets for the criteria at the beginning of each performance period. The maximum reward of the plan is 652,500 shares, which means that annually a maximum 217,000 shares can be allocated. In addition to shares, a cash payment up to an amount that is needed for taxes and tax-related costs arising from the reward will be paid. The earnings criteria for the performance periods of 2008 and 2007 were the Group's operating profit (EBIT; 60 per cent weight) and growth in net sales (40 per cent weight).

The expenses, including personnel costs included, in 2008 were EUR 0.3 (0.2) million. The unpaid portion, recognized as a liability, was EUR 0.0 (0.1) million. From the 2007 performance period, in total 103,707 shares were surrendered to the 18 persons involved in the share-based incentive plan. At the date when the shares were surrendered, the fair value of the shares was EUR 0.4 million. The shares cannot be transferred further within two years from the reward payment date (restriction period). If a person's employment or service ends during the restriction period, he/she must return the shares.

Basic parameters used in calculation of fair value of the share-based incentinve plans in 2008

Fair value calculation of the share-based reward	Performance period 2007	Performance period 2008
Share price at the grant date, EUR	4.08	3.28
Annually expected dividends, EUR	0.09	0.10
Fair value of share-settled part / share, EUR	3.99	3.18
Share price at 31 December 2008 or at the date of the surrender (cash-settled part), EUR	3.11	0.91
Fair value of the reward at 31 December 2008, EUR thousand	782	85
Effect on the result of the 2008 reporting period, EUR thousand	236	21

Basic information of the share-based plan	Performance period 2007	Performance period 2008
Grant date	9 May, 2007	26 March, 2008
Nature of the plan	Shares and cash	Shares and cash
Target group	Key personnel	Key personnel
Maximum number of shares, settled in shares	99,594	273,750
Maximum number of shares, settled in cash (calculated as a number of shares)	123,780	334,583
Performance period begins	1 January, 2007	1 January, 2008
Performance period ends	31 December, 2007	31 December, 2008
End of restriction period	30 April, 2010	30 April, 2011
Vesting conditions	EBIT (weight 60%) and sales growth (weight 40%)	EBIT (weight 60%) and sales growth (weight 40%)
	Service period	Service period
Required share ownership period, years	2	2
Remaining vesting period, years	1.3	2.3
Number of persons involved 31 December, 2008	17	32

Transactions in 2008
in number of shares

	Performance period 2007	Performance period 2008	Total
Gross number of shares (* 1 January, 2008			
Granted	384,139	-	384,139
Paid	-	-	-
Returned	-	-	-
Expired	-	-	-
Changes during the reporting period			
Granted	-	608,333	608,333
Returned	4,113	-	4,113
Settled in shares	103,707	-	103,707
Settled in cash	123,780	-	123,780
Expired	156,652	-	156,652
Gross number of shares (* 31 December, 2008			
Granted	-	608,333	608,333
Returned	4,113	-	4,113
Settled in shares	103,707	-	103,707
Settled in cash	123,780	-	123,780
Expired	156,652	-	156,652
Outstanding shares	**223,374**	**608,333**	**831,707**

Transactions in 2007	**Performance period 2007**
Gross number of shares (* 1 January, 2007	
Granted	-
Paid	-
Returned	-
Expired	-
Changes during the reporting period	
Granted	384,139
Returned	-
Settled in shares	-
Settled in cash	-
Expired	-
Gross number of shares (* 31 December, 2008	
Granted	384,139
Returned	-
Settled in shares	-
Settled in cash	-
Expired	-
Outstanding shares	**384,139**

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

Synthetic option plan

Glaston Services Ltd. Oy had an incentive plan approved in 2002, which was aimed at the management and key persons of Glaston Group. During the 2007 reporting period Glaston paid 18,500 A-options to 9 persons totaling to EUR 2.8 million and 19,857 B-options to 14 persons totaling to EUR 3.0 million. The rest of the A- and B-options, 1,500 options, were paid in 2008. The value of the paid options was EUR 0.2 million.

NOTE 32
RELATED PARTIES

Parties are considered to be related parties if a party is able to exercise control over the other, or substantially influence its decision-making concerning its finances and business operations. Glaston Group's related parties include the parent of the Group (Glaston Corporation), subsidiaries, associates and joint ventures.

Related parties also include the members of the Board of Directors, the Group's Executive Management Group, the CEO and their family members. There were no loans granted to management of the parent or subsidiaries in 2008 or 2007. Details of management compensation are given in Note 12.

Glaston follows the same commercial terms in transactions with associates, joint ventures and other related parties as with third parties. Associates and joint ventures are described in more detail in Note 18.

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

Transactions with related parties EUR thousand	**2008**	**2007**
Rents paid	638	585

Board of Directors, share ownership	**Glaston shares**	
	31.12.2008	**31.12.2007**
Andreas Tallberg, Chairman of the Board of Directors	0	0
Christer Sumelius, deputy Chairman of the Board of Directors	2,624,200	2,624,200
Claus von Bonsdorff	122,600	122,600
Klaus Cawén	6,000	6,000
Carl-Johan Rosenbröijer	12,600	12,600
Mikael Mäkinen (*	0	-
Jan Lång (*	0	-
Jan Hasselblatt (**	-	0

(* Member of the Board of Directors from 11 March, 2008
(* Member of the Board of Directors until 11 March, 2008

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

Executive Management Group, share ownership

	Glaston shares 31.12.2008 total	**of which received in 2008 based of the share-based incentive plan (***	**31.12.2007 total**
Mika Seitovirta, CEO	19,740	19,740	0
Günter Befort	0	-	0
Paolo Ceni	8,225	8,225	0
Ari Himma	8,225	8,225	0
Kimmo Lautanen	9,690	8,225	1,465
Juha Liettyä	0	-	0
Timo Nieminen	0	-	-
Henrik Reims	0	-	-
Topi Saarenhovi	8,225	8,225	0
Mauri Leponen	-	-	4,000
Tapio Rauhala	-	-	0

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

NOTE 33
RESTATEMENT OF PRIOR PERIOD ERRORS

Due to an error discovered in the actuarial calculations of defined benefit plans, the figures of the 2007 financial statements have been restated accordingly. Also the statement of financial position of 2006 has been restated accordingly.

Income statement EUR thousand	1 January - 31 December 2007 before restatement	effect of restatement	1 January - 31 December 2007 restated
Net sales	**269,801**	**-**	**269,801**
Other operating income	603	-	603
Changes in inventories of finished goods and work in process	-1,380	-	-1,380
Own work capitalized	1,376	-	1,376
Materials	-93,036	-	-93,036
Personnel expenses	-63,860	168	-63,692
Other operating expenses	-94,379	-	-94,379
Depreciation, amortization and impairment charges	-7,090	-	-7,090
Operating profit	**12,035**	**168**	**12,203**
Financial income	2,971	-	2,971
Financial expenses	-2,986	-	-2,986
Net financial expenses	-15	-	-15
Profit before income taxes	**12,020**	**168**	**12,188**
Income tax expense	-5,156	-46	-5,202
Profit from Continuing Operations	**6,864**	**122**	**6,986**
Profit from Discontinued Operations	3,784	-	3,784
Profit for the reporting period	**10,648**	**122**	**10,770**
Attributable to non-controlling interest	14	-	14
Attributable to owners of the parent	**10,634**	**122**	**10,756**
Total	**10,648**	**122**	**10,770**
Earnings per share, EUR, Continuing Operations	0.09	-	0.09
Earnings per share, EUR, Discontinued Operations	0.05	-	0.05
Earnings per share, EUR, total, basic and diluted	**0.14**	**-**	**0.14**

Statement of financial position EUR thousand	2007 before restatement	effect of restatement	2007 restated	2006 before restatement	effect of restatment	2006 restated
Assets						
Non-current assets						
Goodwill	67,641	-	67,641	53,179	-	53,179
Intangible assets	19,567	-	19,567	15,849	-	15,849
Property, plant and equipment	32,513	-	32,513	43,270	-	43,270
Holdings in associates and joint ventures	770	-	770	-	-	-
Available-for-sale financial assets	105	-	105	592	-	592
Deferred tax assets	4,446	-	4,446	8,574	-	8,574
Total non-current assets	**125,042**	**-**	**125,042**	**121,464**	**-**	**121,464**
Current assets						
Inventories	46,188	-	46,188	49,477	-	49,477
Assets for current tax	1,655	-	1,655	908	-	908
Trade and other receivables	91,287	-	91,287	67,800	-	67,800
Cash and cash equivalents						
Other financial assets	88	-	88	-	-	-
Cash	11,322	-	11,322	10,528	-	10,528
Assets held for sale	327	-	327	-	-	-
Total current assets	**150,867**	**-**	**150,867**	**128,713**	**-**	**128,713**
Total assets	**275,909**	**-**	**275,909**	**250,177**	**-**	**250,177**

Equity and liabilities	2007 before restatement	effect of restatement	2007 restated	2006 before restatement	effect of restatement	2006 restated
Equity						
Share capital	12,696	-	12,696	12,696	-	12,696
Share premium account	25,270	-	25,270	25,270	-	25,270
Reserve for invested unrestricted equity	269	-	269	-	-	-
Treasury shares	-3,933	-	-3,933	-950	-	-950
Fair value reserve	21	-	21	-169	-	-169
Hedging reserve	-	-	-	-	-	-
Retained earnings and exchange differences	94,567	228	94,795	94,285	476	94,761
Net result attributable to owners of the parent	10,634	122	10,756	8,937	-249	8,688
Attributable to owners of the parent	**139,523**	**350**	**139,873**	**140,068**	**228**	**140,296**
Non-controlling interest	37	-	37	21	-	21
Total equity	**139,560**	**350**	**139,910**	**140,089**	**228**	**140,317**
Non-current liabilities						
Non-current interest-bearing liabilities	1,890	-	1,890	858	-	858
Non-current interest-free liabilities	263	-	263	50	-	50
Non-current provisions	4,868	-	4,868	1,381	-	1,381
Deferred tax liabilities	9,216	158	9,374	7,319	112	7,431
Defined benefit pension and other defined long-term employee benefit liabilities	4,773	-508	4,265	6,422	-340	6,082
Total non-current liabilities	**21,010**	**-350**	**20,661**	**16,030**	**-228**	**15,802**
Current liabilities						
Current interest-bearing liabilities	19,426	-	19,426	7,151	-	7,151
Current provisions	2,579	-	2,579	6,149	-	6,149
Trade payables and other current interest-free liabilities	89,814	-	89,814	78,194	-	78,194
Liabilities for current tax	3,520	-	3,520	2,564	-	2,564
Total current liabilities	**115,338**	**-**	**115,338**	**94,058**	**-**	**94,058**
Total liabilities	**136,349**	**-350**	**135,999**	**110,088**	**-228**	**109,860**
Total equity and liabilities	**275,909**	**0**	**275,909**	**250,177**	**0**	**250,177**

NOTE 34
EVENTS AFTER END OF THE REPORTING PERIOD

On 15 January, 2009, the Glaston Corporation subsidiary Tamglass Glass Processing Ltd. announced that it initiates statutory employer-employee negotiations under the Act on Co-determination within Undertakings (YT negotiations) in respect of the adjustment of architectural glass operations to the present market situation. Architectural glass operations employ around 110 people in Tampere and Lempäälä, Finland.

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT (FAS)

EUR thousand

		1.1 - 31.12.	
	Note	2008	2007
Net sales		**632**	**641**
Other operating income	2	92	5,413
Personnel expenses	3	3,321	5,505
Depreciation and amortization	4	578	267
Other operating expenses	5	4,044	4,322
Operating profit		**-7,219**	**-4,039**
Net financial income	6	2,197	11,253
Profit / loss before extraordinary items		**-5,022**	**7,215**
Extraordinary items	7	5,067	1,000
Profit before appropriations and taxes		**45**	**8,215**
Appropriations	8	-187	-115
Income tax	9	295	413
Profit for the financial year		**153**	**8,513**

PARENT COMPANY BALANCE SHEET (FAS)

EUR thousand

	Note	2008	2007
Assets			
Non-current assets			
Intangible assets	10	4,815	1,117
Tangible assets	10	2,837	2,261
Investments	11,12	81,806	82,242
Total non-current assets		**89,458**	**85,620**
Current assets			
Non-current receivables	13	2,570	18,872
Current receivables	13	58,918	29,520
Cash and bank		2,283	668
Current assets, total		**63,772**	**49,060**
Total assets		**153,229**	**134,680**

Equity and liabilities

	Note	2008	2007
Equity			
Share capital		12,696	12,696
Share premium fund		25,270	25,270
Reserve for invested unrestricted equity		177	269
Treasury shares		-3,487	-3,933
Retained earnings		59,279	58,598
Profit for the financial year		153	8,513
Total equity	14	**94,088**	**101,413**
Appropriations	15	**315**	**128**
Liabilities			
Non-current liabilities	16	4,283	-
Current liabilities	17	54,543	33,140
Total liabilities		**58,826**	**33,140**
Total equity and liabilities		**153,229**	**134,680**

PARENT COMPANY CASH FLOW STATEMENT (FAS)

EUR thousand

Cash flow from operations	2008	2007
Profit for the financial period	153	8,513
Adjustments:		
Depreciation and amortization according to plan	578	267
Financial income and expenses	-3,200	-10,421
Other adjustments	5,208	-6,365
Cash flow before change in net working capital	2,740	-8,006
Change in net working capital		
Change in current interest-free receivables	-311	-1,230
Change in current interest-free bearing liabilities	124	116
Cash flow from operations before financial items and taxes	2,553	-9,120
Interests paid and payments made for other financial items		
Interest and other financial expenses paid	-3,486	-800
Dividends received	1,003	4
Interest received	4,331	1,432
Income taxes paid	-1,928	-86
Cash flow from operations before extraordinary items	2,473	-8,570
Cash flow from operations from extraordinary items	1,000	11,450
Cash flow from operations	**3,473**	**2,880**
Cash flow from investing activities		
Investments in tangible and intangible assets	-4,487	-1,449
Proceeds from disposal of tangible and intangible assets	186	4,541
Investments in subsidiaries	-438	-20,790
Received purchase price refund	1,220	-
Proceeds from sale of other investments	3	80
Cash flow from investing activities	**-3,516**	**-17,619**
Cash flow from financing activities		
Acquisition of treasury shares *)	-	-3,933
Disposal of treasury shares	-	1,314
Change in non-current loan receivables	-	84
Draw-down of non-current loans	6,425	-
Change in current intra-group receivables	-15,626	14,413
Change in current intra-group loans	-2,833	-4,707
Change in current loans	21,529	12,452
Dividends paid	-7,836	-7,105
Cash flow from financing activities	**1,658**	**12,517**
Change in cash and cash equivalents	**1,615**	**-2,222**
Cash and cash equivalents at the beginning of the period	668	2,890
Cash and cash equivalents at the end of the period	2,283	668
	1,615	-2,222

*) 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 individuals within the framework of the bonus scheme. Irrespective of the legal form of the procedure, it has been treated in the financial statements as if Glaston would have acquired its own shares.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS (FAS)
NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Glaston Corporation is a public limited liability company organized under the laws of Republic of Finland and whose shares are publicly traded in NASDAQ OMX Helsinki Oy in Mid Cap. Glaston Corporation is domiciled in Hämeenkyrö, Finland, and its registered office is Vehmaistenkatu 5, 33730 Tampere, Finland. Glaston Corporation is the parent of the Glaston Group. The name of the parent changed from Kyro Corporation to Glaston Corporation on 1 June, 2007.

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 some pension arrangements, which are classified as defined benefit plans in the IFRS financial statements. The obligation arising from these pensions as well as the pension expense recognized in Glaston Corporation's separate financial statements 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 Notes to the Consolidated Financial Statements (Note1).

FINANCE LEASES
Lease payments are recognized as lease expenses. Lease 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 equity and liabilities.

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

RESTATEMENT OF THE PREVIOUS YEAR
Glaston Corporation has restated the information of the previous year concerning derivative instruments. Starting from 2008, Glaston has recognized the fair values of both internal and external currency forwards in profit or loss as financial items and in the balance sheet as a liability and an asset. These items offset each other in the financial items so they have no result effect. Thus the year 2007 result remains unchanged. The balance sheet total increased by EUR 42 thousand.

EUR thousand

NOTE 2
OTHER OPERATING INCOME

	2008	2007
Proceeds from sale of fixed assets	92	5,413
Other operating income, total	**92**	**5,413**

NOTE 3
PERSONNEL EXPENSES

Salaries and fees	3,014	4,909
Pension expenses	125	409
Other personnel expenses	182	187
Total	**3,321**	**5,505**

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.

Salaries and remuneration paid to members of the Board of Directors and Managing Director	730	590
Employees during financial year, average, management and administrative personnel	28	13

NOTE 4
DEPRECIATION AND AMORTIZATION

Depreciation according to plan		
Intangible assets		
Intangible rights	151	86
Other capitalized expenditure	54	9
Tangible assets		
Buildings and structures	108	88
Machinery and equipment	266	73
Other tangible assets	0	11
Depreciation and amortization according to plan, total	**578**	**267**

NOTE 5
OTHER OPERATING EXPENSES

Loss on sale of fixed assets	19	37
Rents	301	215
Other expenses	3,724	4,069
Other operating expenses, total	**4,044**	**4,322**

EUR thousand

NOTE 6
NET FINANCIAL ITEMS

	2008	2007
Dividend income		
from Group companies	1,000	10,000
from external parties	3	4
Dividend income, total	**1,003**	**10,004**
Other interest and financial income		
from Group companies	2,798	2,202
from external parties	1,589	144
Interest income, total	**4,387**	**2,345**
Interest and other financial income	**5,390**	**12,350**
Interest and other financial expenses		
to Group companies	-490	-277
to external parties	-2,703	-819
Interest and other financial expenses, total	**-3,193**	**-1,096**
Net financial items, total	**2,197**	**11,253**
Other financial income and expenses include foreign exchange gains and losses (net)	**344**	**-188**

NOTE 7
EXTRAORDINARY INCOME

Extraordinary income		
Received group contributions	5,067	1,000
Extraordinary income, total	**5,067**	**1,000**

NOTE 8
APPROPRIATIONS

Difference between depreciation and amortization according to plan and actual depreciation and amortization in taxation	187	115
Total	**187**	**115**

NOTE 9
INCOME TAXES

Income tax for extraordinary items	1,317	260
Income taxes for operations	-1,967	-673
Change in deferred tax assets	355	-
Total	**-295**	**-413**

EUR thousand

NOTE 10
FIXED ASSETS

Intangible assets	Intangible rights	Other capitalized expenditure	Advance payments and work in progress	Total
Acquisition cost 1 January, 2008	643	421	570	1,634
Additions	1,289	326	570	3,921
Disposals	-42	-	-	-42
Acquisition cost 31 December, 2008	**1,890**	**746**	**2,876**	**5,513**
Accumulated amortizations 1 January, 2008	-327	-189	-	-516
Accumulated amortizations of disposals and transfers	23	-	-	23
Amortization for the period	-151	-54	-	-204
Accumulated amortizations 31 December, 2008	**-455**	**-243**	**-**	**-698**
Carrying amount at 31 December, 2008	**1,435**	**504**	**2,876**	**4,815**
Carrying amount at 31 December, 2007	315	232	570	1,117

Tangible assets	Land and water areas	Buildings	Machinery and equipment	Other tangible assets	Total
Acquisition cost 1 January, 2008	1,033	1,243	927	31	3,235
Additions	-	405	551	-	955
Disposals	0	-49	-13	-5	-68
Acquisition cost 31 December, 2008	**1,033**	**1,598**	**1,465**	**26**	**4,122**
Accumulated depreciations 1 January, 2008	-	-547	-395	-31	-973
Accumulated depreciations of disposals and transfers	-	44	13	5	62
Depreciation for the period	-	-108	-266	0	-374
Accumulated depreciations 31 December, 2008	**-**	**-611**	**-648**	**-26**	**-1,285**
Carrying amount 31 December, 2008	**1,033**	**988**	**817**	**0**	**2,837**
Carrying amount at 31 December, 2007	1,033	696	532	1	2,261

NOTE 11
INVESTMENTS

	Shares Subsidiaries	Shares Other	Total
Acquisition cost 1 January, 2008	81,894	348	82,242
Increase	875	-	875
Decrease	-1,220	-91	-1,311
Acquisition cost 31 December, 2008	81,549	257	81,806
Carrying amount at 31 December, 2008	**81,549**	**257**	**81,806**
Carrying amount at 31 December, 2007	81,894	348	82,242

EUR thousand

NOTE 12
SHARES AND HOLDINGS

	Ownership %	Number of shares	Nominal value	Carrying amount
Subsidiary shares				
Uniglass Engineering Oy	100.0%	20,000	400	6,351
Glaston Services Ltd. Oy	100.0%	1,800,000	3,600	54,753
Albat+Wirsam Software AG	100.0%	1,500,000		20,445
Total				**81,549**
Other				
Kiinteistö Oy Torikyrö	63.4%	804	68	240
Other shares and holdings				17
Total				**257**

NOTE 13
RECEIVABLES

	2008	2007
Non-current receivables		
Receivables from group companies		
Loan receivables	2,570	18,872
Non-current receivables, total	**2,570**	**18,872**
Current receivables		
Receivables from external parties		
Trade receivables	3	2
Deferred tax assets	761	401
Prepaid expenses and accrued income	3,339	2,553
Total	4,103	2,956
Receivables from group companies		
Trade receivables	1,298	210
Loan receivables	44,982	13,092
Prepaid expenses and accrued income	8,536	13,262
Total	54,816	26,564
Current receivables, total	**58,918**	**29,520**
Prepaid expenses and accrued income		
Personnel expenses	155	100
Interest income	3,300	2,225
Income taxes	2,570	675
Indirect taxes	168	125
Dividends receivable	-	10,000
Group contribution	5,067	1,000
Receivable from sale of real estate	-	1,500
Other	615	190
Prepaid expenses and accrued income, total	**11,875**	**15,815**

EUR thousand

NOTE 14
EQUITY

	2008	2007
Share capital 1 January	12,696	12,696
Share capital 31 December	12,696	12,696
Share premium fund 1 January	25,270	25,270
Share premium fund 31 December	25,270	25,270
Reserve for invested unrestricted equity 1 January	269	-
Loss on disposal of treasury shares / gain on disposal of treasury shares	-92	269
Reserve for invested unrestricted equity 31 December	177	269
Treasury shares 1.1	-3,933	-950
Acquisition of treasury shares *)	-	-3,933
Disposal of treasury shares	447	950
Treasury shares 31.1	-3,487	-3,933
Retained earnings 1 January	67,111	65,697
Dividends	-7,844	-7,112
Dividends not drawn	11	13
Retained earnings 31 December	59,279	58,598
Profit for the financial year	153	8,513
Equity at 31 December	**94,088**	**101,413**

Distributable funds at 31 December

	2008	2007
Reserve for invested unrestricted equity	177	269
Treasury shares	-3,487	-3,933
Retained earnings	59,279	58,598
Profit for the financial year	153	8,513
Distributable funds	**56,123**	**63,447**

*) 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 statements as if Glaston would have acquired its own shares.

EUR thousand

NOTE 15
APPROPRIATIONS

	2008	2007
Accumulated depreciation difference 1 January	128	13
Increase (+) / Decrease (-)	187	115
Accumulated depreciation difference 31 December	**315**	**128**

NOTE 16
NON-CURRENT LIABILITIES

	2008	2007
Pension loans	4,283	-
Non-current liabilities, total	**4,283**	**-**

NOTE 17
CURRENT LIABILITIES

	2008	2007
Liabilities to external parties		
Loans from financial institutions	34,000	12,480
Pension loans	2,142	-
Trade payables	409	446
Other liabilities	159	150
Accrued expenses and deferred income	1,623	1,000
Liabilities to external parties, total	38,333	14,077
Liabilities to group companies		
Trade payables	37	25
Other liabilities	16,050	18,883
Accrued expenses and deferred income	122	155
Liabilities to group companies, total	16,210	19,063
Current liabilities, total	**54,543**	**33,140**
Accrued expenses and deferred income		
Salary and other personnel expenses	403	888
Interests	99	40
Other	1,243	228
Accrued expenses and deferred income, total	**1,746**	**1,155**

EUR thousand

NOTE 18
CONTINGENT LIABILITIES

	2008	2007
Leasing liabilities		
Maturity within one year	104	47
Maturity later than one year	132	92
Total	**236**	**139**

The leasing agreements have normal terms.

	2008	2007
Other rental liabilities		
Maturity within one year	228	114
Maturity later than one year	608	418
Total	**836**	**532**

	2008	2007
Pledges		
On behalf of Group companies	14,580	5,745

NOTE 19
DERIVATIVE INSTRUMENTS

	2008		2007	
Currency derivatives	**Nominal value**	**Fair value**	**Nominal value**	**Fair value**
Forward contracts	1,741	-79	4,723	42
Intra-group currency derivatives				
Forward contracts	1,741	79	4,723	-42

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The distributable funds of Glaston Corporation, the parent of Glaston Group, are EUR 56,122,554, of which EUR 153,094 represents the net profit for the financial year.

The Board of Directors proposes to the Annual General meeting that EUR 0.05 per share be distributed as dividend from the net profit for the year and from retained earnings. The total dividend would amount to a maximum of EUR 3,967,500. EUR 52,155,054 would be left in distributable funds. Treasury shares held by the company are not entitled to dividends.

The financial position of the company has not materially changed after the end of the financial year, and it is the Board of Directors' opinion, that the proposed distribution of funds does not compromise the company's liquidity.

Helsinki, 10 February, 2009

Andreas Tallberg
Chairman of the Board

Christer Sumelius
Deputy Chairman of the Board

Claus von Bonsdorff

Klaus Cawén

Carl-Johan Rosenbröijer

Mikael Mäkinen

Jan Lång

Mika Seitovirta
CEO

AUDITOR'S REPORT (TRANSLATION)

TO THE ANNUAL GENERAL MEETING OF GLASTON OYJ ABP

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Glaston Corporation for the year ended on 31 December, 2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity 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.

THE RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the parent company's financial statements and the report of the Board of Directors in accordance with 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 perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 and the Managing Director have complied with the Limited Liability Companies Act.

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 of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. 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.

The audit was performed in accordance with good auditing practice in Finland. 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, together with the consolidated financial statements included therein, and the report of the Board of Directors give a true and fair view of the financial performance and financial position of the company 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 10, 2009
KPMG Oy Ab
Sixten Nyman, APA

TERMINOLOGY

Architectural glass
Glass used in building projects, e.g. façade glass, balcony glass and insulation glass.

Bending
Glass process in which the glass is bent in a desired way.

Bending or flat-tempering
See tempering. According to the desired end product, glass is either bent or kept flat in the tempering process.

Convection technology
Heat transfer technology by which heat transfer to glass is accelerated (particularly with coated glass).

CSP solar mirror
CSP (Concentrating Solar Power) solar collector.

CSP technology
CSP (Concentrating Solar Power) -energy recovery based on concentrating solar collector technology, utilising heat transfer material.

Emissivity
A measure of the capacity of glass to reflect thermal radiation. Glass possessing a low emissivity reflects thermal radiation more effectively than high emissivity glass.

Energy-saving glass
Soft-surfaced: the glass is coated using a vacuum coating method with several thin metal layers (e.g. silver), which have a good thermal radiation reflectance. Used to improve thermal insulation in insulating glass.
Hard-surfaced: the glass is coated in connection with manufacture with a metal layer, which has a relatively good thermal radiation reflectance. Can be used as single glasses, but generally used as part of an insulating glass system.

Flat-tempering machine
Glass processing machine, which heats raw glass to a high temperature and cools it quickly. In the machine, a powerful compression stress arises in the surface layer of the glass with a tensile stress developing inside, which makes the glass stronger. Flat-tempering machines produce safety glass.

Float or raw glass
Flat glass, made in a float process from sand, soda, dolomite, limestone and recycled glass. During manufacture, the molten glass flows from the furnace onto a bath of molten tin, from where the glass is cooled into sheets. Float glass is used as the raw material in most glass processing.

Glass processing machine
A machine in which raw glass is processed into a final product for the selected purpose. Glass processing machines are glass pre-processing machines, safety glass machines and post-processing machines.

GPD
Glass Performance Days, the world's leading glass industry conference, organised by Glaston.

Insulating glass
Element made of two or more glass sheets, in which the spaces formed by the glass sheets and the frames are air-tight sealed with elastic compound. The element effectively insulates a building, keeping heat inside and preventing the transmission of cold, outside air into the interior.

Lamination
Glass process in which several sheets of glass are bonded together with special plastic film with the aid of temperature and pressure.

Low-E glass
Coated glass included in insulating glass elements. The properties of the coated glass are modified with a silver-oxide coating such that thermal radiation is largely reflected back into the original heat source without changing the colour, light transmission or other mechanical properties of the glass compared with clear raw glass.

One-Stop-Partner (OSP)
Glaston's comprehensive service concept, which enables the customer to purchase glass processing products and services from one supplier.

Parabolic mirror
Mirror used in solar energy production, whose cross-section is in the form of a parabola which collects all rays of light parallel to its axis so that they meet exactly at the same point, the focal point of the mirror.

Pre-processing machine
Machine on which glass is cut, ground, drilled, washed or silk-screen printed.

PV glass
(Photovoltaic) Solar panel – can be based either on light cell technology or on the use of special thin metal coatings.

Safety glass
Glass made by tempering or laminating. Tempered glass is many times stronger than ordinary glass and when it breaks it disintegrates into harmless granules. Laminated glass stays in its frame when it breaks.

Safety glass machine
A machine on which raw glass is processed, after pre-processing, into safety glass, i.e. tempered or laminated glass.

Solar energy glass machine
Glass processing machine on which raw glass is processed into glass that is used in solar energy applications producing electricity or heat.

Tempering
Glass process in which float glass is heated to high temperature and then cooled quickly. During the process, a powerful compression stress arises in the surface layer of the glass with a tensile stress developing inside, which makes the glass up to five times as strong as raw glass.

INFORMATION TO SHAREHOLDERS

ANNUAL GENERAL MEETING

The Annual General Meeting of Glaston Corporation will be held on Tuesday, 17 March, 2009 at 4 p.m. at Hotel Hilton Helsinki Kalastajatorppa.

Shareholders registered in the company's shareholder register held by Euroclear Finland Oy (formerly Finnish Central Securities Depository Ltd.) on 6 March, 2009 are entitled to attend the Annual General Meeting.

Shareholders who wish to attend the Annual General Meeting, shall register for the meeting no later than 12 March, 2009. Such registration can be given:

- by email to satu.kujala@glaston.net
- by telephone +358 10 500 6625
- by telefax +358 10 500 6515, or
- by regular mail to the address Glaston Corporation, Mikonkatu 9, 00100 Helsinki, Finland.

A proxy representative shall produce a dated proxy document or otherwise in a reliable manner demonstrate his/her right to represent the shareholder at the General Meeting.

Original proxy documents should be delivered to Glaston Corporation, Mikonkatu 9, 00100 Helsinki, Finland before the last date for registration

DIVIDEND

Glaston's Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.05 per share, a maximum of approximately EUR 4.0 million, be distributed for financial year of 2008. The dividend will be paid to shareholders who are entered in the company's shareholder register maintained by Euroclear Finland Oy on the date of record, which is 20 March, 2009. In accordance with the Board of Directors' proposal, the dividend will be paid on 27 March, 2009.

GLASTON CORPORATION'S FINANCIAL REPORTING SCHEDULE DURING 2009

- Glaston's financial statements for 1 January–31 December 2008 are published on 10 February, 2009
- The annual report is published in week 10
- Interim report January–March on Tuesday, 5 May, 2009
- Interim report January–June on Wednesday, 12 August, 2009
- Interim report January–September on Thursday, 29 October, 2009

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

Briefings for analysts and the press will be arranged on the publication date of each interim report at a time to be announced separately.

Glaston observes a three-week silent period before the publication of financial results. During this period, the company's representatives do not meet with investors or analysts and do not comment on the company's financial position.

ORDERING OF BULLETINS AND PUBLICATIONS

Glaston's annual and interim reports can be ordered by telephone from +358 10 500 500 or through the company's website **www.glaston.net → Contacts → Material request.**

You can order Glaston Corporation's stock exchange releases directly to your e-mail address. As soon as the releases are published, they are sent automatically to those who have registered for the distribution service on the company's website **www.glaston.net → Contacts → Material request.**

CHANGES OF ADDRESS

Glaston shareholders are requested to notify changes of address to the bank which maintains their book-entry account. Shareholders registered with Euroclear Finland Oy are requested to send a written notification of change of address to:

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

The change notification should include the shareholder's name, book-entry account number or date of birth as well as the new and former address. A change of address can also be made directly on an electronic form at the address **www.ncsd.eu → Other services → Services in Finland.**

Further information about Glaston:

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ADDRESSES AND LOCATIONS

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