Annual Review 2020

glaston
seeing it through®

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Glaston – seeing it through

Stronger together with new branding

In 2020, Glaston launched its new brand to communicate the full strength of the new Glaston. Glaston has strengthened its commitment to being the innovative glass processing technology leader and delivers on its promise of enabling to build a better tomorrow through safer, smarter and more energy-efficient glass processing solutions.

The new Glaston has a rich heritage in technological innovation. Our aim is to accelerate the development of game-changing innovations and new glass processing technologies by joining forces with others and aligning our capabilities with strong partnerships.

As a technology leader and with our strong drive to see our customers succeed, Glaston will be actively shaping the glass processing industry and taking the lead in defining its future.

Building trust by seeing it through

The new era of “Seeing it through” expands the breadth of Glaston’s earlier brand promise. Today, this promise includes continued development, constant renewal – ongoing commitment to customer success. “Seeing it through” also extends the opportunities for Glaston to build long-lasting partnerships.

Trust in Glaston is built on the company’s unrivaled passion for glass, decades of experience and references from all around the world. Glaston is seeing it through and delivers on its vision for the future of glass.

Safer tomorrow with glass

Today environmental awareness and combating climate change are at the top of policy makers’ agendas and the need for safe and sustainable living environments has never been higher. Energy efficient insulating glazing, safety glass, smart glazing, advanced glass for vehicles, solar panels as well as new glass technologies can pave the way towards a safer and more sustainable tomorrow. We at Glaston think that glass should have a major role in this transformation.

The new Glaston is built on two central pillars. The first is modern technical expertise. Glaston is highly innovative, strong in IoT and data-driven optimization. This allows us to lead the way by providing the most advanced technological solutions for both machines and services. The second pillar is Glaston’s strong ability to deliver value to our customers for their success.

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Acting President & CEO's Review

An exceptional year

The coronavirus pandemic made 2020 a totally exceptional year. The effects of COVID-19 on our business were evident from the beginning of the year in a weakening of demand in Asia and particularly in China. Towards the end of the first quarter, the effects also began to be seen in the development of Western countries and from the second quarter onwards in all market areas, affecting the work and daily lives of us all.

Managing the short-term business impact of the COVID-19 pandemic was naturally the key focus of operations throughout the year. Right at the start of the pandemic, we initiated immediate measures to safeguard the health and safety of personnel and the financial stability of the company. Thanks to preventive measures introduced at an early stage, such as strict safety guidelines and a recommendation for remote work, we were able to maintain our production operations throughout the year, except for a brief break in Tianjin, China at the beginning of the year.

Market uncertainty impacted demand

As expected, the impact of the pandemic on Glaston was significant. Market uncertainty affected customers' willingness to invest, and low utilization rates weakened demand for spare parts and maintenance services. In addition, travel restrictions and national containment measures in different countries limited the mobility of sales and service personnel. Towards the end of the year, however, a clear recovery was observed in the market and demand turned to growth.

> For 150 years now, internationalization, quality and utilization of new technologies have had a strong presence in our operations."

Despite the pick-up in the fourth quarter, orders received for the full year fell 17% short of the previous year's level (pro forma). Net sales also declined. Profitability was on a satisfactory level, however, given the prevailing conditions.

Profitability was supported by implementing the integration of Bystronic glass, aquired in 2019, on a faster schedule than planned, while at the same time exceeding our estimate of cost savings. Integration and streamlining of organizations, the closure of overlapping activities and the merger of operating locations were at the heart of the measures undertaken. We accordingly concentrated our Chinese production in Tianjin in early 2020, at which time we closed the Bystronic glass plant in Shanghai.

As an important part of the integration process, towards the end of the year we launched Glaston's new brand, which better reflects our company's current, broader and more diverse product offering following the Bystronic glass acquisition.

150th anniversary year devoted to work

Glaston's roots go back to 1870, and last year we celebrated our 150th anniversary. We marked this significant milestone almost exclusively engaged in work, as due to the pandemic we had to cancel the events planned for the anniversary year. The anniversary was, however, strongly present in marketing materials, our website and the social media.

Throughout our history, our company has evolved from a traditional forest industry company into one of the world's leading glass processing technology companies. For 150 years now, internationalization, quality and utilization of new technologies have had a strong presence in our operations. Today, Glaston has the widest and most diverse range of glass processing products and services on the market. This, combined with innovation leadership, creates a strong position for us.

Automation and digitalization at the center of product development

In order to remain at the forefront of development, we have resolutely continued our investments in developing our core business technology portfolio as well as research and development activities. Particular attention has been paid to product development related to insulating glass units and automotive glass technology, and we made good progress in these last year.

Digitalization projects and innovations remain firmly at the center of product development, and the pandemic has further underlined the importance of digital and remote services. New digital and IoT-based products are also facilitating the transition to fully automated glass processing.

New President & CEO

In May, Glaston's President & CEO Arto Metsänen announced that he would retire from the company at the beginning of 2021, and he stepped down as President & CEO on 1 June 2020. The recruitment process for the new CEO began immediately, and on 14 August 2020 the Board of Directors appointed Anders Dahlblom as the company's new President & CEO. He assumed his new position on 1 January 2021. I wish him success in this task.

For my part, I would like to thank our personnel for your flexibility and contribution throughout the year. I would also like to thank our customers and shareholders for your support during this challenging year.

Sasu Koivumäki
Acting President & CEO
1 June – 31 December 2020

The frontrunner in glass processing

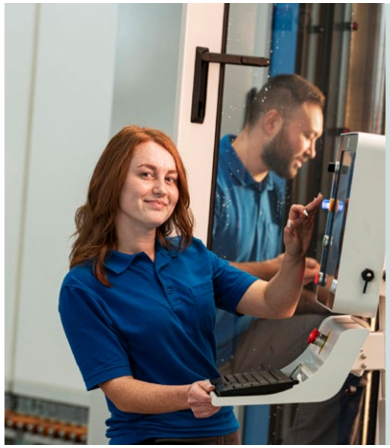
Glaston's purpose is to build a better tomorrow through safer, smarter, and more energy-efficient glass solutions.

Glaston is the frontrunner in glass processing industry technologies and services. Glass processed using Glaston's machines is supplied to the architectural glass, automotive glass, solar energy and appliance industries. Most of the glass produced with the company's technology is supplied to the construction industry.

Greater attention is being paid to the safety of buildings, and for glazing solutions this means increasing use of tempered and laminated glass. Tempering, laminating and insulating glass processes are Glaston's core expertise, and in these the company offers the most advanced technology.

The debate on climate change is also strongly reflected in the glass industry. This has led to rapid development in smart glass, ultra-thin glass and glass used in solar energy solutions. As our industry's innovative technology leader, we are strongly involved in this development, and we are continually launching more advanced technology to meet the changing needs of the market.

As environmental awareness increases, demand for more energy-efficient and environmentally sustainable glass solutions is continually growing. Energy-efficient double- or triple-glazed insulating glass units and coated, low-emissivity glass processed with Glaston's technology meet the energy-saving needs of buildings.



Our segments focus on different sectors

Glaston Insulating Glass provides high technology machines for the manufacture of insulating glass, handling equipment and systems, maintenance, upgrade and modernization services, as well as spare parts. Most of the segment's personnel are located in Germany.

Glaston Heat Treatment encompasses a wide and technologically advanced range of heat treatment machines, maintenance, upgrade and modernization services, and spare parts for glass flat tempering, bending, bending tempering and laminating. Most of the segment's personnel are located in Finland.

Glaston Automotive & Display Technologies provides glass processing machines and maintenance, upgrade and modernization services as well as spare parts for the automotive, appliance and display industries. Most of the segment's personnel are located in Switzerland.

In 2019, the scope of Glaston's operations grew significantly when the company acquired the German-Swiss company Bystronic glass. The acquisition expanded Glaston's offering to insulating glass technologies in the architectural market and to pre-processing in the automotive and display markets.

Glaston has production in Germany, Finland, China and Switzerland. Glaston's factories in Finland, Switzerland and China assemble machines, while machines are manufactured in the factory in Germany. In addition, the company has sales and service points in ten countries. From these locations, Glaston serves its customers, who operate in over one hundred countries. The company is domiciled in Helsinki, Finland.

In 2020, Glaston's group structure comprised three business areas:

- Glaston Insulating Glass
- Glaston Heat Treatment and
- Glaston Automotive & Emerging Technologies*

In addition, Glaston offers digital services, such as glass processing machine remote monitoring and fault analysis services, and consulting and engineering services. Personnel also work in sales of machinery and services and in Group functions.

Glaston's ownership structure

Glaston Corporation's share (GLA1V) is listed on the main list of Nasdaq Helsinki Ltd. At the end of 2020, Glaston had 7,352 shareholders. At the end of the year, the company's largest shareholders were Ahlstrom Capital B.V. (26.39%), Hymy Lahtinen Oy (12.22%), Varma Mutual Pension Insurance Company (7.50%), Ilmarinen Mutual Pension Insurance Company (7.31%) and OP-Finland Small Firms Mutual Fund (6.07%).

Impact of coronavirus year on Glaston

The COVID-19 pandemic has had a significant impact on Glaston. In spring 2020, the company took prompt action to safeguard the health and safety of its employees as well as the company's financial stability. Due to preventive measures introduced at an early stage, such as a recommendation to work remotely and strict safety guidelines, Glaston was able to maintain all production operations throughout the year, and there have been very few cases of coronavirus infection among personnel.

The coronavirus pandemic has also had a negative impact on Glaston's customers, as a result of which the number of orders received by the company decreased and some equipment deliveries were postponed. In addition, different countries' travel restrictions and virus prevention measures as well as restrictions on customers' factory visits have adversely affected maintenance and service operations.

In order to adjust to the effects of the pandemic, the company had to introduce temporary lay-offs of its personnel. In Finland, periodical lay-offs of all personnel continued from April throughout the year. Corresponding measures, such as a reduced working

* As of 1 January 2021, Glaston Automotive & Display Technologies.

week, have been taken in Switzerland, the USA and the UK.

In order to adjust its operations to lower-than-expected demand, Glaston entered into two cooperation procedures in Finland in 2020. The cooperation procedures covered all personnel in Finland and the second set of discussions resulted in the termination of six employment relationships at the beginning of 2021. The impact on personnel was lower than estimated; at the start of the negotiations, the reduction requirement was estimated to be 20 employment relationships. In addition, the discussions identified the need for lay-offs until summer 2021, in accordance with local demand.

The pandemic and related restrictions have naturally also impacted opportunities to arrange face-to-face sales meetings and organize events. Glaston has utilized the situation as an opportunity to renew and develop sales and marketing activities, for example through digital marketing and virtual product demonstrations.

Continuous dialogue and development work

Glaston's goal is to be a reliable and responsible partner for its stakeholders. The most significant stakeholders are current and potential customers and employees, shareholders and investors, suppliers and subcontractors, the media, public authorities and local communities as well as research institutes and higher education institutions. Glaston engages in continuous dialogue with its stakeholders on topics of current interest and to fulfill stakeholders' expectations.

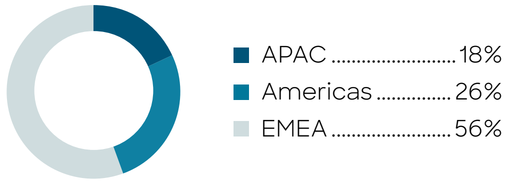
Glaston's strategic ambition is to be the industry's innovative technology leader, realizing its customers' highest ambitions in glass. To remain at the forefront of the development of glass processing products and services, Glaston invests significantly in the continuous development of its core business technology portfolio and its research and development activities. As the latest result of this work, Glaston introduced a new cup wheel technology for edge grinding of architectural glass in autumn 2020. Demand for edge-ground glass is driven particularly by stricter safety regulations and quality requirements.

Scope of the report

This corporate responsibility report describes Glaston Group's operations in 2020. The content of the report and the themes covered are based on a materiality analysis conducted in autumn 2019. The report covers the entire Group.

Key figures 2020

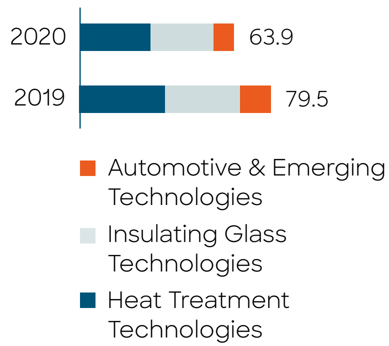
Net sales per region



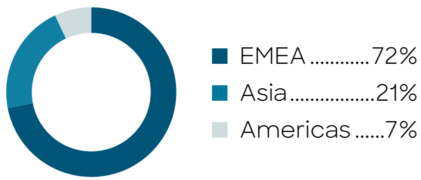
Net sales per product area

Comparable EBITA, EUR million

Order book, EUR million



Personnel per region at end of year, %



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Megatrends supporting Glaston's business

Glaston's business and product development are particularly affected by the megatrends of urbanization and growing environmental awareness. With the growing use of glass, expectations for its energy efficiency, safety, versatility and intelligence have increased.

Urbanization

Urbanization is one of the world's most powerful forces of change. The UN has estimated that by 2050 nearly 70% of the world's population will live in cities and, particularly in developing countries, megacities of over 10 million inhabitants will arise. Through urbanization, the need for new construction will grow, and the existing building stock, too, will be developed, which will increase demand for glass.

Energy-efficiency and environmental awareness

The use of glass in buildings has increased significantly; well-designed use of glass can reduce the energy consumption of buildings, improve their sound insulation and at the same time increase interior brightness. People's preferences are also increasing the use of glass as a building material. This development will drive growing demand for energy-saving glass, smart insulating glass units and solar energy solutions.

As environmental awareness increases and construction laws and regulations become stricter, the energy-saving requirements for buildings will tighten. Insulating and energy-efficient glass will be increasingly used to achieve these goals. In addition, various smart glass applications that improve energy performance, for example, are being developed for buildings. Utilization of solar energy in buildings is also on the increase, resulting in growing demand for the glass needed in solar cells.

Safety

Greater attention is also being paid to the safety of buildings. Due to tightening safety regulations, more and more safety glass is being used, which has meant a growing demand for tempered and laminated glass, which help protect people from injury as they are significantly stronger than regular glass and do not pose a risk in the event of breakage.

Trends in the automotive industry

In the automotive industry, requirements for the properties of glass are constantly increasing. In vehicles, the relative proportion of glass is on the rise, and large, panoramic windshields, in particular, are making their way on to the market. Head-up windshield displays and interactive windshields present new opportunities for glass processing. As the proportion of glass grows, however, there is a trend towards minimizing the weight of glass, with the thinness of glass playing a key role. In general, the size, coating and bendability requirements for glass are increasing and the need for highly processed glass is growing.

Glaston contributes to the construction of a more energy-efficient society by offering its customers a wide range of products and services that enable them to manufacture more energy-efficient windows and insulating glass units.

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Glaston's responsibility and its management

In 2019, Glaston reviewed the most material aspects of its responsibility in collaboration with the company's main external stakeholders and its own personnel. Based on this, the key aspects of responsibility were identified, with the most material themes being:

- responsible own activities (personnel, environment, responsible business),
- responsible sourcing
- responsible partner and
- responsible member of society.

Responsible own activities

Human resources

- Health & safety and risk prevention
- Competencies and skills, development and trainings
- Equality, anti-discrimination, anti-harassment
- Anti-corruption and fair competition practices
- Responsible sales

Environment

- Climate impact oversight and scenarios
- Risks and possibilities related to tightening emissions regulation

Responsible business

- Financial responsibility ensuring competitiveness and profitability

Responsible partner

Customer

- User experience and customer satisfaction

Products & Services

- Machine quality, reliability and longevity, life-cycle management
  - Machine safety and advising customers in operating the machines
  - Data safety and security
  - Energy / material efficiency and sustainability of the machines and products
- End-product quality, safety and recyclability

Responsible sourcing

Suppliers

- Supplier requirements, assessments and audit
- Human rights and work place safety within the supply chain
- Anti-corruption in supply chain and sourcing

Responsible member of the society

Sustainable tomorrow

- Indirect impacts on energy efficient cities and societies
  - Indirect energy and emission reductions
  - Indirect material reductions
- Sustainable end-product applications
- Development of the industry, research co-operation

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Corporate responsibility management

At the end of 2019, the company's Executive Management Group approved Glaston's corporate responsibility agenda, which is built on the key themes. In addition, the most important indicators of responsibility were identified.

Due to the coronavirus pandemic, the development of Group-wide corporate responsibility work has been partially delayed. Some of the responsibility agenda themes as well as data collection are still at the development stage, and the aim is for them to be reported more comprehensively in subsequent reports. In 2021, the development of corporate responsibility work will continue with the implementation of the responsibility agenda and the development of goal setting.

An additional objective is to set up a corporate responsibility task force comprising experts from various functions to promote Glaston's responsibility agenda within their own organizations. In addition, company-wide uniform processes and tools will be created for corporate responsibility work.

Glaston is committed to doing business in a responsible and sustainable way. Glaston's day-to-day activities are guided by the Code of Conduct, which was updated and approved during 2020.

The Code of Conduct is complemented by other Group-level policies approved by the Board of Directors, such as the anti-bribery and anti-corruption, disclosure, information security and risk management policies. Group-level guidelines are complemented by local occupational health and safety policies. Occupational safety is managed and developed in the company's various units in accordance with local legislation.

Glaston continually develops the quality, reliability and energy-efficiency of its products. At Glaston's assembly and production units, the company operates in accordance with the ISO 9001 quality management system. In Finland, Glaston manages environmental issues in accordance with the ISO 14001 environmental management system.

Corporate responsibility and its management are the responsibility of Glaston's President & CEO and Executive Management Group, and they report on this to the Board of Directors (information on the members of the Board of Directors and the Executive Management Group can be found on Glaston's website www.glaston.net/governance/).

Responsibility-related measures and communications are coordinated by Glaston's Communications and Marketing Unit.

Key responsibility objectives

Topic	Indicator	Objective	Outcome	Timetable
Responsible business	Training of personnel in the Code of Conduct	Training coverage 100%	Training will begin in early 2021 and will become part of the induction of new employees	Continuous
Safe workplace	Number of accidents	No accidents	14 accidents at work, 1 on a business trip	Continuous
	Reports of workplace harassment	No reports	No reports made in 2020	Continuous
Impacts on the environment	Energy consumption in production units	Decreasing energy consumption, %	Baseline determined in 2020	Setting of savings target for 2021
	Energy efficiency of glass processing machines	Loading rate and productivity, +10%	Continuous product development	by 2030
Responsible sourcing	Responsible sourcing training	Training coverage 100%	Supplier Code of Conduct was published in 2020	Continuous
Responsible partner	Industry's best customer experience			Setting of objective in 2021

Code of Conduct updated

Glaston's Code of Conduct was updated in 2020. The updated Code of Conduct provides all Glaston personnel with further guidelines on acting ethically and responsibly in the workplace, in interaction with various partners, customers and suppliers and as a responsible actor in society. The Code of Conduct includes, among other things, a commitment to respect human rights, and strictly prohibits any form of harassment.

Training in the updated Code of Conduct will be arranged for all personnel in early 2021. The objective of the training is not only to familiarize Glaston's personnel with the updated guidelines, but also to support and strengthen Glaston's common ethical approach and to identify and address any problem areas. Training in ethical principles will also continue to be an integral part of the induction of new employees, and the goal is that all Glaston personnel will attend such training every two years. The Code of Conduct is published in Finnish, English, German, Chinese and Russian so that as many employees as possible can read it in their own language.

During the year, Glaston also published a separate code of conduct for its suppliers (Glaston Supplier Code of Conduct), which will be part of the company's purchase agreements in the future. Training in the Supplier Code of Conduct will be provided to Glaston personnel whose duties involve supplier relations. The Glaston Supplier Code of Conduct is published in Finnish, English, German and Chinese.

In its everyday activities, Glaston is committed to combating bribery and corruption. In late 2020, Glaston's Board of Directors approved the Group's anti-bribery and anti-corruption policy. The purpose of this written policy is to increase Glaston employees' awareness of the risk of corrupt payments, to unequivocally prohibit the payment or receiving of bribes, and to ensure that the company conducts business honestly, in accordance with ethical standards and in compliance with anti-corruption laws, rules and regulations.

UN Sustainable Development Goals

Glaston supports the United Nations Sustainable Development Goals (SDGs), which will guide the sustainable development actions of member states, companies and other organizations up to 2030. We have identified seven goals that also emerge from our own strategy and are most material to us. These provide a broader frame of reference for our work and support the achievement of these goals in our own activities.

Glaston responsibility theme	UN Sustainable Development Goals	Implementation in Glaston
Responsible operations	**Goal 3:** Ensure healthy lives and promote well-being for all at all ages **Goal 4:** Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	· occupational health care in all operating countries according to local needs and requirements · minimizing health risks: e.g. in Finland enhanced health checks for the over 50-year-olds, hobby sessions and exercise benefits, strict safety guidelines and remote-work recommendation in order to prevent spread of corona virus · eSkills online learning system for all personnel · summer work, diploma work and trainee positions for young people
Responsible member of society	**Goal 7:** Ensure access to affordable, reliable, sustainable and modern energy for all **Goal 11:** Make cities and human settlements inclusive, safe, resilient and sustainable	· reducing the harmful environmental impact of cities with new glass technology, such as smart glass · providing engineering and consulting services for the production of smart glass and energy glass windows and solar energy applications · GlastonAir™ air flotation technology for glass tempering meets the needs of solar panels and solar cells · enabling the introduction of resource-efficient, clean and environmentally friendly technologies and processes · participating in the development of society by paying taxes, wages and dividends
Responsible partner	**Goal 9:** Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation **Goal 12:** Ensure sustainable consumption and production patterns **Goal 17:** Revitalize the global partnership for sustainable development	· efficient use of energy and materials and minimizing waste and material waste · ISO 9001 quality management system and ISO 14001 environmental management system · glass processing machine energy-efficiency at heart of product development, long life cycle, high utilization rate and real-time quality control iLooK · proactive and regular maintenance by utilizing cloud services and opportunities offered by IOT · Ahlström Collective Impact collaboration with UNICEF

NET IMPACT CALCULATED

Largest impacts under examination

In order to better understand the effects caused and induced by Glaston's business on the environment, people and society, we studied the company's net impacts in collaboration with the Finnish Upright Project.

Net impacts are a matter of measuring the most significant positive and negative effects of a company's core business and linking them together: what resources the company uses and what it achieves with them. The essential aspect of the study is the net sum of impacts, i.e. how much value the company creates relative to the costs and drawbacks it causes.

The model developed by the Upright Project is based on artificial intelligence modeling that utilizes machine learning, in which information from millions of scientific articles is combined into a commensurate calculation of the company's operations, products and services.

The results show that Glaston's main impact is its positive social impact through jobs and the payment of taxes. In addition, the company's excellence in glass processing technologies also facilitates socially beneficial product development. In the study, the value chain for the whole glass processing chain was evaluated and environmental impact arise particularly due to waste glass. On the other hand, Glaston has a positive impact on reducing greenhouse gas emissions through the customers manufacturing their insulated glass with Glaston's technology. Laminated glass processed with Glaston's technology is also safe for users, as it does not cause injury in the event of breakage.

Impact	Negative	Score	Positive
Environment	-0.9	-0.3	+0.5
Health	-0.4	-0.2	+0.2
Society	-0.4	+2.5	+2.5
Knowledge	-1.0	-0.5	+0.5
	Net score	**+1.5**	

Nasdaq Helsinki net score +1.5

Responsible own activities

Expert and healthy personnel – the foundation for success

Responsible employer

Professional, committed and healthy personnel are the foundation of Glaston's success. Glaston is committed to continuously evolving the skills of its personnel and providing its personnel with an inspiring work environment where they have the opportunity to learn and develop. In accordance with our operating principles, we respect and promote the equality and diversity of personnel. All Glaston employees are treated fairly and equally, and all forms of harassment and discrimination are strictly prohibited.

In 2020, the number of Glaston personnel declined by 8%, and there were 723 (790) Glaston employees at the end of the year. The reduction in the number of employees was due to, among other things, the restructuring of operations in China, the redundancies following the cooperation procedure undertaken at the end of 2019, and the elimination of overlapping operations following the acquisition of Bystronic glass.

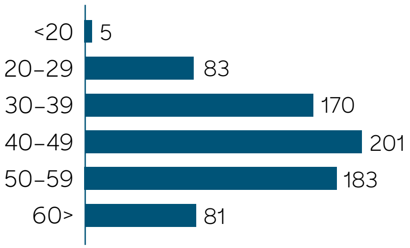
In order to adjust to the lower demand due to the coronavirus pandemic, Glaston implemented temporary lay-offs of personnel in Finland, Switzerland, the USA and the UK. In Switzerland, the reduced working hours introduced in 2019 were continued in the autumn, and measures were taken in other units according to the level of demand.

Due to the continuing low market activity in South America, Glaston initiated a scale-down of the operations of its subsidiary in Brazil at the end of 2020. Operations ceased on 1 February 2021. The operations in Brazil employed 9 people.

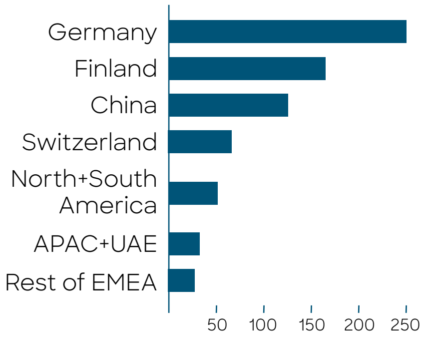
At the end of 2020, Glaston had operations in 10 countries, of which the three largest, by employee numbers, were Germany, Finland and China. Employee turnover is at normal levels (in Germany 10%, Finland 8% and Switzerland 9%) and most employment relationships are permanent. The average age of personnel is 44 years.

Of Glaston's personnel, 83% are men and 17% are women. Women account for 15% of supervisory staff. At the end of 2020, there were seven men and one woman on Glaston's Board of Directors, and two of the members of the company's Executive Management Group were women.

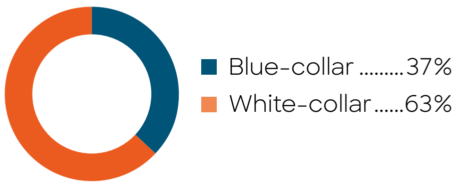
Employee age distribution



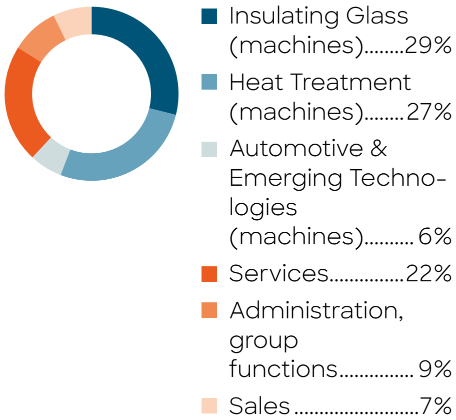
Employees by country or region (FTE)



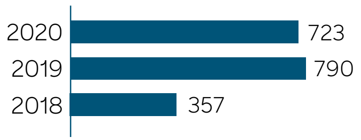
Employees by type of employment



Personnel per function



Employees at end of year



Safeguarding employee safety and wellbeing

In spring 2020, as the coronavirus pandemic spread, Glaston initiated immediate measures to safeguard the health and safety of personnel as well as the continuity of operations. The safety of those working in production was ensured by, for example, prohibiting visits to production facilities. All of Glaston's installation supervisors were rapidly recalled from work sites.

Due to preventive measures introduced at an early stage, such as a recommendation to work remotely and strict safety guidelines, we were able to maintain all production operations throughout the year, and there have been very few cases of coronavirus infection among personnel.

During the pandemic, Glaston's goal has been for machine installations to be handled as far as possible in compliance with the instructions of the authorities of the country of origin and destination, and taking into account the local infection situation and safety. In addition to face masks and other protective equipment, installation areas have been isolated as necessary, and care taken to keep contacts to a minimum.

Operational and safety instructions for personnel were revised during the year according to the prevailing situation and recommendations.

In the exceptional circumstances, we continue to attend to the health, working capacity and safety of our personnel in many ways, and we actively monitor occupational safety. Our target is zero accidents at work. We did not achieve this target; in 2020 there were a total of 14 accidents at work and one on a business trip. The most typical accidents are hand injuries, such as cuts and various sprains.

The day-to-day management and development of occupational safety is the responsibility of the company's various units in line with local legislation, and occupational safety issues are discussed in local occupational safety committees. On average, occupational safety reviews are conducted every three months and, based on them, development measures are agreed upon.

Occupational safety training is regularly arranged in all of Glaston's assembly and production units. In Germany, supervisors also organize annual safety exercises for their teams.

We support the wellbeing of our employees and encourage them to exercise. In Finland, Glaston offers joint activity opportunities and exercise benefits. In Germany, personnel have the option of using a company bicycle. With the shift to remote working, we sought to ensure our employees' coping in work and physical condition. To promote this, a break-time exercise app was introduced to remind personnel to move and stretch also in the middle of the working day.

> Working as a unified team and organization with clear goals and priorities will increasingly benefit the company and the customers.

Towards a common corporate culture

With the major acquisition of Bystronic glass, Glaston's employee numbers more than doubled in 2019. Work to find a common operating approach began immediately, activities such as sales and service points were merged, and the basis for a common digital product platform was created.

In 2020, work continued through the One Glaston program. The launch of the program was postponed to the end of the year due to coronavirus.

Creating a common corporate culture and identity requires long-term work. Glaston's values were renewed after the acquisition, and during 2020 the company held internal discussions on common values and their significance for employees' own work. The views of personnel were examined in the One Glaston Survey, conducted in November. Work to identify and develop common operating practices will also continue in 2021. Working as a united team and organization with clear goals and priorities will increasingly benefit the company and the customers in the future.

Continuous skills development

In Glaston, personnel training is mainly organized internally and according to local needs. 2020 saw the continuation of sales training. Another area of focus was training of supervisors in Finland, Germany and Switzerland. In addition, product and safety training was provided to sales, service and production personnel.

Thanks to Glaston's internal eSkills online learning platform, training is flexibly available online, and all of our personnel can develop their skills independently. The eSkills platform provides training related to products, processes and operating practices, and Code of Conduct training is also available with the platform.

Each year, performance appraisals are conducted within Glaston and all employees are covered by the appraisal process. In the performance appraisals, targets are jointly agreed for the coming year and an evaluation is made of performance during the previous year and of the achievement of targets set for the previous year. Particular attention is paid to the planning of each person's own skills development.

Rewarding good work

As a rule, all of Glaston's personnel are covered by an annual bonus scheme and, in addition, the reward scheme also includes the Glaston Way awards. The annual bonus is based on Glaston's financial performance, and the Glaston Way monetary awards are based on good work performance supporting the achievement of strategic goals in line with the company's values. Since 2014, the company has had a share-based incentive scheme for the Group's key personnel. The scheme is linked to the company's financial performance.

Anti-corruption policy and responsible sales

Glaston has its own operating locations in 10 countries, and from these we serve our customers in over 100 countries. The company's own operations are complemented by a global agent network. Glaston recognizes that there is a potential risk of corruption and fraud in the company's fields and countries of operation.

In its everyday activities, Glaston is committed to combating bribery and corruption. Responsible sales and anti-corruption work are important issues for Glaston, and the company ensures that the principles described in the Code of Conduct are implemented in practice.

Glaston's activities are guided by our Code of Conduct, which specifies how the company conducts its business ethically and responsibly. In late 2020, Glaston's Board of Directors approved the Group's anti-bribery and anti-corruption policy. The purpose of the policy is to increase Glaston employees' awareness of the risk of corruption and conflicts of interest, to unequivocally prohibit the payment of bribes, and to ensure that the company conducts business honestly, in accordance with our Code of Conduct and in compliance with anti-corruption laws, rules and regulations.

Training will be provided in the content of the new anti-bribery and anti-corruption policy to those whose working tasks are closely related to the issue. Training will begin during 2021.

Sustainable development as an opportunity

Promoting sustainable development has become a global norm, and discussions on measures to combat climate change are also under way in the glass industry. Glaston views the promotion of sustainable development as a business opportunity and, as a frontrunner in its field, the company is involved in creating corporate responsibility standards and practices for the industry.

Glaston's largest customer segment is the architectural and construction industry. New energy standards, stricter legislation and international programs such as the EU's Green Deal and campaigns such as Renovate Europe, for example, are supporting the development of environmentally aware and energy-efficient solutions.

Energy efficiency of buildings has a key role

The energy efficiency of buildings has a key role in combating climate change. In the EU, for example, buildings account for 40%* of total energy consumption, and 36% of carbon dioxide emissions. The greatest potential for reducing energy consumption lies in the renovation of existing buildings.

The goal of the Renovation Wave Strategy, published by the European Commission in October 2020, is to at least double the number of renovations over the next decade and to ensure that they lead to better energy and resource efficiency.

According to the Commission, 35 million buildings could be renovated by 2030. The project will be a significant driver of growth for Glaston's business, as double and triple insulating glass and coated low-emissivity glass produced with Glaston's technology are key solutions for improving the energy efficiency of windows.

If, for example, windows of buildings in the EU were replaced by energy-efficient window units by 2030, the energy consumption and carbon dioxide emissions of buildings would be approximately 30% lower than today**.

The glass processing industry has actively developed types of glass that can be used effectively to optimize the need for heating and cooling in buildings and thereby reduce energy consumption. Of these, energy-saving glass causes heat radiation to be largely reflected back indoors, while solar protection glass reduces the transmission of solar energy and thus reduces the need for cooling. In addition, double or triple insulating glass units further improve the energy efficiency of windows. Large glass surfaces also facilitate the utilization of daylight in buildings, reducing the need for artificial lighting.

As environmental awareness grows, demand for solar energy and smart glass is growing. In addition to solar panels and cells, new applications of the future may include solar panels integrated into façades or windows to provide energy for buildings. In smart glass applications, windows that react to fluctuations in light or temperature, for example, improve the energy performance of buildings. Glaston is participating strongly in this development, providing engineering and consulting services for the production of smart glass and energy glass windows as well as for solar energy applications.

Impact on the environment

Glaston continuously strives to reduce the environmental impacts arising from its activities, use of machines on customers' premises, and its end products. Glaston's most significant environmental impacts in its own activities come mainly from energy consumption, waste and transportation. In the use of machines, the main environmental aspect is the energy consumption of the machines.

Glaston continually develops the quality, reliability and energy-efficiency of its products. At Glaston's assembly and production units, the company operates in accordance with the ISO 9001 quality management system. In Finland, Glaston manages environmental issues in accordance with the ISO 14001 environmental management system.

On its premises, Glaston conducts regular energy audits, and is constantly improving the energy-efficiency of its properties. The measures undertaken are also assessed from an environmental impact perspective. For example, oil consumption and resultant emissions were significantly reduced when heat pumps were installed, replacing oil as a heating source. In addition, the energy use in production facilities is being made more efficient by renewing and replacing lighting with LEDs. In Germany, the compressed air system is inspected annually for possible leaks, thereby preventing unnecessary carbon dioxide emissions. In Switzerland, the company only uses electricity produced from renewable energy.

During 2020, we studied and calculated for the first time Group-wide energy consumption and greenhouse gas emissions (Scope 1 and 2). Of the Group's greenhouse gas emissions, over 80% arise in Finland, Germany and China.

* source: Renovate Europe ** source: Glass for Europe

Energy consumption (MWh)

	2019	2020
Fuel oil, diesel and natural gas	3,460	3,179
Purchased electricity and heat	7,891	7,949
Total	**11,352**	**11,127**

Green gas emissions (tCO_2)

	2019	2020
Scope 1 (Fuel oil, diesel and natural gas)	732	678
Scope 2 (Purchased electricity, heat and cooling) *	2,098	2,099
Total	**2,830**	**2,777**

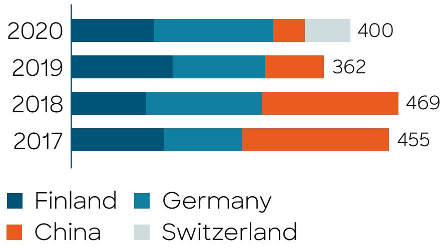
* Energy consumption estimated for Russia and Helsinki, Finland

In its waste management, Glaston's goal is to keep environmental loading as low as possible, which in turn correlates positively with waste costs. A conscious effort is made to prevent the generation of waste, and sorting and recycling of generated waste is arranged taking into account the activities of each operating location and local recycling opportunities. The goal is to minimize the amount of waste in general, and particularly the amount that ends up other than in final disposal.

Glaston's operations give rise to a lot of packaging materials, and they are sorted and either recycled or used as energy waste. In Germany, packaging materials are recovered and suppliers make every effort to reuse them. In China, recyclable material is sold to an external recycling company.

Waste disposal method 2020

Waste, tons



Transport of machines to customers is handled by forwarding companies using the shortest routes by land or sea. Transport of smaller and urgent spare parts is also handled by air freight.

Glaston's glass processing machines have fairly long operating lives. The machines are designed to withstand constant use at high utilization rates. Glaston pays special attention to the quality and durability of the materials used in its machines. Glaston's production and assembly processes and installation methods are designed to promote product quality and reliability as well as the safety of installers and customers.

Energy-efficient technology

In Glaston's operations, the most significant environmental impacts arise when customers use the machines they purchase from Glaston. The operating life of Glaston's tempering machines is fairly long, up to 20 years or more. A significant proportion of the operating costs of the machines arises from energy consumption. Glaston's product development has therefore long focused on improving the energy-efficiency of the machines. As a result of this work, we have managed to substantially reduce the energy consumption of the most significant products in our tempering machine portfolio. For example, in the tempering process of low-emissivity glass, energy consumption has been reduced by around 30% over the last decade.

Electricity consumption in the manufacturing of glass pre-processing machines and insulating glass units is low and, as a result of product development, consumption has been reduced even further. Development has focused on, for example, conveyor control and optimization of washing machine ventilation.

In product development, Glaston utilizes new technology and the opportunities created by digitalization. With the aid of cloud services and the industrial internet, the company helps its customers to use their machines as efficiently as possible. A real-time quality measurement system detects deviations in the quality of processed glass immediately, thereby minimizing material waste.

Significant energy-saving potential

The architectural and construction industry is Glaston's largest customer segment. Therefore, the positive climate impact of the glass installed in buildings is highly important for Glaston.

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Energy is the biggest cost item in the lifetime of buildings, and heat generation and loss through windows accounts for 25–30% of the energy used for heating and cooling buildings. New energy standards and stricter legislation are driving demand for more energy-efficient and environmentally conscious solutions in both new and renovation construction.

The energy-saving potential is enormous, because in the EU area up to 86% of buildings' glass surfaces consist of outdated and less energy-efficient single or double glazing. The glass processing industry has actively developed types of glass that can be used to optimize the need for heating and cooling in buildings and thereby reduce energy consumption.

Solar energy is growing in popularity, and strict quality requirements, for example in relation to glass thickness and curved surfaces, are being set for the glass used in solar panels and cells. In smart glass applications, windows that react to fluctuations in light or temperature, for example, improve the energy performance of buildings. Glaston provides consulting and engineering services for the production of smart glass and energy glass windows.

Responsible business

Glaston's financial responsibility is centered on maintaining the company's profitability and competitiveness, and its key objective is to ensure profitable growth.

Financial responsibility is reflected in Glaston's responsible, long-term and sound financial management. In addition, responsibility from a financial perspective means that the Group's operational and financial risks are recognized and managed so that business targets are achieved and continuity of the company's operations is safeguarded. Glaston applies a risk management policy approved by the company's Board of Directors.

Glaston is committed to complying with local tax laws and regulations as well as the OECD Transfer Pricing Guidelines. Glaston is committed to paying direct and indirect taxes and other tax-like charges based on current laws and to report and disclose its tax information in accordance with applicable legislation.

Generating economic value added

Sustainable value creation requires motivated employees, competitive products and solutions, and satisfied customers.

Through profitable operations, Glaston ensures that the company is able to fulfill its obligations towards its key stakeholders. Personnel salaries, payment of goods and service providers, social taxes, and potential dividends and returns of capital for shareholders are our most important obligations, as are the means to create economic value added.

Glaston strives to ensure high quality management of its tax affairs in all countries of operation and to maintain accounting systems and controls that support tax compliance. The company operates transparently, professionally and appropriately with all tax authorities.

In 2020, Glaston Group's net sales totaled EUR 170.1 (pro forma 204,6) million, of which service operations accounted for 34%. Comparable EBITA was EUR 7.7 million. In financial year 2020, Glaston paid interest and financial expenses totaling EUR 2.3 million.

Glaston paid EUR 0.9 million in income taxes in 2020. Salaries and bonuses paid to personnel totaled EUR 44.9 million and pension expenses EUR 3.2 million. Glaston had an average of 744 employees in 2020. Glaston's investments in tangible and intangible assets totaled EUR 3.4 million.

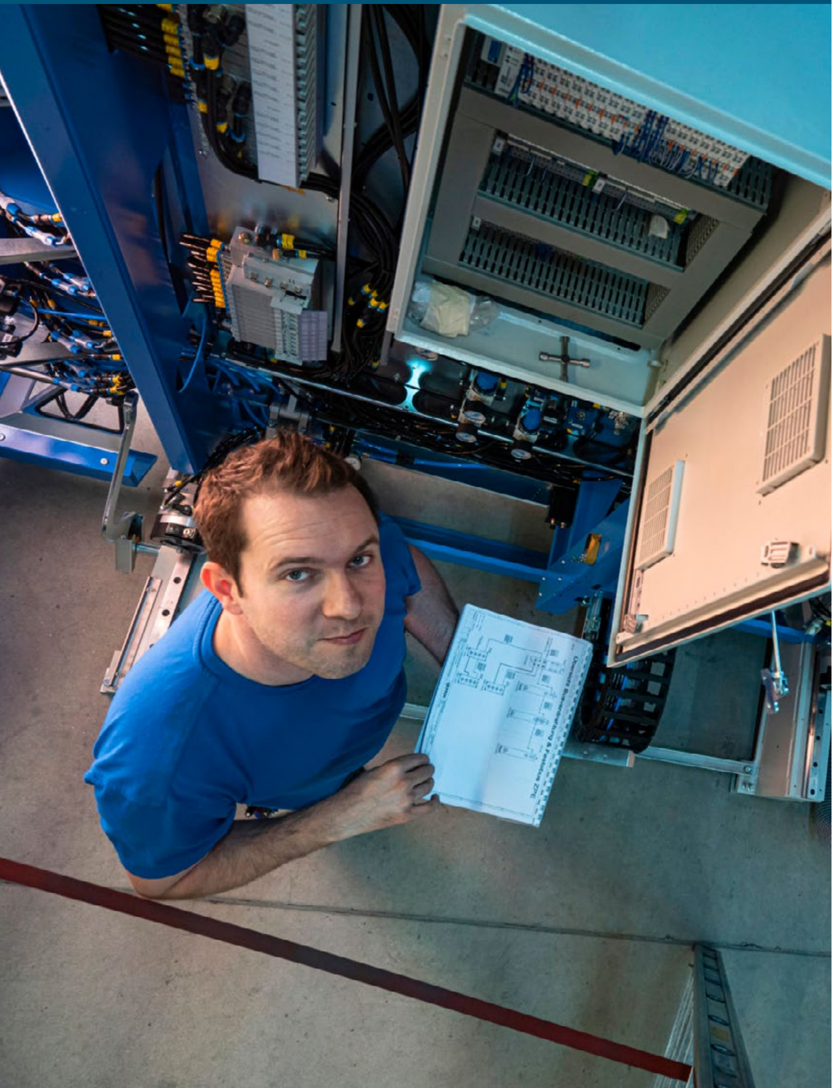
Distribution of economic impact

MEUR		2020	2019	2018	2017
Customers	Profits	170.1	181.0	101.1	109.7
Suppliers	Purchases, materials and services	94.8	130.9	68.8	67.6
Employees	Salaries, bonuses and other social costs	53.6	51.4	23.4	24.4
Financiers	Financial costs	2.0	2.7	0.7	0.8
Owners	Dividend/Return of capital*	1.7	-	1.2	1.9
Public sector	Taxes	1.4	0.9	0.2	0.2
Community investments	Benefications	0.0	0.0	0.0	0.0
Investments to the development of business	R&D	5.8	6.4	4.1	3.8

*Board of Directors' proposal to Annual General Meeting

	Purchases				R&D				Salaries				Taxes			
MEUR	2020	2019	2018	2017	2020	2019	2018	2017	2020	2019	2018	2017	2020	2019	2018	2017
Finland	32.9	47.8	47.3	47.6	3.3	4.3	4.0	3.6	13.0	14.9	13.1	12.8	0.0	0.0	0.0	0.2
Other EMEA	45.5	50.3	4.0	2.9	2.1	2.0	0.1	0.1	30.1	23.7	3.2	3.5	0.6	0.5	0.2	0.1
Americas	7.0	20.2	9.3	9.3	0.2	0.0	-0.2	-0.2	5.7	6.5	3.8	4.7	0.8	0.4	0.0	0.0
Asia	9.4	12.7	8.2	7.7	0.2	0.2	0.2	0.3	4.8	6.3	3.2	3.4	0.0	0.1	-0.1	0.0

Responsible sourcing



Fair and honest business

Responsible sourcing

Suppliers of goods and services play an important role in Glaston's value chain. Most of Glaston's approximately 2,700 active subcontractors operate in Europe, where the company's largest assembly and production units are located. Glaston's factories in Finland, Switzerland and China assemble machines, while the factory in Germany manufacture machines.

Of Glaston's purchases, approximately 75% come from the EMEA area, just under 20% from Asia and approximately 5% from the Americas. The most significant materials purchased for machine manufacturing include steel structures, electrical and automation components, power centers and process blowers.

Glaston is committed to responsible procurement practices. In accordance with its Code of Conduct, Glaston acts fairly towards its suppliers, service providers and subcontractors, and respects human rights in all of its activities.

During 2020, Glaston published a separate code of conduct for its suppliers (Glaston Supplier Code of Conduct), a commitment to which will be part of the company's purchase agreements. The Glaston Supplier Code of Conduct is published in Finnish, English, German and Chinese so that as many suppliers as possible can read it in their own language

Glaston selects its suppliers carefully; the selection criteria are quality, reliability, security of supply and price. Glaston seeks close, long-term and good relationships with its most important suppliers. In this way, Glaston ensures that its partners understand and comply with our requirements, in relation to both processes and products.

In Europe, Glaston accepts as its suppliers only companies that have not violated the law and are not subject to sanctions of any kind. Glaston's quality and purchasing organizations audit the most significant suppliers regularly in order to monitor the safety and quality of supplied parts and products. In 2020, 54 suppliers were audited. All new suppliers go through an audit process before being approved. In addition, visits are made to suppliers, if necessary. Due to the coronavirus situation, physical audits could not be carried out as planned.

Fair business

In its Code of Conduct, Glaston undertakes to promote fair competition and to comply with the law in all of its activities. Furthermore, in its everyday activities, Glaston is committed to combating bribery and corruption.

The Group's anti-bribery and anti-corruption policy unequivocally prohibits the payment and receipt of bribes. The policy aims to ensure that the company's business is conducted honestly, in accordance with ethical standards and in compliance with anti-corruption laws, rules and regulations.

No direct or indirect payments can be made, nor can the company's funds be conveyed directly or indirectly to any party to gain an improper advantage. In addition, the company's personnel are instructed to avoid conflicts of interest and to refuse all improper payments and benefits.

Glaston regularly arranges training for its personnel on its Code of Conduct and fair business issues. In addition, the training materials are always available on the company's intranet.

Purchases by supplier operating country

EUR million	2020	2019	2018	2017
Finland	33.2	49.8	42.1	44.7
Germany	26.7	37.7	3.2	0.8
Switzerland	8.5	13.3	0.1	0.0
United States	8.3	4.3	7.5	6.0
Italy	5.6	4.3	3.3	3.6
China	3.4	4.4	4.2	3.5
Others	9.0	17.2	8.5	9.0
Total	**94.8**	**130.9**	**68.8**	**67.6**

Active suppliers by operating country

	2020	2019	2018	2017
Finland	644	784	772	792
Germany	838	914	33	21
Switzerland	456	254	2	2
United States	325	181	200	225
China	246	264	112	138
Italy	22	62	211	222
Others	170	194	159	155
Total	**2,701**	**2,653**	**1,489**	**1,555**

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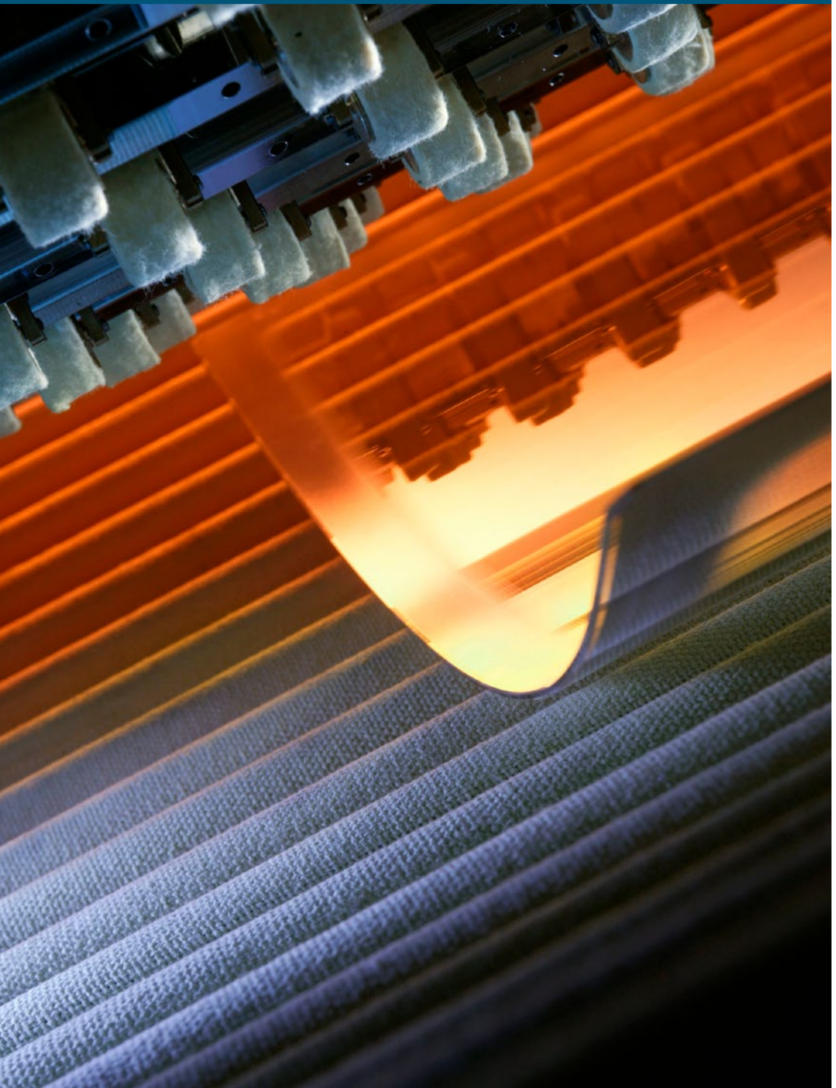
Responsible partner



Market's best customer experience

Together with the customer

Glaston wants to be the most customer-oriented, reliable and high-quality player in the industry, and succeeding together with its customers is at the heart of its strategy and values. By creating more customer-oriented operating practices, the company adds customer value and continually improves the customer experience. As the operating environment changes, customers' requirements for production technologies also increase.

Higher quality and more versatile features are continually required from customers' end products. Glass processing machines must be able to produce larger, more uniform and thinner glass surfaces. Production must also be able to adapt flexibly to making different types of glass. As a glass industry frontrunner, Glaston develops technologies and solutions that meet these changing customer needs, and product development is often done in partnership with customers.

Customer support throughout the life cycle

Glass processing machines are long-term investments for their owners as, depending on the machine, they have fairly long operating lives, up to 20 years or more. The machines are designed to withstand constant use at high utilization rates.

Glaston pays special attention to the quality and durability of the materials used in its machines. Glaston's production and assembly processes and installation methods are designed to promote product quality and reliability as well as the safety of installers and customers.

Safety in the use of Glaston machines delivered to Europe is based on the EU Machinery Directive and the EN standards mentioned therein. The Directive requires manufacturers to carry out, among other things, a risk analysis of the machine, describing possible risks to personnel during the various stages of using the machine, and measures to reduce risks as well as information on any residual risk, which must be mentioned in operating instructions and in which the user must be trained. Once the machine has been installed, tested, users have been trained, and it is in all respects ready for production, a CE plate is affixed to the machine. All Glaston machines manufactured in Europe comply with the EU Directive.

In accordance with its life cycle model, Glaston has been actively developing its maintenance services, as regular service intervals increase product life and safety. Glaston has a total of approximately 4,500 installed and operating machine lines, some of which are up to 40 years old or more. Glaston has over 100 different upgrade products for different models of machine. Modernizing machines with new technology, such as a new control system, a new tempering chamber or the ability to process low-emissivity glass, extends the life of the machines and reduces energy consumption in the glass processing process.

Digital services

Preventive maintenance extends the useful life of machines, while planned service intervals ensure production quality and efficiency. The MyGlaston customer portal contains all information between Glaston and the customer, such as machine service reports, technical manuals and operating instructions, and links to the Glaston Insight cloud service. Connecting machines to the cloud service enables the customer to monitor and report on production in real time, provides customer support in the event of disruptions with no delays or travel that burdens the environment, and facilitates the rollout of new machine vision-based services.

At the end of 2020, more than 180 tempering machines had been connected to the Glaston Insight service and more than four million glass processing loads had been registered. The first laminating machines were also connected to the Insight ecosystem, and test connections for insulating glass lines have been made to the cloud service.

As a result of increased cloud services and, moreover, data breaches, the importance of information security and protection in society has grown significantly. Glaston pays special attention to managing information security risks, with regard to both the company's own and its customers' data. Information security practices and responsibilities are guided by Glaston's information security policy, and information security is regularly monitored and audited. Glaston's partners and subcontractors are also required to adhere to the company's information security guidelines.

Developer of demanding products

Glaston is a frontrunner in its field, and known in the glass industry for its technology leadership and high quality. The company's position is particularly strong in developing technologically demanding products. The company carries out product development in close cooperation with its customers and partners, such as research institutes, universities and other higher education institutions. Due to the coronavirus pandemic, several product development projects had to be postponed. On the other hand, the pandemic has further underlined the importance of digital and remote services.

In 2020, Glaston continued its investments in product development and emerging glass technologies. At the forefront of product development are new digital and IoT-based products that facilitate the transition to fully automated glass processing. The latest result of this work is the cup wheel technology for the edge grinding of architectural glass, which was presented at the virtual glasstec fair in mid-October.

Glaston participated in the industrial machine-learning project MIDAS, which developed and introduced a number of artificial intelligence applications to improve the quality and control of the tempering process. Data collected in the Glaston Insight service from close to 200 tempering machines creates the basis for artificial intelligence development. For this platform, Glaston is developing new technologies such as deep-learning neural networks to increase the automation of the tempering process and to create preventive maintenance functionalities.

By utilizing cloud services and the opportunities provided by IoT, Glaston helps its customers use their machines as efficiently as possible. As a by-product of efficiency and reliability, optimized energy consumption is also achieved.

Smart glass

Solar energy is growing in popularity, and the glass used in solar cells and panels is subject to exacting quality requirements, for example with respect to glass thickness and curved surfaces. Glaston has taken this into account in its product development, and the GlastonAir™ tempering machine developed by Glaston responds well to this need.

Emerging glass technologies and glass products providing added value, such as smart glass, are also increasingly entering the market, and the energy-saving potential of smart glass products, for example, is boosting demand for them. Glaston provides engineering and consulting services for the production of smart glass and energy glass windows as well as for solar energy applications.

Responsible corporate citizen

Technology leader, developing the glass industry

Glaston is actively and diversely involved in developing its industry. We promote the development of both the industry and its technologies in our operations and with our partners.

Glaston is actively participating in international glass industry organizations:

- NGA/GANA in the USA
- China Glass Association in China
- Verband Deutscher Maschinen- und Anlagenbau glass technology forum in Germany
- Flat glass associations in Germany and Finland

In addition, Glaston is an active member, authorized by the Finnish national working group, in glass industry committees of CEN (European Committee for Standardization) and ISO's (International Organization for Standardization) working groups preparing safety glass (tempered and laminated glass) standards. Via these, the company's representatives can influence the creation of industry standards and communicate through their practical experience the needs and requirements that the standards should cover.

Glaston works closely with various research institutes and higher education institutions. Key partners include VTT Technical Research Center of Finland, the University of Tampere, Business Finland, the Fraunhofer Institutes in Germany, and universities in Switzerland. The company also actively offers summer, graduate thesis and trainee job positions to talent of the future. In Germany, the company has an apprenticeship program.

Glaston conducts development and engineering projects in emerging glass technologies. Companies operating in this area are typically frontrunners in their field, which means that requirements for new glass technology and its development and application in practice are very high. Through its technological expertise and extensive contact network, Glaston has achieved the status of a reliable partner for companies developing and commercializing smart glass inventions.

The GPD expert conference, organized by Glaston at two-yearly intervals, brings together all of the various stakeholders in the glass processing chain, and it is the glass industry's most prestigious event. The conference aims to gather together and disseminate the latest information among sector actors and to promote the development of new areas of application and technological features. The conference has been organized since 1992 and over the years it has attracted more than 15,000 glass industry professionals.

AHLSTRÖM COLLECTIVE IMPACT

Together we build the future

Launched in August 2020, Glaston has joined Ahlström Collective Impact (ACI), a joint responsibility initiative designed for strategic investments that support the realization of selected UN sustainable development goals. In addition to Glaston, the initiative includes Ahlstrom-Munksjö, Ahlström Capital, Antti Ahlström Perilliset, the Eva Ahlström Foundation and Destia.

ACI is a new collaboration model between the partner companies and UNICEF Finland enabling the Ahlström Network companies to join forces to achieve significant changes in global society and improve the lives of the children worldwide.

The purpose of the joint initiative is to facilitate investments that support the realization of the United Nations' Sustainable Development Goals (SDGs). In 2020, Ahlström Collective Impact focused on supporting via UNICEF the provision of COVID-19 crisis aid to children. The coronavirus pandemic will have both short- and long-term impacts on the health, well-being and development of children.

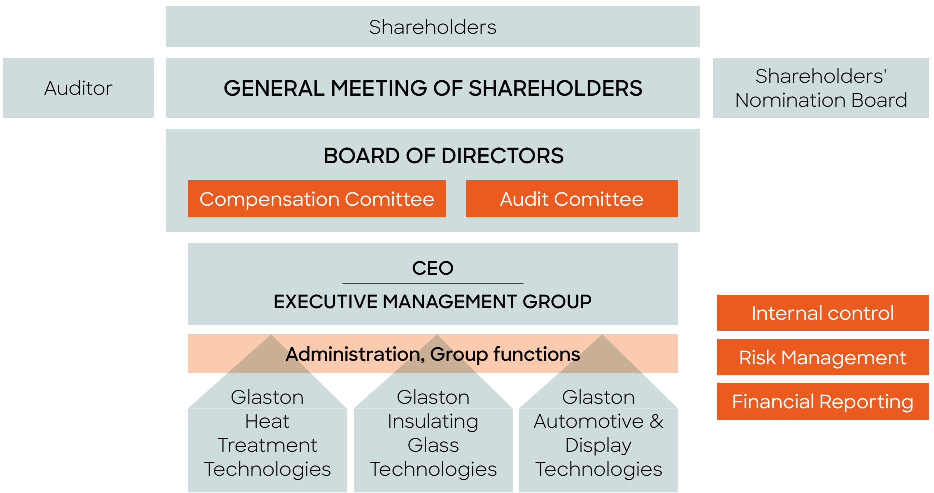
For Glaston, the ACI initiative and collaboration is an innovative way to contribute to a better tomorrow for future generations. By joining forces with the Ahlström Network companies we can really make a difference. It was also important to involve our personnel in the work. In line with our values, Together we build the future.

Corporate Governance Statement 2020

Glaston Corporation's administration and management are based on the Company's Articles of Association, the Finnish Companies Act and Securities Markets Act, and the rules and guidelines of Nasdaq Helsinki Ltd. In addition, Glaston complies with the Finnish Corporate Governance Code 2020, which is publicly available at the address www.cgfinland.fi.

This statement has been approved by the Company's Board of Directors. The Corporate Governance Statement is issued as a separate report and is published together with the financial statements, the Report of the Board of Directors and the Remuneration Report on the Company's website at the address glaston.net/governance/. The information is also included in the Annual Review 2020.

Governance Model 31 December 2020



Duties and Responsibilities of Governing Bodies

The General Meeting of Shareholders, the Board of Directors and the President & CEO, whose duties are determined mainly in accordance with the Finnish Companies Act, are responsible for the management of Glaston Group. The General Meeting of Shareholders elects the Board of Directors and the Auditors. The Board of Directors appoints the President & CEO, who is responsible for the Company's daily operational management. The President & CEO is supported by the Executive Management Group.

Board of Directors

The Board of Directors is responsible for the appropriate arrangement of the Company's administration and operations. The Board of Directors consists of minimum of five (5) and a maximum of nine (9) members elected by a General Meeting of Shareholders. The term of office of Members of the Board of Directors expires at the end of the next Annual General Meeting that follows their election.

Under Recommendation 10 of the Finnish Corporate Governance Code, a majority of Members of the Board shall be independent of the Company, and at least two (2) Members who are independent of the Company shall also be independent of the Company's significant shareholders. The Nomination Board prepares proposals on the nomination and remuneration of Members of the Board of Directors to be dealt with by a General Meeting of Shareholders. In the selection of members, attention shall be paid to the diversity of the Board of Directors, which means, among other things, that the members' experience and competence in the Company's field of business and development stage are mutually complementary. In addition, education, age and gender shall be taken into account. Both genders must be represented on Glaston's Board of Directors.

The notice to attend an Annual General Meeting shall include a proposal on the composition of the Board of Directors. The personal information of the candidates shall be published on Glaston's website in connection with the notice to attend an Annual General Meeting.

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

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

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

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

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

Meetings of the Board of Directors are held as a rule in Helsinki. The Board of Directors also endeavors each year to visit the Group's other operating locations and hold meetings there. The Board of Directors may also, if necessary, hold telephone conferences. The Board of Directors meets according to a timetable agreed in advance, generally 7–10 times per year and additionally, if necessary. The Company's President & CEO and Chief Financial Officer generally attend the meetings of the Board. The Company's General Counsel acts as Secretary to the Board. If necessary, such as in connection with the handling of strategy or the annual plan, other Members of the Executive Management Group may also attend meetings of the Board. The Auditor attends at least two meetings (either meeting of the Board Directors or Audit Committee) per year.

Board of Directors in 2020

At the Annual General Meeting, held on 28 May 2020, the Members of the Board of Directors Teuvo Salminen, Kai Mäenpää, Sarlotta Narjus, Antti Kaunonen, Sebastian Bondestam and Tero Telaranta were re-elected, and Mr. Michael Willome was elected as a new member of the Board of Directors. The Board of Directors was elected for a term of office ending at the closing of the next Annual General Meeting.

In the Extraordinary General Meeting on 4 September 2020, Mr. Veli-Matti Reinikkala was elected a new member of the Board of Directors, in addition to the current members of the Board of Directors, until closing of the Annual General Meeting 2021.

Teuvo Salminen has served as Chairman of the Board, and Sebastian Bondestam as Deputy Chairman, since 10 April 2018.

In 2020, the Board evaluated its performance and procedures through a self-evaluation questionnaire. In the self-evaluation, the members considered, among other things diversity of the Board, quality of the Board and committee work and information sharing between the Board and the management. The results of the evaluation were discussed and analyzed by the Board and improvement proposals were agreed based on these discussions.

In 2020, key themes on the Board's agenda were the selection of the new

Chief Executive Officer, supporting the management in mitigating the impacts of the Covid-19 pandemic and overseeing the integration of Bystronic glass. In addition, performance improvement plans for the company's heat treatment and automotive businesses were reviewed and monitored.

Independence of Members of the Board

According to an independence assessment performed by the Company's Board of Directors, all of the Members of the Board are independent of the Company. Member of the Board Tero Telaranta is dependent on a significant shareholder of the Company, Ahlstrom Capital B.V., whose ownership was 26.39% at 31 December 2020.The Board considers in its overall evaluation that Teuvo Salminen, who have been a member of the Board of Directors for ten years, is independent of the company.

The Members of the Board have no conflicts of interest between the duties they have in the Company and their private interests.

Taina Tirkkonen, General Counsel and SVP Human Resources, served as the secretary to the Board of Directors.

The CV details of the members of the Board are available on the company website. The remuneration of the Board is described in the Remuneration Report 2020.

Members of the Board of Directors 31 Dec 2020

Member of the Board	Member since	Independence	Year of birth	Share ownership on 31 December 2020	Education	Main occupation
Teuvo Salminen	Member since 2010, Chairman since 2018	Independent of the company and of significant shareholders	1959	306,057	M.Sc.(Econ.), APA	Board Professional
Sebastian Bondestam	Member and Deputy Chairman since 2018	Independent of the company and of significant shareholders	1962	21,344	M.Sc.(Eng.)	Uponor Infra Oy, President; Uponor Corporation, Deputy to the CEO
Antti Kaunonen	2018	Independent of the company and of significant shareholders	1959	76,005	D.SC.(Tech), MBA	Cargotec Corporation, President Kalmar Automation Solutions
Kai Mäenpää	2017	Independent of the Company and of significant shareholders	1960	15,000	M.Sc.(Eng.)	Valmet Technologies Oy, Vice President, Energy Sales and Services Operations, EMEA
Sarlotta Narjus	2016	Independent of the Company and of significant shareholders	1966	no shares	M.Sc. Architecture SAFA	SARC Architects Ltd, CEO
Tero Telaranta	2017	Independent of the company, dependent on a significant shareholder.	1971	376	M.Sc.(Eng.), M.Sc.(Econ.)	Ahlström Capital, Director, Industrial Investments
Michael Willome	2020	Independent of the Company and of significant shareholders	1966	no shares	lic. oec HSG, M.A.	Conzzeta AG, Group CEO
Veli-Matti Reinikkala	2020	Independent of the Company and of significant shareholders	1957	180,000	eMBA, Non-executive Director	Board professional

Board and committee members meeting attendance in 2020

	Board meetings	Audit Committee	Compensation Committee
Teuvo Salminen, Chairman	16/16	5/5	
Sebastian Bondestam, Deputy Chairman	16/16		6/6
Antti Kaunonen	16/16		6/6
Kai Mäenpää	16/16		
Sarlotta Narjus	16/16		6/6
Tero Telaranta	16/16	5/5	
Michael Willome*)	6/6		
Veli-Matti Reinikkala**)	2/3		

*) member as of 28 May 2020
**) member as of 4 September 2020

Meeting attendance of Members of the Board 2020
In 2020, Glaston's Board of Directors convened 16 times. The attendance in the meetings is reported in the table above.

Committees of the Board of Directors
Glaston's Board of Directors has two committees: an Audit Committee and a Compensation Committee. The Board of Directors appoints the members and chairman of the committees, taking into account the expertise and experience required for the duties of the committees. The members of the committees are appointed for the term of office of the Board of Directors. The committees are preparatory bodies of the Board of Directors and do not have their own decision-making power.

Audit Committee
The Audit Committee assists the Board of Directors by preparing matters within the competence of the Board of Directors. The Committee reports to the Board of Directors on matters discussed and measures taken at least four times a year and makes proposals to the Board for decision-making, if necessary.

The Board of Directors specifies the duties of the Audit Committee in a charter confirmed by the Board of Directors. The Audit Committee oversees the financial reporting process and monitors the effectiveness of internal control, internal audit and risk management systems. In addition, the Committee reviews the description of the main features of the internal control and risk management systems associated with the financial reporting process, monitors the statutory audit of the financial statements and the consolidated financial statements, evaluates the independence of the statutory audit firm and prepares a proposal for the election and remuneration of the auditor. Other duties include evaluating compliance with laws, regulations and corporate practices, overseeing significant litigation concerning Group companies, and performing any other duties assigned to the Committee by the Board of Directors.

The Audit Committee carries out self-evaluation of its work annually, and the Chairman of the Committee reports the results to the Board of Directors.

Audit Committee in 2020
Teuvo Salminen served as Chairman, and Tero Telaranta as a member, of the Audit Committee. The members of the Audit Committee are independent of the Company. Tero Telaranta is dependent on a significant shareholder of the Company. In 2020, the Audit Committee met 5 times. The meeting attendance is reported in the table to the left.

In 2020 the committee focused especially on the Group's actions to manage the Group's cash and liquidity as well as the progress of the working capital improvement program. The Bystronic glass integration related legal structure simplification and the company's tax status were also on the agenda of the committee besides its regular reviews of financial reporting, audit and risk management.

Compensation Committee
The Compensation Committee assists the Board of Directors by preparing matters within the competence of the Board of Directors. The Committee is not an independent decision-making body; the Board of Directors makes decisions collectively within its competence. The Board of Directors is responsible for the duties it assigns to the Committee.

The Board of Directors specifies the duties of the Compensation Committee in a charter confirmed by the Board of Directors. Key duties of the Committee include preparing the remuneration and other benefits of Glaston's President & CEO and other members of the Executive Management Group, preparing the appointment of the President & CEO and other members of the Executive Management Group and their successors, and preparing proposals for Glaston's short- and long-term incentive schemes. In addition, the Committee's duties include carrying out all other duties assigned to the Committee by the Board of Directors.

The Compensation Committee convenes at the invitation of the Chairman, as necessary and at least twice a year. The Members of the Board of Directors and the President & CEO have the right to attend the meetings of the Committee.

The Compensation Committee regularly carries out self-evaluation of its work, and the Chairman of the Committee reports the results to the Board of Directors.

Compensation Committee in 2020

Sebastian Bondestam served as Chairman, and Sarlotta Narjus and Antti Kaunonen as members, of the Compensation Committee.

In 2020, the Compensation Committee met 6 times. The meeting attendance is reported in the table on the previous page. On the committee's agenda were the incentive program for top management and the outcome of the same, top management review and remuneration as well as a talent review follow-up. In addition, the committee prepared the remuneration policy for the AGM in 2020. In accordance with its duties, the committee prepared the appointment of Glaston's new President & CEO. In connection to this the committee met informally several times.

Shareholders' Nomination Board

The Nomination Board's task is to prepare and present annually for the Annual General Meeting and, if necessary, for an Extraordinary General Meeting, a proposal concerning the number of Members of the Board of Directors, a proposal on the identities of the Members of the Board, and a proposal on the remuneration of the Members of the Board. An additional task of the Nomination Board is to seek candidates as potential Members of the Board of Directors.

In its activities, the Nomination Board complies with current legislation, stock exchange rules applicable to the Company, and the Finnish Corporate Governance Code.

The Nomination Board consists of four (4) members, all of whom are appointed by the Company's four largest shareholders, who appoint one member each. The Chairman of the Company's Board of Directors serves as an advisory member of the Nomination Board.

The Company's largest shareholders entitled to appoint members to the Nomination Board is determined annually on the basis of the registered holdings in the company's shareholder register held by Euroclear Finland Ltd on the first working day in September of the year in question. The Nomination Board elects a Chairman from among its members.

The Nomination Board is established to serve until a General Meeting of Shareholders decides otherwise. The members of the Nomination Board are appointed annually and the term of office of the members expires when new members are appointed to the Board.

The members of the Nomination Board shall be independent of the company, and no person belonging to the Company's executive management shall be a member of the Nomination Board.

The Nomination Board shall submit its proposals to the Company's Board of Directors annually by the end of the January preceding the Annual General Meeting. Proposals for an Extraordinary General Meeting shall be submitted to the Company's Board of Directors so that they can be included in the notice to attend the meeting.

A decision of the Nomination Board shall be the opinion of a majority of the members of Nomination Board. If the votes are tied, then the Chairman's vote shall be decisive. If the votes are tied in the election of the Chairman, the member candidate for Chairman nominated by the shareholder who had the largest number of shares when the Nomination Board was established shall be elected as Chairman.

A report on the activities of the Nomination Board shall be presented at the Annual General Meeting and published on the Company's website.

Shareholders' Nomination Board 2020

Until 31 August 2020, the Shareholders' Nomination Board comprised of Lasse Heinonen (Chairman), as the representative nominated by AC Invest Eight B.V., Jaakko Kurikka, as the representative nominated by Hymy Lahtinen Oy, Pekka Pajamo, as the representative nominated by Varma Mutual Pension Insurance Company, and Esko Torsti, as the representative nominated by Imarinen Mutual Pension Insurance Company.

Based on ownership on 1 September 2020, the Shareholders' Nomination Board remained unchanged and comprised of Lasse Heinonen (Chairman), as the representative nominated by AC Invest Eight B.V., Jaakko Kurikka, as the representative nominated by Hymy Lahtinen Oy, Pekka Pajamo, as the representative nominated by Varma Mutual Pension Insurance Company, and Esko Torsti, as the representative nominated by Imarinen Mutual Pension Insurance Company. Teuvo Salminen, Chairman of the Glaston Corporation's Board of Directors, served as an advisory member of the Nomination Board.

In its organizing meeting held on 21 September 2020, the Nomination Board elected Lasse Heinonen from among its members to be Chairman. The Board met ten times during 2020 and the average attendance of members was 100%. No fees were paid to the members of the Nomination Board.

In accordance with its charter, the Nomination Board prepared its proposal concerning the Board composition and remuneration to the AGM 2020. The Nomination Board proposed that the number of members of the Board of Directors would be increased to seven with current members re-elected and Michael Willome elected as a new member, and that the remuneration of the Members of the Board of Directors remain unchanged.

As Chairman of the Board of Directors, Teuvo Salminen indicated to the Nomination Board that he will not be available for re-election in the AGM in spring 2021, the Board of Directors decided, following consultation with the Nomination Board, to convene an Extraordinary General Meeting on 4 September 2020 to elect a new member of the Board of Directors to complement the current Board of Directors. The Nomination proposed to the EGM that the number of the members of the Board of Directors would resolved to be eight (8), and that Veli-Matti Reinikkala would be elected as a new member of the Board of Directors, in addition to the current members of the Board of Directors, until closing of the Annual General Meeting 2021. In addition, the Nomination Board recommended that the Board of Directors would elect amongst themselves Veli-Matti Reinikkala as the Chairman of the Board of Directors for the term of office starting after the Annual General Meeting 2021 at the latest.

President & CEO

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

President & CEO since 2009, Arto Metsänen, stepped down as CEO on 1 June 2020. Mr. Metsänen retired from the company on 1 January 2021. Sasu Koivumäki served as Acting President & CEO during 1 June – 31 December 2020.

Deputy to the CEO

Sasu Koivumäki, COO and Head of Integration, has served as Deputy to the CEO since 1 January 2015. The Deputy to the CEO carries out the duties of the CEO after the termination of his/her service or when he/she is temporarily prevented from performing his/her duties.

Executive Management Group

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

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

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

In order to better reflect the company's business dynamics and market drivers an organizational change was carried out in January 2020. In this connection the composition of the Executive Management Group changed and constituted of the following: President and CEO: Arto Metsänen (until 1 June 2020), Sasu Koivumäki (Acting CEO as of 1 June 2020); CFO: Päivi Lindqvist; SVP Glaston Heat Treatment Technologies: Juha Liettyä (until 30 November 2020), Miika Äppelqvist (as of 1 December 2020); SVP Glaston Insulating Glass Technologies: Dietmar Walz; SVP Glaston Automotive and Emerging Technologies: Robert Prange; SVP Services: Artturi Mäki, and the General Counsel and SVP Human Resources: Taina Tirkkonen.

The Executive Management Group convened 20 times in 2020.

Executive Management Group 31 December 2020

	Area of responsibility	Member since	Year of birth	Education	Share ownership on 31.12.2020
Sasu Koivumäki	Acting CEO and President 1 June – 31 December 2020 Chief Operating Officer, Head of Integration since April 2019. Deputy to the President & CEO since 2015	Employed by the Company since 2002, Member of the Executive Management Group since 2012	1974	M.Sc.(Econ.)	89,979 shares
Other members of the Executive Management Group					
Päivi Lindqvist	Chief Financial Officer	Employed by the company and Member of the Executive Management Group since 2016	1970	M.Sc.(Econ), MBA	38,680 shares
Miika Äppelqvist	SVP Glaston Heat Treatment Technologies	Member of the Executive Management Group since December 2020. Employed by the company since 2013	1981	MSc. (Eng.)	6,815 shares
Dietmar Walz	SVP Insulating Glass Technologies	Member of the Executive Management Group since May 2019. Employed by Bystronic Lenhardt GmbH from 2014 and by Glaston since 1 April 2019	1960	M.Sc.(B.Admin)	No shares
Robert Prange	SVP Automotive and Emerging Technologies	Member of the Executive Management Group since 1 January 2020. Joined Bystronic glass in 2011	1970	Dr. Ing.	15,000 shares
Taina Tirkkonen	General Counsel and SVP Human Resources	Member of the Executive Management Group since 2013. Employed by the company since 2011	1975	LL.M, M.Sc. (Admin), MBA	27,500 shares
Artturi Mäki	SVP Services	Employed by the company and Member of the Executive Management Group since 2016	1969	M.Sc.(Eng.)	4,731 shares
Until 1.6.2020					
Arto Metsänen	President & CEO	Employed by the Company and Chairman of the Executive Management Group since 2009	1956	M.Sc.(Eng.)	660,000 shares
Until 30.11.2020					
Juha Liettyä	SVP Glaston Heat Treatment Technologies	Member of the Executive Management Group since 2007. Employed by the company since 1986	1958	B.Sc.(Eng.)	91,665 shares

Remuneration of the CEO & President and the Executive Management Group is described in the Remuneration Report 2020 and on the company's website.

At the end of 2020, the Executive Steering Management Group comprised, in addition to the above-mentioned members of the Executive Management Group, of Kimmo Kuusela (Director, Key Accounts and Technology), Marcus Schrod (VP Operations, Neuhausen), Gramm He (General Manager, China), Marco Stehr (SVP Sales, EMEA), Frank Zhang (SVP Sales, APAC), Jens Mayr (SVP Business Control) and Janne Puhakka (Director, ICT). The Executive Steering Management Group met twice in 2020.

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

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

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

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

Risk Management

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

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

Glaston's risk management policy includes guidelines relating to the Group's risk management. Risk management policy also specifies the risk management processes and responsibilities. Glaston's risk management consists of the following stages: risk recognition, risk assessment, risk treatment, risk reporting and communication, control of risk management activities and processes, business continuity planning and crisis management. As part of the risk management process, the most significant risks and

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their possible impacts are reported to the Company’s management and the Board of Directors regularly, based on which management and the Board can make decisions on the level of risk that the Company’s business functions are possibly ready to accept in each situation or at a certain time.

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

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

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

The management group of each segment and function identifies and assesses its operational risks and specifies risk management measures by which an acceptable level of risk can be achieved.

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

The Group's risks are covered in more detail in the Report of the Board of Directors on page 63. The management and organization of the Group’s financial risks are presented in more detail in Note 3 of the consolidated financial statements on page 90.

Information and Communications

An effective internal control system requires sufficient, timely and reliable information to enable management to assess the achievement of the company’s goals. There is a need for both financial and other information on the Company’s internal and external events and activities. Employees have the opportunity to report, through a whistleblowing service, any questionable activity they observe. All external communications are handled in accordance with the Group’s Disclosure policy.

Auditing

The Company has one Auditor, which must be an auditing firm authorized by the Finnish Patent and Registration Office. The Annual General Meeting elects the Auditor to audit the accounts for the financial year, and the Auditor’s duties cease at the close of the subsequent Annual General Meeting. It is the Auditor’s duty to audit the consolidated and parent company financial statements and accounting as well as the parent company’s governance, and to give reasonable assurance that the financial statements as a whole are free from material misstatement. The Company’s Auditor presents the audit report required by law to the Company’s shareholders in connection with the annual financial statements and reports regularly to the Board of Directors. The Auditor, in addition to fulfilling general competency requirements, must also comply with certain legal independence requirements guaranteeing the execution of an independent and reliable audit.

Audit 2020

At the 2020 Annual General Meeting, the accounting firm KPMG Oy Ab was elected as the Company’s Auditor.

The auditor with principal responsibility was Lotta Nurminen APA. Auditing units representing KPMG have served as the auditors of the Company's subsidiaries in most operating countries. In 2020 the Group's auditing costs totaled approximately EUR 514,000, of which KPMG received approximately EUR 325,000. KPMG Oy Ab's auditing expenses for the audit for financial year 2020 totaled approximately EUR 325,000. In addition, auditing units belonging to KPMG have provided other advice to Group companies to a total value of EUR 165,000.

Principles for Related Party Transactions

Glaston complies with legislation concerning related party transactions and, in accordance with legislation and the Corporate Governance Code, ensures that requirements related to monitoring, assessing, decision-making and disclosure of related party transactions are complied with. Glaston's Board of Directors monitors and assesses the transactions of the Company and its related parties.

Glaston has defined the parties that are related to the Company, and Glaston's Communications Department maintains a list of individuals and legal persons who are considered to be related parties. Glaston maintains up-to-date guidelines on related party regulation and the monitoring thereof. Requirements regarding related party transactions have also been taken into account in Glaston's Code of Conduct.

Glaston may enter into transactions with its related parties as long as the transactions are part of Glaston's ordinary business operations and made on ordinary commercial terms and conditions. In such situations, Glaston's internal guidelines and decision-making processes are complied with. Related party transactions that deviate from Glaston's normal business operations or are not made on ordinary commercial terms are decided on by Glaston's Board of Directors, respecting provisions on disqualification.

Related party transactions are regularly monitored in Glaston's business and support units. Management personnel belonging to Glaston's related parties are obliged to notify Glaston's Related Party Administration without undue delay about related party transactions or planned related party transactions that they become aware of. Potential conflicts of interest are monitored through internal audits. Results of the monitoring of related party transactions are reported regularly to the Audit Committee of the Board of Directors.

Glaston reports on related party transactions regularly in its financial statements. Related party transactions which are material to shareholders and which deviate from normal business or are not made according to ordinary commercial terms and conditions are published in accordance with the Securities Market Act and the rules of Nasdaq Helsinki Ltd stock exchange.

Insider Administration

In addition to the statutory insider regulations, Glaston complies with the insider guidelines of Nasdaq Helsinki Ltd as well as the internal guidelines adopted by Glaston at any given time.

In accordance with the EU's Market Abuse Regulation, Glaston prepares and maintains a list of persons discharging managerial responsibilities as well as persons and entities closely associated with them. In Glaston Corporation, the persons discharging managerial responsibilities are the Members of the Board of Directors, the President & CEO, the Deputy CEO, and the Chief Financial Officer. At least once a year, Glaston checks the information of persons discharging managerial responsibilities that have a duty to declare as well as persons and entities closely associated with them. Glaston reports the securities transactions of persons discharging managerial responsibilities and their related parties in accordance with the Market Abuse Regulation.

Glaston does not maintain an insider list relating to permanent insiders. During the preparation of significant projects and events, the Company maintains project- and event-specific lists of insiders. Insiders are given a written statement of their inclusion in an insider register as well as guidelines on insider obligations.

The Company's persons discharging managerial responsibilities, persons serving in certain key positions and persons participating in the preparation of financial reports must not trade in the Company's financial instruments during the 30-day period before the publication of interim reports and financial statement releases. With respect to project-specific insiders, trading in the Company's financial instruments is prohibited until the cancellation or publication of the project.

The Company's insider administration, its implementation and supervision are the responsibility of Group Legal function and the Communications Department. Glaston's General Counsel is responsible for the Company's insider issues. The Company's Communications Department is responsible for maintaining the list of insiders and for overseeing the restriction on trading and duty to declare.

Remuneration report 2020

Introduction

This Remuneration Report for the financial year 2020 (the "Remuneration Report") describes the remuneration for Governing Bodies of Glaston Corporation ("Glaston" or the "Company") as required by the Finnish Securities Market Act (746/2012, as amended), the Finnish Companies Act (624/2006, as amended) and the Finnish Corporate Governance Code 2020 (the "CG Code") issued by the Securities Markets Association. In addition to aforementioned, Glaston complies with other legal provisions concerning listed companies, Glaston's Articles of Association and the rules and guidelines issued by Nasdaq Helsinki Ltd.

The Remuneration Report presents information on the remuneration of the Board of Directors, the President and CEO and the Deputy CEO for the financial year 2020 and has been approved by the Board of Directors (also the "Board") of Glaston.

The principles, decision-making processes, and practises for the remuneration of the Board of Directors, the President and CEO and the Deputy CEO are set forth in the Remuneration Policy of Glaston (the "Remuneration Policy"). The Remuneration Policy was approved at the Annual general Meeting on 28 May 2020 without any advisory votes.

The remuneration principles in Glaston are designed to attract and retain to the Company's management persons that possess relevant skills, industry knowledge and experience to oversee the Company's achievement of its performance and strategy goals with emphasis on long-term shareholder value creation. The structure of the total remuneration is to be aligned with the long-term value of Glaston, the business strategy, financial results as well as to the employee's contribution. Remuneration is based on predetermined and measurable performance and result criteria. The remuneration principles support the strategy of Glaston.

The remuneration of the Board and the President and CEO and the Deputy CEO follows the Remuneration Policy framework and principles.

The Board has temporarily deviated from the Remuneration Policy with respect to the remuneration of the President and CEO in connection with the change of the President and CEO by providing a special bonus in Glaston's shares as further described later in this Report. No clawbacks of the remuneration have taken place during the financial year 2020.

Development of remuneration in relation to financial development of the Company

This section presents the trend of remuneration of the President and CEO, the Deputy CEO and the Board, the average employee remuneration and company performance for the financial years 2016-2020.

The Remuneration Policy and further information about remuneration is available at Glaston website: www.glaston.net/investors.

In accordance with the Remuneration Policy, part of the remuneration payable to the President and CEO and the Deputy CEO may consist of short-term and long-term incentives. Criteria of such incentive plans are linked to the Company's performance (pay-for performance) and thus incentive plans of Glaston ensure that the remuneration drives the best interest of the Company.

Glaston is a global company and the remuneration levels vary significantly in markets where Glaston operates. Nevertheless, it is considered most transparent to compare the remuneration of the governing bodies with the remuneration of employees globally on group level. Thus, the figures on average employee remuneration below are based on data for all Glaston employees globally. Further, Glaston acquired Bystronic glass in 2019. Bystronic glass was consolidated to Glaston as of 1 April 2019 and as a result of such transaction the total number of Glaston's employees grew by 121% and totalled 790 on 31 December 2019 (31 December 2018: 357) while net sales in January–December 2019 totalled EUR 181.0 million (2018: EUR 101.1 million). Harmonization of remuneration of personnel is still partly ongoing.

Due to the COVID-19 pandemic, Glaston took several proactive actions in 2020. Actions affecting employee remuneration included temporarily reducing labour costs by initiating temporary layoffs and reducing working hours. The fixed salaries of the executive management group, of which the President and CEO and the Deputy CEO are members, were temporarily cut by 10 % during Q2.

Due to the nature of the Board duties and responsibilities, the remuneration of the Board includes fixed remuneration only. The effect of Bystronic Glass transaction on Glaston and its operations has also been reflected in the remuneration level of the Board of Directors.

Remuneration development

EUR	2016	2017	2018	2019	2020
Annual remuneration of the Board	197,400	210,200	237,425	283,550	331,300
Annual remuneration of the President and CEO	407,436	412,719	446,601	467,466	163,598[1]
Annual remuneration of the Deputy CEO	192,980	199,611	198,958	305,777[2]	108,645[3]
Annual remuneration of the Acting President and CEO	–	–	–	–	254,558[4]
Average salary development[5]	45,800	47,100	49,600	61,500	60,400

[1] Remuneration from the period 1 January to 31 May 2020. Former President and CEO since 1 June 2020.

[2] Excluding reimbursement of costs and expenses paid directly to third parties based on the expatriate agreement.

[3] Remuneration from the period 1 January to 31 May 2020. Deputy CEO appointed as an Acting President and CEO for the rest of the year 2020. Excluding reimbursement of costs and expenses paid directly to third parties based on the expatriate agreement.

[4] Remuneration from period 1 June to 31 December 2020. Excluding reimbursement of costs and expenses paid directly to third parties based on the expatriate agreement.

[5] Average salary development at Glaston is calculated by dividing salaries and rewards by the average number of employees during the financial year. Employees of former Bystronic companies are included as of April 1, 2019 onwards. Amounts do not include employer's social security costs.

Key financial metrics

EUR thousand	2016	2017	2018	2019	2020
Net sales	107,141	109,665	101,139	181,018	170,067
Comparable operating result (EBIT)	2,760	4,994	5,663	5,941	3,225
Comparable EBITA	–	–	7,556	9,746	7,742

[6] Bystronic glass consolidated as of 1 April 2019.

[7] Glaston has reported comparable EBITA as of 1 January 2018.

Remuneration of the Board of Directors

The 2020 Annual General Meeting resolved that an annual fee of EUR 60,000 shall be paid to the Chairman of the Board, EUR 40,000 to the Deputy Chairman and EUR 30,000 to other members of the Board. A meeting fee of EUR 800 shall be paid to the Chairman for meetings in Chairman's home country and EUR 1,500 for meetings elsewhere, and EUR 500 shall be paid to the other Members of the Board for meetings held in their home country and EUR 1,000 for meetings held elsewhere. Half of the normal fee shall be paid for a board meeting held per capsulam. In addition, it was decided that Board members shall be paid travel and accommodation expenses and other direct expenses arising from board work pursuant to the Company's normal practice.

Furthermore, the members of the Audit and Compensation Committees shall be paid a meeting fee of EUR 500 for each meeting that the members have attended. In addition to the meeting fee, the Chairman of the Audit Committee shall be paid an annual fee of EUR 10,000 and the Chairman of the Compensation Committee shall be paid an annual fee of EUR 7,500.

The members of the Board do not participate in any incentive plans and no fees are paid in the form of shares in the Company.

All the payments to the members of the Board during the financial year 2020 were in compliance with the Remuneration Policy.

In the financial year 2020, the following fees were paid to the members of the Board, an annual fee and meeting fees including both Board and committee related remuneration:

Contents

Board	Audit Committee	Compensation Committee	Annual fee (EUR)	Meeting fees (EUR)	Remuneration in total (EUR)
Teuvo Salminen, Chairman of the Board	Chairman		70,000	9,300	79,300
Sebastian Bondestam, Deputy Chairman of the Board		Chairman	47,500	6,250	53,750
Sarlotta Narjus		Member	30,000	10,250	40,250
Kai Mäenpää			30,000	9,250	39,250
Tero Telaranta	Member		30,000	6,750	36,750
Antti Kaunonen		Member	30,000	10,750	40,750
Michael Willome(1			22,500	2,750	25,250
Veli-Matti Reinikkala(2			15,000	1,000	16,000
Total			**275,000**	**56,300**	**331,300**

(1 member of the Board as of 28 May 2020.

(2 member of the Board as of 4 September 2020. Additionally, a partial board meeting fee of EUR 500 is due to Veli-Matti Reinikkala for the board meeting held in September 2020.

Remuneration of the President and CEO and the Deputy CEO

The remuneration of the President and CEO and the Deputy CEO comprises of a base salary, benefits and performance-based incentive plans.

The President and CEO of the Company Arto Metsänen stepped down from his position on 1 June 2020 and he retired from the Company on 1 January 2021.

The Deputy CEO Sasu Koivumäki served as the Acting President and CEO from 1 June 2020 to 31 December 2020 and resumed his position as the Deputy CEO on 1 January 2021. He is referred to as the Acting President and CEO with respect to the period he served as the Acting President and CEO and the Deputy CEO for the period he served as the Deputy CEO. Remuneration paid to Sasu Koivumäki has been reported on the basis of his position at the time of the payment of the remuneration. The Company did not have a Deputy CEO between 1 June to 31 December. Further, Sasu Koivumäki was already in 2019 relocated to Germany pursuant to the separate expatriate agreement, and he worked as an expatriate also in 2020 while serving as the Deputy CEO and the Acting President and CEO.

In 2020, the President and CEO Arto Metsänen was paid the total remuneration of EUR 187,540 on the basis of his position as the President and CEO. The relative proportion of the fixed pay was 100 % and variable pay 0 %. The different components are described in more detail below. Additionally, in 2020 Arto Metsänen was paid the total remuneration of EUR 266,154 on the basis of his role as a senior advisor 1 June 2020 – 31 December 2020.

In 2020, the Acting President and CEO Sasu Koivumäki was paid the total remuneration of EUR 274,963 during his service as the Acting President and CEO. The relative proportion of the fixed pay was 66 % and variable pay 34 %. The different components are described in more detail below.

Additionally, in 2020, Sasu Koivumäki was paid the total remuneration of EUR 123,220 during his service as the Deputy CEO. The relative proportion of the fixed pay was 100% and variable pay 0%. The different components are described in more detail below.

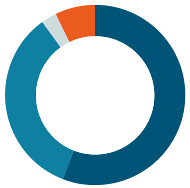
Further, total remuneration paid to Sasu Koivumäki in 2020 is excluding reimbursement of costs and expenses in the amount of EUR 66,000 paid directly to third parties based on the expatriate agreement.

Actualised remuneration of the President & CEO, Acting President & CEO and Deputy CEO for 2020

CEO & President
Arto Metsänen

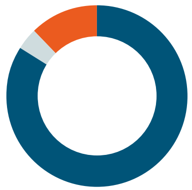
- Fixed pay 87%
- Pension.......................13%

Acting CEO & President
Sasu Koivumäki



- Fixed pay 56%
- Variable pay 34%
- Benefits 3%
- Pension.........................7%

Deputy CEO
Sasu Koivumäki



- Fixed pay 84%
- Benefits 4%
- Pension.......................12%

Performance Actualisation 2020 (STI AND LTI)

President and CEO's **short term incentive (STI)** opportunity was in 2020 tied to following metrics:

KPI	Weight	Achievement
Glaston EBITA	70%	Below threshold
Glaston Order Intake	20%	Below threshold
Group Net Working Capital	10%	Above target level

Deputy CEO and Acting CEO and President Sasu Koivumäki participated in the integration bonus plan for H1 in 2020 related to the Bystronic glass transaction and in the performance bonus plan for H2 in 2020, and therefore did not participate in STI 2020. Remuneration paid or due to be paid under such plans are specified in more detail at the end of this section.

Glaston has **long-term incentive (LTI)** plans to i.a. retain the key personnel and to offer them with a competitive reward plan based on the earning and accumulating the Company's shares.

The President and CEO, the Acting President and CEO and the Deputy CEO participate(d) in the Performance Share Plan 2019-2023 which comprises of three (3) performance periods: calendar years 2019-2021, calendar years 2020-2022 and calendar years 2021-2023. Such participants shall hold 50 % of the net number of shares received under the plan until the number of the Company's shares hold by the participant corresponds to the value of his gross annual base salary. Such number of shares shall be held during the term of the employment or service of the participant. As a rule, no reward will be paid in case the employment or service terminates before the reward payment is made.

For the two first performance periods under the plan objectives were set regarding Group Cumulative EBITA and Average Net Gearing.

KPI	Weight
Group Cumulative EBITA	80%
Average Net Gearing	20%
Total	**100%**

The maximum opportunity for the two first performance periods was for each period 92,000 shares for the President and CEO, and 40, 000 shares for the Deputy CEO.

No changes were made to Sasu Koivumäki's participation in the LTI due to his position as the Acting CEO and President but the maximum opportunity remained the same for such period.

In addition to the Performance Share Plan 2019-2023, the former long-term incentive plan linked to the development of share price of the Company was still valid with respect to the last periods. For the period 2017-2019 (LTI 2017-2019) minimum share price level for payout was EUR 1,77 and maximum EUR 3,39, and any rewards would have been payable in 2020. For the period 2018-2020 (LTI 2018-2020) minimum share price level for payout wad EUR 1,91 and maximum EUR 3,56, and any rewards would have been payable in 2021. Minimum target share prices were not achieved for LTI 2017-2019 or LTI 2018-2020, and therefore no payments were made or are due based on the former long-term incentive plan.

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Summary of remuneration to the President & CEO, Acting President & CEO and Deputy CEO

Element	Remuneration Description		
	President and CEO (until 1 June)	**Acting President and CEO (1 June – 31 December)**	**Deputy CEO (1 January – 31 May)**
FIXED Base salary and benefits	EUR 163,598 Including taxable fringe benefits: mobile phone	EUR 161, 223 Including taxable fringe benefits: company car, mobile phone	EUR 108,645 Including taxable fringe benefits: company car, mobile phone
VARIABLE Short-term incentive (STI)	Performance year 2019 (paid in 2020): EUR 0. Performance year 2020 (paid in 2021): 12,648 EUR. The maximum amount of the President & CEO's annual bonus is 50% of annual salary. No changes have been made to the maximum opportunity in 2020.	(please see Deputy CEO)	Performance year 2019 (Deputy CEO participated solely until 30 June) (paid in 2020): EUR 0. Performance year 2020 (paid in 2021): N/A The maximum amount of the Deputy CEO's annual bonus is 40% of annual salary. Deputy CEO did not participate in STI 2020.
VARIABLE Integration bonuses	–	Performance year 2019 (paid in 2020): EUR 50,000. Maximum target was to achieve 3.7 MEUR synergy savings. Target achieved and bonus paid in maximum amount. Performance year 2020 (H1, paid in 2020): EUR 43,335. Integration bonus plan for H1. Maximum opportunity was EUR 50,000 for maximum target to achieve 6.04 MEUR synergy savings.	–
VARIABLE Other performance bonus	–	Performance year 2020 (paid in 2021): EUR 30,000. The maximum opportunity was EUR 50,000 payable in 2021 for H2 achievements in 2020 (sales and organisational targets as the CEO).	–

Element	Remuneration Description		
	President and CEO (until 1 June)	**Acting President and CEO (1 June – 31 December)**	**Deputy CEO (1 January – 31 May)**
VARIABLE Long-term incentive (LTI) plan 2017–2019	Performance year 2019 (paid in 2020): EUR 0. Performance year 2020 (paid in 2021): EUR 0.	–	Performance year 2019 (paid in 2020): EUR 0. Performance year 2020 (paid in 2021): EUR 0.
VARIABLE Long-term incentive (LTI) 2019–2023 For additional information on long-term incentive plans, please see Glaston's website.	Performance period 2019–2021: EUR 0.	–	Ongoing plans: The maximum reward for the ongoing LTI 2019–2021 is 40,000 shares, including also the portion to be paid in cash. The maximum reward for the ongoing LTI 2020–2022 is 40,000 shares, including also the portion to be paid in cash. The maximum reward for the ongoing LTI 2021–2023 to be defined.
OTHER Pensions	The President and CEO participates in two non-statutory defined contribution supplementary pension schemes: For the first one, the cost is 12% of annual earnings and for the other one the cost is EUR 8,500 for the full year amounting in total to EUR 23,942 in 2020. The President and the CEO may retire at the age of 63.	The Acting CEO participates in a non-statutory defined contribution supplementary pension scheme. The cost is 12% of annual earnings amounting to EUR 20,405 in 2020.	The Deputy CEO participates in a non-statutory defined contribution supplementary pension scheme. The cost is 12 % of annual earnings amounting to EUR 14,575 in 2020. Deputy CEO may retire in accordance with the stipulations of the applicable law.

Other financial benefits: signing bonus to new President and CEO

The appointment of the new President and CEO Anders Dahlblom was announced on 14 August 2020 and he assumed the position on 1 January 2021.

The new President and CEO Anders Dahlblom shall be entitled to receive 110,000 shares in the Company on 1 January 2022. The President and CEO shall hold the shares for the period of two years and shall return the shares should a notice of termination be given during the said two years' period. The Board may however resolve upon the President and CEO's right to keep the shares.

Such signing bonus is not listed as a remuneration component of the CEO in the Remuneration Policy and thus it qualifies as a deviation from the Remuneration Policy. The signing bonus is a one-off bonus payable upon change of the President and CEO and thus falls under the possibility of the Board to temporarily deviate from the Remuneration Policy without a need to amend the Remuneration Policy.

The Board of Directors' Review 2020

Glaston Corporation's acquisition of Bystronic glass was completed on 1 April 2019. The comparison data for the period 1 January – 31 March 2019 do not include figures for Bystronic glass. To improve the comparability of the financial information the report includes separately marked unaudited pro forma financial information to illustrate the impact of the acquisition would it have been already completed on 1 January 2019. Pro forma financial information has been titled Pro forma information in the parts of the report in which the information is presented. Unless otherwise specified, the information in brackets refers to the same period of the previous year.

Review period in brief

Since the beginning of the year, COVID-19 coronavirus started to impact business operations with weakened demand in Asia, and particularly in China. Later in the first quarter it also affected development in Western countries and from the second quarter onwards all market areas. Prompt action have been taken to safeguard the health and safety of Glaston's employees and the company's financial stability. All of the company's production plants were fully operational during 2020. Mitigating COVID-19 related near-term business disruptions was high on the agenda throughout the year.

Most of the synergy-related measures related to the Bystronic glass integration were implemented on a faster schedule than expected, and estimated cost synergies were exceeded. The separate financial monitoring of integration projects ended in June. As of the second quarter of the year, the integration projects continued as part of the company's normal management.

In the first and fourth quarters of 2020, Glaston completed co-operation discussions concerning measures to adapt its operations to lower than expected demand especially in the heat treatment business. The adjustment measures, covering the companies in Finland, were mainly implemented as temporary lay-offs. Short-time work in Glaston's Automotive business in Switzerland, introduced in autumn 2019, continued throughout the year. In other units measures were implemented according to the level of demand.

On 14 August 2020, Glaston's Board of Directors announced the appointment of M.Sc. (Econ.) Anders Dahlblom as President and CEO of Glaston Corporation. Anders Dahlblom assumed in his new position on 1 January 2021.

Operating environment

Glaston Corporation is a glass industry technologies and services frontrunner. Glass processed using Glaston's glass processing machines is supplied to the architectural glass, automotive glass, solar energy and appliance industries. Most of the glass produced with the company's technology is supplied to the construction industry (measured by volume). Glaston operates in a global market, and the company's business is largely linked to trends in global investment demand and therefore to demand for glass and glass processors' capacity utilization rates, which in turn impact investment needs and demand for services and spare parts.

Glaston Group's market areas are the EMEA region (Europe, Middle East and Africa), the Americas (North, Central and South America) and Asia-Pacific (China and the rest of the Asia and Pacific area).

According to the International Monetary Fund's[1] (IMF) World Economic Outlook update published in January 2021, the global economy was estimated to have contracted by 3.5% in 2020, which is 0.9 percentage points better than estimated in the previous forecast in October 2020. The International Monetary Fund estimates that global growth will rebound at 5.5% in 2021, which is 0.3 percentage points above the IMF's October projection, reflecting additional policy support in a few large economies and expectations of a vaccine-powered strengthening of activity later in 2021, outweighing the drag on near-term momentum due to rising infection rates. The strength of the recovery is projected to vary significantly across countries.

In 2020, contraction was severe in several of Glaston's important target countries, such as the USA and several

[1] International Monetary Fund: World Economic Outlook Update, October 2020

Euro zone countries. Recovery is expected in 2021 with rising momentum from the second quarter of 2021.

Due to pandemic there are significant uncertainties related to the forecast.

Architectural glass

Glaston Group's architectural glass machines market comprises of many different market areas and countries, whose stage of development and political situation may vary significantly.

Since late February/early March 2020, market uncertainty caused by the coronavirus was evident in all geographic areas. The Heat Treatment architectural business is driven by construction, particularly commercial construction, which was subject to great unceartainty throughout the year with customers holding back many of their investments. During the end of 2020, a turn for the better was noted in the Heat Treatment equipment markets with good recovery in investment activity. The Insulating Glass Technologies market remained robust throughout the year with the architectural market being in good shape. The pandemic had a clear negative impact on the services volume, particularly in the second quarter of 2020, after which volumes gradually started recovering and were, for the most part, already back at normal levels in the fourth quarter.

In Glaston's main market area, the EMEA region, market activity remained relatively stable, although with large variations between countries. In the beginning of the year, market uncertainty was largely observed. This had a direct impact on willingness to invest and demand clearly weakened. In the EMEA area, market activity for Heat Treatment machines was subdued for most part of the year. However in the last quarter of the year, driven by strong demand in Central Europe, the Heat Treatment equipment market saw a strong recovery from the very weak levels in the second and third quarters. In the insulating glass equipment market positive development continued throughout the year, and demand was on a good level considering the exceptional circumstances.

In North America, the brisk market activity early in the year was followed by a sharp turnaround as customers reacted quickly to the new situation. Towards the end of the year, markets recovered despite economic and political turmoil.

During the end of 2020, market activity in China continued to grow, with particularly good development in the mid-range market for Insulating Glass equipment. In addition, spare parts services experienced strong development in China. Elsewhere in the APAC area, restrictions continued to be imposed, with a negative impact on equipment market activity. Despite travel and other restrictions, the Services markets developed positively, although with major variations in activity across the region.

Automotive glass

During the latter part of the year, adjustments to "a new normal" were evident in the markets thereby weakening the impact of the pandemic. Activity in the automotive glass market increased, particularly in China, as automotive production returned close to pre-pandemic levels. Demand remained lower than normal, although it was much improved from the levels earlier in 2020 or even 2019. Demand was particularly noted in areas outside the traditional Automotive sector, from customers producing glass for other vehicles such as recreational vehicles (RV), and appliances. At the end of 2020, the services markets were almost back to normal levels.

Financial development of the Group

Orders received and order book

Glaston Group's orders received in January–December 2020 amounted to EUR 153.5 (162.2, pro forma 184.6) million.

Orders received, EUR million	1–12/2020	1–12/2019	Pro forma 1–12/2019
Heat Treatment	56.1	76.0	76.0
Insulating Glass	75.7	60.4	72.6
Automotive & Emerging Technologies	20.2	19.7	29.6
Segments, total	**152.1**	**156.1**	**178.3**
Unallocated and eliminations	1.4	6.1	6.3
Glaston Group, total	**153.5**	**162.2**	**184.6**

Glaston Group's order book stood at EUR 63.9 (79.5) million at the end of 2020, which represents a 20% decline. The Heat Treatment order book totaled EUR 29.5 (35.1) million, representing 46% of the order book, Insulating Glass EUR 26.1 (31.2) million or 41% and Automotive & Emerging Technologies EUR 8.3 (12.5) million or 13% of the order book.

Order book, EUR million	31.12.2020	31.12.2019	Pro forma 31.12.2019
Heat Treatment	29.5	35.1	35.1
Insulating Glass	26.1	31.2	31.2
Automotive & Emerging Technologies	8.3	12.5	12.5
Segments, total	**63.9**	**78.8**	**78.8**
Unallocated and eliminations	0.0	0.7	0.7
Glaston Group, total	**63.9**	**79.5**	**79.5**

Order received and order book by product area

Orders received in January–December 2020 totaled EUR 153.5 (162.2) million. Of the orders 22% were received for the Heat Treatment Technologies product area, 35% for the Insulating Glass Technologies product area, 5% for the Automotive & Emerging Technologies product area and 37% for the Services product area.

Orders received by product area, EUR million	1–12/2020	1–12/2019	Pro forma 1–12/2019
Heat Treatment Technologies	34.1	48.5	48.3
Insulating Glass Technologies	53.6	42.4	49.3
Automotive & Emerging Technologies (machines)	7.3	6.6	12.3
Services	57.1	58.5	68.3
Unallocated and eliminations	1.4	6.2	6.3
Glaston Group, total	**153.5**	**162.2**	**184.6**

Order book by product area, EUR million	31.12.2020	31.12.2019	Pro forma 31.12.2019
Heat Treatment Technologies	25.1	31.2	31.2
Insulating Glass Technologies	26.1	31.2	31.2
Automotive & Emerging Technologies (machines)	8.0	12.5	12.5
Services	4.7	3.9	3.9
Unallocated and eliminations	0.0	0.7	0.7
Glaston Group, total	**63.9**	**79.5**	**79.5**

Net sales

Net sales, EUR million	1–12/2020	1–12/2019	Pro forma 1–12/2019
Heat Treatment	61.6	82.6	82.6
Insulating Glass	81.9	58.8	73.9
Automotive & Emerging Technologies	24.6	35.5	44.0
Segments, total	**168.2**	**176.9**	**200.5**
Unallocated and eliminations	1.9	4.1	4.0
Glaston Group, total	**170.1**	**181.0**	**204.6**

Geographical distribution of net sales, EUR million	1–12/2020	1–12/2019	Pro forma 1–12/2019
Americas	44.7	66.5	71.0
EMEA	94.4	76.5	89.9
APAC	30.9	38.0	43.7
Glaston Group, total	**170.1**	**181.0**	**204.6**

Glaston Group's January–December 2020 net sales totaled EUR 170.1 (181.0, pro forma 204.6) million. Net sales in the Heat Treatment segment decreased by 25% and totaled EUR 61.6 (82.6) million. Net sales in the Insulating Glass segment clearly grew and totaled EUR 81.9 (58.8. pro forma 73.9) million. Net sales in the Automotive & Emerging Technologies segment decreased and totaled EUR 24.6 (35.5, pro forma 44.0) million.

Net sales by product area

Net sales by product area, EUR million	1–12/2020	1–12/2019	Pro forma 1–12/2019
Heat Treatment Technologies	40.2	56.1	56.1
Insulating Glass Technologies	60.3	41.8	51.4
Automotive & Emerging Technologies (machines)	12.5	23.2	27.2
Services	58.1	57.1	67.1
Unallocated and eliminations	-0.9	2.8	2.8
Glaston Group, total	**170.1**	**181.0**	**204.6**

Glaston Group's January–December 2020 net sales in the Heat Treatment Technologies product area decreased and totaled EUR 40.2 (56.1) million. Net sales in the Insulating Glass Technologies product area increased and totaled EUR 60.3 (41.8) million. Net sales in the Automotive & Emerging Technologies product area totaled EUR 12.5 (23.2) million. Total net sales in the Services product area were on the same level as the corresponding period in the previous year at EUR 58.1 (57.1) million.

Operating result and profitability

In January–December 2020, Glaston Group's comparable EBITA amounted to EUR 7.7 (9.7, pro forma 12.1) million, i.e. 4.6 (5.4, pro forma 5.9)% of net sales. The comparable operating result was EUR 3.2 (5.9, pro forma 7.5) million, i.e. 1.9 (3.3, pro forma 3.7)% of net sales. The Group's operating result was EUR -0.5 (-1.3, pro forma 0.3) million. Items affecting comparability totaled EUR -3.8 (-7.2) million. Financial income and expenses amounted to EUR -2.3 (-2.6) million. The result before taxes was EUR -3.3 (-4.4) million. The result for the review period was EUR -5.5 (-6.4) million.

January–December 2020 earnings per share were EUR -0.065 (-0.089) and comparable earnings per share were EUR -0.020 (0.011), excluding items affecting the comparability of the operating result, but including PPA and 2019 financing arrangement expenses.

Operating result and profitability Comparable EBITA, EUR million	1–12/2020	1–12/2019	Pro forma 1–12/2019
Operating result (EBIT)	-0.5	-1.3	0.3
Items affecting comparability	-3.8	-7.2	-7.2
Comparable operating result (EBIT)	3.2	5.9	7.5
Depreciation of intangible assets and PPA	4.5	3.8	4.5
Comparable EBITA	**7.7**	**9.7**	**12.1**
% of net sales	4.6%	5.4%	5.9%

Financial development of the reporting segments

Heat Treatment reporting segment

Glaston's Heat Treatment segment includes a wide and technologically advanced range of heat treatment machines, maintenance, upgrade and modernization services, as well as spare parts for glass flat tempering, bending, bending tempering and laminating. Glaston also offers digital services, such as glass processing machine remote monitoring and fault analysis services, as well as consulting and engineering services for new areas of glass technology. The Heat Treatment segment includes the Heat Treatment Technologies product area and the heat treatment machine services.

Heat Treatment segment's year 2020 in brief:

- The market for heat treatment equipment was subject to great unceartainty throughout the year with customers holding back many of their investments. However, during the end of 2020, a turn for the better was noted. During the end of the year also HT upgrade order intake was at a good level
- Net sales impacted by low order intake
- Ongoing implementation of measures to adapt the Heat Treatment capacity to a lower-than-expected demand

Heat Treatment segment key figures EUR million	1-12/2020	1-12/2019	Pro forma 1-12/2019
Orders received	56.1	76.0	76.0
Order book at end of period	29.5	35.1	35.1
Net sales	61.6	82.6	82.6
Comparable EBITA	2.4	3.4	3.4
Comparable EBITA, %	3.9%	4.1%	4.1 %
Comparable operating result (EBIT)	0.8	1.9	1.9
Comparable operating result (EBIT),%	1.3%	2.3%	2.3%
Operating result (EBIT)	-0.8	-0.9	-0.9
Operating result (EBIT), %	-1.3%	-1.1%	-1.1%
Net working capital	-11.9	-11.3	
Employees at end of period	293	333	

Insulating Glass reporting segment

Glaston's Insulating Glass segment provides technologically advanced machines for insulating glass production, handling equipment, upgrade and modernization services as well as spare parts. The Insulating Glass segment comprises insulating glass machine business as well as related services and spare parts business.

Insulating Glass segment's year 2020 in brief:

- The Insulating Glass Technologies' market remained robust throughout the year with strong order intake
- Due to good order intake during the year, the Insulating Glass segment's net sales increased and were higher than the corresponding period in the previous year
- Production running at full capacity and high order intake indicates good capacity utilization for the first part of 2021

Insulating Glass segment key figures EUR million	1-12/2020	1-12/2019	Pro forma 1-12/2019
Orders received	75.7	60.4	72.6
Order book at end of period	26.1	31.2	31.2
Net sales	81.9	58.8	73.9
Comparable EBITA	7.3	4.7	6.2
Comparable EBITA, %	8.9%	8.0%	8.3%
Comparable operating result (EBIT)	5.2	2.6	3.5
Comparable operating result (EBIT), %	6.4%	4.4%	4.8%
Operating result (EBIT)	3.6	0.4	1.3
Operating result (EBIT), %	4.4%	0.7%	1.8%
Net working capital	2.1	0.9	
Employees at end of period	330	344	

Automotive & Emerging Technologies reporting segment

Glaston's Automotive & Emerging Technologies segment provides glass processing machines and related services to the automotive industry as well as the appliance and display industry. In addition, services are offered to emerging glass technologies and value-adding glass products, such as smart glass.

Automotive & Emerging Technologies segment's year 2020 in brief:

- Activity in the Automotive market remained low early in the year but increased in the fourth quarter, particularly in China, as car and display production returned close to pre-Covid levels
- Demand for Automotive Services improved during the end of the year and was generally back to normal levels
- Low activity in Emerging Technologies market throughout the year

Automotive & Emerging Technologies key figures

EUR million	1-12/2020	1-12/2019	Pro forma 1-12/2019
Orders received	20.2	19.7	29.6
Order book at end of period	8.3	12.5	12.5
Net sales	24.6	35.5	44.0
Comparable EBITA	-2.1	1.7	2.6
Comparable EBITA, %	-8.4%	4.8%	5.9%
Comparable operating result (EBIT)	-2.9	1.5	2.1
Comparable operating result (EBIT), %	-11.9%	4.1%	4.8%
Operating result (EBIT)	-3.4	1.2	1.8
Operating result (EBIT), %	-13.7%	3.4%	4.2 %
Net working capital	7.3	7.0	
Employees at end of period	94	103	

Financial position, cash flow and financing

At the end of December, Glaston Group's balance sheet total was EUR 207.3 (216.7) million. Intangible assets amounted to EUR 76.9 (78.1) million, of which goodwill was EUR 58.3 (58.3) million. At the end of the period property, plant and equipment amounted to EUR 23.1 (25.0) million and inventories to EUR 25.1 (42.6, and at the end of September 25.3) million.

The comparable return on capital employed (ROCE) was 4.7 (8.7, and at the end of September 3.4)%. The return on equity was -7.7 (-11.6)%. Price per equity attributable to owners of the parent was euro 1.09 (1.44) per share. Price per equity (P/E) was -13.7 (-14.2).

At the end of December, the company's net gearing was 48.8 (45.0)% and the equity ratio was 41.2 (41.6)%. Net interest-bearing debt totaled EUR 33.6 (33.0) million. The average maturity of Glaston's long-term debt was 2.2 years at the end of the year. The financial covenants used in the company's financing agreement are gearing (net debt/equity) and leverage (net debt/EBITDA).

Glaston's cash flow from operating activities was EUR 0.7 (10.8) million in January-December. Cash flow from investing activities was EUR -2.2 (-72.5) million and cash flow from financing activities was EUR 5.9 (75.1) million. The exceptionally high levels for the comparison period relate to the acquisition of Bystronic glass and its financing.

Glaston closely monitors and manages its liquidity and financial position. At the end of 2020, cash and cash equivalents totaled EUR 23.3 (19.9) million. Additionally, Glaston has committed revolving credit facilities, which enable further debt financing in the amount of EUR 7.5 million and guarantees of EUR 11.5 million. As a measure to ensure the adherence to the terms of its external financing Glaston agreed with its financing banks in August on increased covenant levels and postponement of debt repayments for the remainder of 2020. In December, Glaston agreed with its financing banks to extend the maturity of its senior facilities agreement by one year to the end of March 2023.

Capital expenditure, depreciation and amortization

In January-December 2020, Glaston Group's gross capital expenditure totaled EUR 3.4 (63.1) million and was primarily related to product development. The high comparison figure is related to the acquisition of Bystronic glass. Depreciation and amortization of property, plant, equipment, and intangible assets, totaled EUR -8.1 (-8.1) million.

Investments in product development, digitalization and innovation

In 2020, Glaston continued investing in product development and emerging glass technologies in line with the company's growth strategy. New digital and IoT-based products that facilitate the transition to fully automated glass processing continue to be at the forefront of product development. In addition, Glaston put significant efforts into the continuous development of the company's core technology portfolio and R&D. The latest showcase of this work is the cup wheel technology for glass edge arrissing of architectural glass, which was presented at the virtual Glasstec fair in mid-October.

By the end of the year, more than 180 tempering machines had been connected to the Insight services, and more than four million glass processing loads had been registered. In addition, the first laminating machines have been connected to the Insight ecosystem and the work continued to enable the connection of insulating glass lines to Insight Services. The implementation of artificial intelligence applications to improve the quality and control of the tempering were continued after the MIDAS project was completed at the end of September.

During the year, a number of the product development projects were postponed. Projects and innovations related to digitalization remain firmly at the center of development and the pandemic further highlighted the importance of digital and remote services.

In January–December 2020, research and product development expenditure, excluding depreciation, totaled EUR 6.4 (7.1) million, of which EUR 1.7 (1.8) million was capitalized. Research and product development expenditure amounted to 3.8 (3.9)% of net sales.

Personnel

As of 31 December 2020, Glaston Group had a total of 723 (790) employees. At the end of December, the Heat Treatment segment employed 293 people, the Insulating Glass segment 330 people, and the Automotive & Emerging Technologies segment 94 people. Of the Group's personnel 34%, i.e. 248 employees, worked in Germany, 23%, i.e. 169, worked in Finland, while 14% worked elsewhere in the EMEA region, 21% worked in Asia and 7% in the Americas. In both the Finnish and Swiss units as well as in a number of sales and services entities, employee-related adjustment measures continued during the fourth quarter.

In the first quarter 2020, Glaston Corporation completed a cooperation process in which temporary lay-offs of up to 90 days per employee were agreed for all personnel in Finland. In June, it was agreed thar the temporary lay-offs would continue throughout the year and would be implemented in stages according to workload.

In the fourth quarter 2020, Glaston Corporation announced that it would initiate cooperation negotiations concerning measures to adapt its operations to lower-than-expected demand in the heat treatment business. The co-operation negotiations covered all companies in Finland. As a result of the negotiations, the company terminated six employment relationships, the impact on personnel being lower than estimated. At the start of the negotiations, the reduction requirement was estimated to be 20 employment relationships. In addition, the negotiations identified the need for temporary lay-offs in the period January–June 2021. These temporary lay-offs are planned to be implemented on a function basis, taking into account workload, in the first quarter. Thereafter, the need for lay-offs will be reviewed on a monthly basis. The above measures will yield estimated cost-savings of approximately EUR 1.2 million, of which permanent savings will amount to approximately EUR 0.9 million.

Short-time work in Glaston's Automotive business in Switzerland, introduced in autumn 2019, will continue based on workload, and measures in other units will be implemented according to the level of demand.

Due to the continuing low market activity in South America the scale-down of the operations of Glaston's subsidiary in Sao Paolo, Brazil, started at the end of 2020. Operations were ceased as of 1 February 2021. The operations in Brazil employed 9 persons.

Since the outbreak of the COVID-19 pandemic in February-March 2020, many Glaston employees have worked remotely in order to safeguard their health and the health of production personnel. During the summer employees gradually started returning to work, with strict rules in order to prevent the spread of the virus. As the Covid situation took a turn for the worse in many countries during the latter part of the year, remote work

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was reintroduced. All of the company's production plants were fully operational during the last quarter of 2020.

In January–December, Glaston had an average of 744 (689) employees. Personnel expenses totaled EUR 53.8 (51.4) million, of which wages and salaries EUR 44.9 (42.3) million.

Shares and shareholders

Glaston Corporation's shares are listed on the Nasdaq Helsinki Small Cap list. The trading code is GLA1V and the ISIN code is FI4000369657. Each share entitles its holder to one vote and voting right. Glaston Corporation's share capital on 31 December 2020 was EUR 12.7 (12.7) million.

1.1.-31.12.2020	**No. of shares and votes**	**Share turnover, EUR million**
GLA1V	84,289,911	24.6

	Highest	Lowest	Closing	Average price *)
Share price	1.27	0.58	0.89	0.78

	31.12.2020	**31.12.2019**
Market value	75.0	105,8
Number of shareholders	7,352	7,112
Share turnover, shares (1,000) **)	24,638	10,878
Foreign ownership, %	27.4	27.2

*) trade weighted average

**) a reverse split was implemented on 1 March 2019 and a Rights issue in the second quarter of 2019. The number of shares and the share price and key ratios based on these for the comparative periods has been restated accordingly.

At the end of the review period, Glaston Corporation's largest shareholders were Ahlstrom Capital B.V. 26.4%, Hymy Lahtinen Oy 12.2%, Varma Mutual Pension Insurance Company 7.5%, Ilmarinen Mutual Pension Insurance Company 7.3% and OP-Finland Small Firms Mutual Fund 6.1%.

10 largerst shareholders 31 December, 2020

	Shareholder	Number of shares	% of shares and votes
1	Ahlstrom Capital B.V.	22,245,716	26.4%
2	Hymy Lahtinen Oy	10,300,161	12.2%
3	Varma Mutual Pension Insurance Company	6,318,061	7.5%
4	Ilmarinen Mutual Pension Insurance Company	6,162,502	7.3%
5	OP-Finland Small Firms Fund	5,119,819	6,1%
6	Evli Finnish Small Cap Fund	2,357,791	2.8%
7	Mininvest Oy	1,984,300	2.4%
8	Päivikki and Sakari Sohlberg Foundation	1,454,055	1.7%
9	Kirkon Eläkerahasto	1,083,423	1.3%
10	Säästöpankki Pienyhtiöt	969,012	1.1%
	10 largest shareholders total	**57,994,840**	**68.8%**
	Nominee registered shareholders	315,645	0.4%
	Other shares	25,979,426	30.8%
	Total	**84,289,911**	**100.0%**
	Treasury shares	0	0.0%
	Total excluding treasury shares	**84,289,911**	**100.0%**

Ownership distribution 31 December, 2020

	Shares total	% of shares and votes
Households	19,931,218	23.7%
Public sector institutions	12,924,563	15.3%
Financial and insurance institutions	9,025,287	10.7%
Corporations	17,420,170	20.7%
Non-profit institutions	1,655,869	2.0%
Foreign countries	23,017,159	27.3%
Total	**83,974,266**	**99.6%**
Nominee registered	315,645	0.4%
Total	84,289,911	100.0%
Total	**84,289,911**	**100.0%**

Shareholders by share ownership 31 December, 2020

Number of shares	Number of shareholders	% of shareholders	Shares total	% of shares and votes
1-100	1,540	21.0%	76,935	0.1%
101-1,000	3,215	43.7%	1,426,652	1.7%
1,001-10,000	2,209	30.1%	6,985,391	8.3%
10,001-100,000	343	4.7%	9,245,736	11.0%
100,001-99,999,999	45	0.6%	66,555,197	79.0%
Total	7,352	100.0%	84,289,911	100.0%
Number of shares issued			**84,289,911**	**100.0%**

The share ownership of the Board of Directors and the Executive Management Group is presented in Note 31 of the consolidated financial statements.

Governance

Annual General Meeting 2020
The Annual General Meeting of Glaston Corporation was held on 28 May 2020 in Helsinki, in accordance with the temporary legislation issued by the Finnish Government on 24 April 2020, which enabled the meeting to be held without the shareholders' physical presence during the COVID-19 pandemic. The General Meeting adopted the financial statements and consolidated financial statements for the financial period from 1 January to 31 December 2019 and discharged the members of the Board of Directors and the President and CEO from liability for the financial year from 1 January to 31 December 2019.

In accordance with the proposal of the Board of Directors, the General Meeting resolved that no dividend or return of capital would be distributed based on the balance sheet adopted for the financial year ended on 31 December 2019.

Adoption of the Remuneration Policy for governing bodies
The General Meeting decided to adopt the Remuneration Policy for the governing bodies.

Composition of the Board of Directors
The number of the members of the Board of Directors was resolved to be seven. The General Meeting resolved to re-elect as members of the Board of Directors the current members of the Board of Directors Mr. Teuvo Salminen, Mr. Sebastian Bondestam, Mr. Antti Kaunonen, Ms. Sarlotta Narjus, Mr. Kai Mäenpää and Mr. Tero Telaranta, and to elect Mr. Michael Willome as a new member of the Board of Directors. The Board of Directors was elected for a term continuing until the close of the next Annual General Meeting.

Remuneration of the members of the Board of Directors
The General Meeting resolved that the annual and meeting fees of the members of the Board of Directors as well as fees paid for Committee work remain unchanged. The Chairman of the Board of Directors is paid an annual fee of EUR 60,000, the Deputy Chairman an annual fee of EUR 40,000 and the other members of the Board of Directors an annual fee of EUR 30,000.

In addition, the General Meeting resolved that meeting fees shall be paid for each meeting of the Board of Directors that a Member of the Board has attended, so that the Chairman of the Board is paid EUR 800 for meetings held in the Chairman's home country and EUR 1,500 for meetings held elsewhere and the other Members of the Board are paid EUR 500 for meetings held in the home country of the respective member and EUR 1,000 for meetings held elsewhere. For per capsulum Board Meetings, half of the normal meeting fee will be paid. Furthermore, it was resolved that each Member of the Board will be compensated for travel expenses, accommodation costs and direct expenses arising from their work for the Board of Directors in line with the Company's normal practice.

In addition, the General Meeting resolved that the meeting fee for the Compensation and Audit Committees would remain unchanged and that all members of the Audit and Compensation Committees will be paid a meeting fee of EUR 500 for each meeting attended. In addition to the meeting fee, the Chairman of the Audit Committee will be paid an annual fee of EUR 10,000 and the Chairman of the Compensation Committee will be paid an annual fee of EUR 7, 500.

Auditor
The General Meeting elected the authorized public accounting firm KPMG Oy Ab as the Company's auditor. The auditing firm has announced that the auditor in charge of the audit is Authorized Public Accountant Lotta Nurminen. The General Meeting resolved that the remuneration of the auditor shall be paid based on a reasonable invoice approved by the Company.

Authorization to decide on the repurchase as well as on the acceptance as pledge of the company's own shares
The Board of Directors was authorized to decide on the repurchase and on the acceptance as pledge of the Company's own shares in one or several tranches. The number of own shares to be repurchased or accepted as pledge shall not exceed 8,000,000 shares, which corresponds to approximately 10 per cent of all registered shares in the Company, subject to the provisions of the Finnish Companies' Act on the maximum number of shares owned by or pledged to the company or its subsidiaries. Only the unrestricted equity of the Company can be used to repurchase own shares on the basis of the authorization.

Own shares can be repurchased at a price formed in public trading on the date of the repurchase or at a price otherwise formed on the market.

The Board of Directors shall decide how own shares will be repurchased or accepted as a pledge. Own shares can be repurchased in other ways than in proportion to the shareholdings of the shareholders (directed repurchase). The authorization is effective until 30 June 2021 and revokes any corresponding previous authorizations.

Authorization to decide on the issuance of shares as well as the issuance of options and other rights entitling to shares

The Board of Directors was authorized to resolve on one or more issuances of shares that contain the right to issue new shares or dispose of the shares in the possession of the Company and to issue options or other rights entitling to shares pursuant to Chapter 10 of the Finnish Companies Act. The authorization comprises up to 8,000,000 shares in the aggregate representing approximately 10 per cent of the current number of shares in the Company. The authorization does not exclude the Board of Directors' right to decide on a directed issue of shares. The authorization can be used for material arrangements from the Company's point of view, such as financing or implementing business arrangements or investments or for other such purposes determined by the Board of Directors in which case a weighty financial reason for issuing shares, options or other rights and possibly directing a share issue would exist. The Board of Directors was authorized to resolve on all terms and conditions of the issuance of shares, options and other rights entitling to shares as referred to in Chapter 10 of the Finnish Companies Act, including the payment period, grounds for the determination of the subscription price and subscription price or allocation of shares, option or other rights free of charge or that the subscription price may also be paid separately in cash with other assets either partially or entirely (contribution in kind).

The authorization is effective until 30 June 2021 and revokes any corresponding previous authorizations.

Amendments of the Articles of Association

The General Meeting resolved to amend Articles 4, 9 and 13 of the Articles of Association of the Company The amendments and updated Articles of Association can be found on the company's website in the investors section.

Organization of the Board of Directors

Convening after the Annual General Meeting, the Board of Directors of Glaston Corporation re-elected Teuvo Salminen as the Chairman of the Board and Sebastian Bondestam as the Deputy Chairman of the Board.

In addition, the compositions of the Board committees were resolved to be as follows:

Audit Committee

Teuvo Salminen (Chairman) and Tero Telaranta were elected as members of the Audit Committee of the Board of Directors.

Compensation Committee

Sebastian Bondestam (Chairman), Sarlotta Narjus, and Antti Kaunonen were elected as members of the Compensation Committee of the Board of Directors.

Extraordinary General Meeting 2020

Glaston Corporation's Extraordinary General Meeting, convened by the Board of Directors, was held on 4 September 2020 in Helsinki.

Composition of the Board of Directors

In accordance with the proposal of the Shareholders' Nomination Board, the number of the members of the Board of Directors was resolved to be eight. The Extraordinary General Meeting decided, in accordance with the proposal of the Shareholders' Nomination Board, to elect Mr. Veli-Matti Reinikkala as a new member of the Board of Directors, in addition to the current members of the Board of Directors, until closing of the Annual General Meeting 2021.

Glaston Corporation's shareholders' Nomination Board

Glaston Corporation's shareholders' Nomination Board comprised the four largest shareholders registered in the shareholders' register of the company as of the first working day in September in the relevant year and of the Chairman of the Company's Board of Directors, who serves as an advisory member of the Nomination Board. Based on the ownership on 1 September 2020, the following members were nominated to Glaston's Nomination Board:

- Lasse Heinonen (AC Invest Eight B.V., as of 28 Dec. 2020 Ahlstrom Capital B.V.)

- Jaakko Kurikka (Hymy Lahtinen Oy)
- Pekka Pajamo (Varma Mutual Pension Insurance Company)
- Esko Torsti (Ilmarinen Mutual Pension Insurance Company)

Teuvo Salminen, Chairman of the Company's Board of Directors, serves as an advisory member of the Nomination Board.

In its organizing meeting on 21 September 2020, the Nomination Board elected Lasse Heinonen amongst its members as Chairman.

New Chairman of the Board

As Chairman of the Board of Directors, Teuvo Salminen, had informed the company that he would cease serving as Chairman of the Board of Directors from the beginning of 2021, in line with the recommendation set out by the Company's Nomination Board in August 2020, the Board of Directors elected in its meeting on 16 December 2020, Veli-Matti Reinikkala as the Chairman of the Board of Directors as of 1 January 2021. Teuvo Salminen will continue as a member of the Board of Directors until the Annual General Meeting in spring 2021.

Organizational and Executive Management changes

On 14 August 2020, Glaston's Board of Directors announced the appointment of M.Sc. (Econ.) Anders Dahlblom as President and CEO of Glaston Corporation. Anders Dahlblom joined Glaston from Owens Corning where he has worked since 2019 as VP and Managing Director of the European Insulation business unit. Prior to this position he held the position of Managing Director (2018) and CFO (2006-2017) at Paroc Group, among other positions. Anders Dahlblom assumed in his new position on 1 January 2021. Sasu Koivumäki served as the company's acting CEO from 1 June – 31 December 2020. Following this he resumes his position as Chief Sales Officer responsible for global sales and Deputy to the CEO, as well as a member of the Executive Management Group. Former President and CEO Arto Metsänen stepped down as CEO on 1 June 2020 and retired from the company on 1 January 2021.

As of 1 December 2020, Miika Äppelqvist was appointed SVP, Glaston Heat Treatment Technologies and member of the Executive Management Group. Miika Äppelqvist joined Glaston in 2013 and has held various positions such as Director of Glaston's Architectural Business Unit (2016-2019) and Marketing Director (2015-2016).

On 31 December 2020, Glaston Corporation's Executive Management Group comprised Sasu Koivumäki, acting President & CEO; Päivi Lindqvist, CFO; Miika Äppelqvist, SVP Glaston Heat Treatment Technologies; Dietmar Walz, SVP Glaston Insulating Glass Technologies; Robert Prange, SVP Glaston Automotive and Emerging Technologies; Artturi Mäki, SVP Services and Taina Tirkkonen, General Counsel and SVP Human Resources.

Flaggings

29 December 2020: Glaston Corporation received a notification, pursuant to Chapter 9 Section 5 of the Finnish Securities Market Act from Ahlström Capital Oy, according to which as a result of an intragroup merger in which AC Invest Eight B.V. has been merged into its parent company Ahlstrom Capital B.V., Ahlstrom Capital B.V. is therefore as of 28 December 2020 the direct shareholder in Glaston Oyj Abp.

Report on Non-Financial Information 2020

Glaston's Executive Management Group approved the company's corporate responsibility agenda in December 2019. Glaston's most important sustainability topics relate to safe working environment, product quality and safety throughout the life cycle of products, responsible business operations and behavior, responsible procurement and the company's climate impacts. The following report describes Glaston's responsibility via these key sustainability topics, identified in a materiality analysis conducted in 2019.

Responsibility issues are discussed in more detail in Glaston's corporate responsibility review.

Glaston's business model

Glaston provides glass processing machines and related services to the architectural glass, automotive glass, solar energy glass and appliance industries. Glaston's offering comprises of heat treatment and insulating glass technologies for the architectural market and pre-processing technologies for the automotive and display industries as well as related services. Glaston's offering is the broadest in the industry.

Glaston has sales and services offices in 10 countries around the world. At the end of 2020, the company had four production plants: in Tampere, Finland; in Neuhausen, Germany; in Bützberg, Switzerland; and in Tianjin, China.

At the end of 2020, Glaston had 723 employees.

Responsibility in Glaston

Glaston's purpose is to build a better tomorrow through safer, smarter, and more energy-efficient glass solutions. As environmental awareness increases, demand for more energy-efficient and environmentally sustainable glass solutions is growing. As a frontrunner in our industry, Glaston has taken this into account in its product development and will continue to focus on this in the future.

Today greater attention is being paid to the safety of buildings, and for glazing solutions this means increasing use of tempered and laminated glass. Tempering and laminating processes are Glaston's core expertise, and in these we offer the most advanced technology. Coated low-emissivity glass processed with Glaston's technology as well as energy-efficient double- or triple-glazed insulating units meet the energy-saving needs and the safety requirements of buildings.

The debate on climate change is also strongly reflected in the glass industry. This has led to rapid development in smart glass, ultra-thin glass and glass used in solar energy solutions. As our industry's innovative technology leader, Glaston is strongly involved in this development, and is continually launching more advanced technology to meet the changing needs of the market.

Professional, committed and healthy employees are the foundation of Glaston's success. Glaston is committed to continuously developing the skills of employees and providing them with a safe and inspiring work environment where people have the opportunity to learn and develop.

At Glaston we believe the best business relationships are founded on respect and mutual benefit. We comply with all applicable laws wherever we do business and treat all those in the marketplace with whom we come into contact with fairness and integrity. This includes our customers, agents, distributors, competitors, suppliers, contractors and other business partners. Glaston expects the same level of integrity, honesty and ethical behavior from the suppliers and other business partners.

Glaston's Executive Management Group approved the company's corporate responsibility agenda in December 2019. Due to the COVID-19 pandemic, development of the group-wide non-financial information management system and related operating policies has been delayed.

Material aspects of responsibility

Glaston has reviewed the most material aspects of its responsibility in collaboration with the company's main external stakeholders and its own personnel. Based on this, the key issues of responsibility were identified, with the most essential themes being: responsible own activities (personnel, environment, responsible business), responsible purchases, responsible partner and responsible member of society. The targets were set during 2020 and the results will be reported and discussed in more detail in Glaston's Annual report.

Value creation

Glaston seeks to make a positive influence in the societies in which it operates. In order to create value for its shareholders and stakeholders, the company is depending on skilled employees and partners, wide range of suppliers, as well as natural resources, materials and components. The company works systemically to ensure and sustain the continuity of these resources.

Glaston creates value for its customers especially through energy-efficient and reliable products and services, and as an employer by providing jobs and therefore a livelihood for its employees. The company strengthens operating conditions for local companies by purchasing their goods and services. The company also creates economic value as a taxpayer in the countries of operations.

In addition, Glaston works closely with various research institutes and universities which in turn creates value through R&D and innovations, that may benefit societies in large.

To maintain and increase the value creation capability in the future, Glaston must succeed in engaging and developing the best talent, deploying intelligent technology in product and service offerings,

The key objectives and indicators are as follows:

Topic	Indicator	Objective	Timetable
Responsible business	Training of personnel in the Code of Conduct	Training coverage 100%	Continuous
Safe workplace	Number of accidents	No accidents	Continuous
	Reports of workplace harassment	No reports	Continuous
Impacts on the environment	Energy consumption in production units	Decreasing energy consumption, %	Starting level determined in 2020. Setting numerical savings target in 2021
	Energy efficiency of glass processing machines	Loading capacity and yield +10%	By 2030
Responsible purchases	Responsible procurement training	Training coverage 100%	Continuous
Responsible partner	Industry's best customer experience	Customer satisfaction measurement	Target setting in 2021

developing new business models, further improving product characteristics and reliability, and understanding the needs of present and future customers.

Glaston designs and builds its machines to withstand use at high utilization rates. Preventive maintenance and the company's extensive range of upgrade products extend the operating lives of machines. Product quality, producibility and energy efficiency are always being improved, as higher quality and more versatile characteristics are constantly demanded of glass processed with Glaston's machines.

Glaston is actively involved in developing technologies for the needs of both the solar energy industry and emerging glass technologies, and provides consulting and engineering services for smart glass and energy glass window production as well as solar energy applications.

Policies and due diligence

At Glaston, responsibility is part of our everyday activities. The company is committed to complying in full with national and international laws, regulations, and generally accepted operating practices in all of its operations.

To go beyond the minimum level set by regulations, and to clearly state Glaston's ethical standards, all our operations are guided by Code of Conduct, which is approved by the company's Board of Directors. The Code of Conduct describes the company's requirements and expectations regarding responsible and ethical conduct. In addition, the Code of Conduct guides Glaston's employees in their daily work with colleagues and with customers, suppliers and other stakeholders. The topics covered include workplace conduct and responsible business practices as well as the environment and sustainable development.

The Code of Conduct also includes a commitment to respect human rights, and harassment of any kind is strictly prohibited. In our everyday activities, Glaston is committed to combating bribery and corruption.

The Code of Conduct was updated in 2020. The goal is for all personnel to participate in training on the updated Code of Conduct in 2021 and training materials are always available on the company's intranet. In addition, a separate Supplier Code of Conduct was issued that will be part of the purchasing agreement.

The Code of Conduct is complemented by the following Group-level policies, approved by the Board of Directors: Anti-bribery and anti-corruption policy, CAPEX policy, Credit Management policy, Disclosure policy, Group Treasury policy, IT Security policy and Risk Management policy. Local policies on occupational health and safety, for example, complement the Group-level guidelines. The occupational safety is managed and developed locally at the company's various units in line with local legislation.

Social and employee matters

As stated in Glaston's Code of Conduct, every Glaston employee and everyone we work with has a responsibility to follow given rules and safety instructions as well as protect themselves, colleagues, work site, community and environment by reporting unacceptable health or safety conditions, taking preventive measures and minimizing possible damages.

All Glaston employees shall be treated in a fair and equal manner and Glaston is committed to a principle of equal opportunity that prohibits discrimination of any type. Glaston respects freedom of association and recognize the right to collective bargaining.

At Glaston people are treated with dignity, decency and respect. That environment is characterized by mutual trust and the absence of any type of harassment, discrimination, intimidation, oppression and exploitation. Offensive or inappropriate behavior is not tolerated. The above is particularly applicable to sexual harassment by any parties, including superiors, fellow employees, customers or suppliers – it will not be tolerated under any circumstances.

Our objective is no reports on workplace harassment. In 2020, no suspicions on breaches on Glaston's Code of Conduct regarding social and employee issues were reported in the company.

Quality, safety and the environment

Quality issues are central to Glaston's operations and are addressed in accordance with the ISO 9001 quality management system. This means, among other things, that the operating environment, stakeholders and risk management are taken into account in all our operations. Glaston aims for close and rewarding relationships with its major suppliers. The company chooses the subcontractors carefully, and the selection criteria are quality, reliability, security of supply and price. New suppliers are audited by our quality and procurement organization.

The significance of information safety and security has increased, and the management of such risks both for Glaston and for its customers' data is a subject of particular attention. Glaston's information technology (IT) security policy lists the targets and principles and defines the responsibilities. At Glaston, IT security is monitored and audited. Glaston's partners and subcontractors must also follow the company's instructions and are part of information technology security monitoring and auditing processes.

Safety in the use of Glaston's machines is based on the EU Machinery Directive and the EN standards mentioned therein. The Directive requires manufacturers to carry out, among other things, a risk analysis of the machine, listing possible risks to personnel without protection during the various stages of using the machine, and measures to reduce risks as well as information on any residual risk, which must be mentioned in operating instructions and in which the user must be trained. The company is also responsible for ensuring that the machine is constructed of items and components according to a parts list, for which specific requirements are set. An EU certificate of conformity is signed for every machine. Once the machine has been installed, tested, the users trained, and it is in all respects ready for production, a CE-plate is affixed to the machine. All Glaston's machines manufactured in Europe comply with the EU directive.

Glaston's environmental impacts are on three dimensions: own activities, use of machines on customers' premises, and end-product environmental impacts. Glaston's largest environmental impacts arising from the company's own activities come from the energy consumption of its properties and from transport. Glaston is constantly improving the energy performance of its properties, and the efficient usage of energy, and recycling of waste are guided and controlled at each Glaston site. In 2020, the starting level for environmental impact was determined and in 2021 numerical savings targets for energy consumption and emissions will be set.

Most of Glaston's impact on the environment arises when customers use Glaston technologies throughout their life cycle. Improving the environmental performance of products is largely achieved through product development and continuous improvement of products, which is at the core of Glaston's development work.

No serious environmental accidents or leakages were reported in 2020.

Human rights

Glaston respects human rights as set forth in the United Nations Universal Declaration of Human Rights and basic labor rights as defined by the International Labour Organization. Glaston does not accept any use of child or forced labour in its own or suppliers or subcontractors' operations.

Glaston operates globally and therefore in a multicultural environment. Glaston's Code of Conduct includes a commitment to respect human rights. Employees and job applicants must be treated and evaluated in accordance with their work-related abilities, and no-one should be treated less favorably than others due to race, color, nationality, ethnicity, religion, gender, sexual orientation, disability, trade union membership or political affiliation.

Harassment of any kind in the working environment is strictly prohibited. All cases reported are investigated and, if deemed appropriate, the necessary action is taken. The parties concerned are informed of the outcome of the process. In 2020, no cases of workplace harassment were reported to the company.

In accordance with its Code of Conduct, Glaston acts fairly towards its suppliers, service providers and subcontractors. Glaston, in turn, expect all partners to follow all applicable laws and regulation and comply with the separately established Glaston Supplier Code of Conduct. In 2020, no suspicions on breaches on human rights were reported in the company.

Actions against bribery and corruption

In Glaston's Code of Conduct, the company undertakes to promote fair competition and to comply with the law in all of its activities. The Code of Conduct states that business relationships must be based on objective criteria. No direct or indirect payments can be made, nor can the company's funds be conveyed directly or indirectly to any party to gain an inappropriate advantage. The Code of Conduct requires personnel to avoid conflicts of interest and to refuse all inappropriate payments and benefits.

In 2020, the Code of Conduct was updated with regard to bribery, corruption and money laundering. In addition, Glaston issued a separate Anti-bribery and anti-corruption policy with the purpose to raise employees' awareness of the risk of corrupt payments, to prohibit their payment as bribes as stated in Glaston's Code of Conduct, and to ensure that we conduct our business with integrity, the highest ethical standards, and in compliance with anti-corruption laws, rules and regulations.

In 2020, no suspicions of bribery or corruption arose in the company.

Glaston has a whistleblowing system, which allows personnel to report anonymously any violations of the Code of Conduct and other guidelines. In 2020, no reports were received through the whistleblowing system. Group-level guidelines and policies are available on the company's intranet. Local guidelines are available on operating locations' intranet sites and shared networks. If necessary, guidelines are issued to personnel in printed form (personnel manual).

Risk Management

A survey of strategic risks is part of the Group's strategic planning process. Glaston has assessed its responsibility risks, including risks related to climate change, in both its strategic and operational risk assessments. The potential risks associated with responsibility, climate change and Glaston's products include regulatory changes, environmental protection and rising operating costs due to environmental taxation. The risks were not found to be significant, however.

Glaston's position as a frontrunner in technology development reduces the company's responsibility risks and supports the exploitation of the opportunities provided by more stringent environmental requirements, for example through the insulating glass and smart glass technologies offered by the company. In addition, a key focus of Glaston's product development work is the energy-efficiency of products, and consecuently customers can process their glass more energy-efficiently than before.

Glaston recognizes the risk of becoming the target of third-party fraud and that the risk of corruption and fraud is possible in the company's operating areas. Glaston's operations are guided by its Code of Conduct. The company always adheres to high ethical operating principles and requires strict compliance with its anti-corruption procedures. Glaston has zero tolerance for corruption including bribery as well as other unjustifiable payments and business benefits.

Glaston manages and prevents risks related to the health and safety of the employees through proactive approach and measures. Health and safety issues are systematically followed up and of high importance especially in the production and assembly sites as well as for our employees traveling and working with installations at customers' sites. Glaston relies on skilled and motivated personnel, and their wellbeing is a top priority. The company is committed to continuously evolving the skills of its personnel and providing them with an inspiring and safe work environment where they have the opportunity to learn and develop.

Glaston recognizes potential risks for human rights and the environment in its supply chain. All Glaston suppliers are expected to commit to our Supplier Code of Conduct, issued in 2020, which describes the company's requirements and expectations regarding responsible and ethical conduct.

The Group's risks are described in more detail in the Business risks section of the Board of Directors' report.

Environmental impacts

Glaston's largest environmental impacts arising from the company's own activities come from the energy consumption of its properties and from transport. Glaston is constantly improving the energy performance of its properties. In 2020 Glaston calculated its energy consumption in accordance with the Global Reporting Initiative, GRI, indicator 302-1 and its emissions (scope 1 & 2) in accordance with GHG Protocol. In 2021 the company will set its target for a reduction in energy consumption and emissions.

Glaston develops and designs its machines to withstand use at high utilization rates. Preventive and regular maintenance as well as a wide range of upgrade products boost production and extend the operating lives of machines. The long operating lives of Glaston's glass processing machines, up to 20 years, support the environmental goals of sustainable development. Coated low-emissivity glass processed with Glaston's technology as well as energy-efficient double- or triple-glazed insulating units improve the energy performance of buildings.

A key focus of Glaston's product development work is the energy-efficiency of products, and as a result, customers can process their glass more energy-efficiently than before. In addition, the company will focus in its product development on digital and IoT-based solutions and services. These enable the optimization of machine performance as well as real-time customer support without the need for travel that adversely impacts the environment.

As a frontrunner of its industry, Glaston is actively involved in developing the glass technologies of the future, such as smart glass solutions, and the company provides consulting and engineering services for the production of smart glass and energy glass windows as well as solar energy applications.

Personnel

Professional, committed and healthy employees are the foundation of Glaston's success. Glaston is committed to continuously developing the skills of employees and providing them with a safe and inspiring work environment where people have the opportunity to learn and develop.

In 2020, the number of employees decreased by 8% mainly due to integration related measures as well as actions to adjust operations to weakening demand especially in the Heat Treatment segment. Due to the COVID-19 pandemic, Glaston recommended and encouraged all those Glaston's employees who were able, to work remotely in order to safeguard their own health and the health of production personnel.

Of the total number of employees, 17% were women and of the members of the Executive Management Group 25% were women. Of the members of Glaston Corporation's Board of Directors, 12,5% were women.

At the end of 2020, Glaston had operations in 10 countries, of which the three largest, by employee numbers, were Germany, Finland and China. Personnel costs totaled EUR 54 million, i.e. 32% of net sales. Salaries and bonuses totaled EUR 45 million, pension expenses EUR 4 million and other personnel expenses EUR 5 million.

Glaston actively monitors the development of occupational safety. Our target is zero accidents at work. The day-to-day management and development of occupational safety is the responsibility of the company's various units in line with local legislation. Occupational safety training is given primarily in the company's assembly and production units. On average, occupational safety reviews are conducted every three months and, based on them, development measures are agreed upon. Occupational safety training is organized on a regular basis, and workers' councils participate in planning them. In Germany, supervisors arrange annual safety training for their subordinates.

Business risks

Strategic risks

A review of strategic risks is part of the Group's strategic planning process. A risk is defined as strategic where, if realized, it may have long-term effects on business.

Pandemic risk

The economic crisis caused by the COVID-19 pandemic has had a significant impact on Glaston. The uncertainty related to the situation prevails with several potential development scenarios. The situation is changing quickly with renewed upticks in COVID-19 infections in places where infection levels had been reduced significantly, re-openings have been revoked, and shutdowns are being reinstated. The new variants of the virus, which might be significantly more transmissible, coupled with a slow rollout of vaccinations and vaccines not working effectively against new and rapidly spreading variants of the virus further complicates the situation. The second and third wave of infections could become more severe than the first wave and last much longer than estimated, requiring more stringent and longer lasting containment measures than estimated.

Mitigation of the COVID-19 pandemic-related near-term business disruptions has been a key priority throughout the year and Glaston has taken prompt action to safeguard the health and safety of its employees and also safeguard the company's financial stability. Because of all the preventive measures that were already introduced at an early stage, Glaston has been able to maintain all production operations throughout the pandemic. Glaston is continuing to monitor the situation very closely.

If the COVID-19 pandemic depresses the global economy for a longer period and the expected rebound does not take place, the willingness of Glaston's customers to invest in new equipment could decrease.If the operating conditions of the services business deteriorate again, the company's liquidity could suffer. Should the company's earnings and financial position be considerably impacted, the covenants of the financing agreement may be breached, which could lead to increased financing costs. Glaston manages risks through cost savings and risk management, as well as through proactive discussions with providers of finance. As a measure to ensure adherence to the terms of its external financing Glaston agreed with its financing banks in August 2020 on increased covenant levels and the postponement of debt repayments for the remainder of 2020. In December, Glaston agreed with its financing banks to extend the maturity of its senior facilities agreement by one year to the end of March 2023.

Business environment risks

The company operates worldwide and changes in the global economy and business cycles directly impact on the company's operating conditions. The company's business is largely linked to trends in global investment demand. Demand for the company's products is influenced by global, regional and national macroeconomic conditions, which affect the end users of its products. As a result, Glaston is exposed to business cycles in its customers' industries, such as the construction, automotive appliance and solar energy industries. In recent years, general economic and financial market conditions in Europe and elsewhere in the world have fluctuated significantly, and the general increase in uncertainty could reduce the willingness to invest and therefore negatively impact on Glaston's order intake, net sales and earnings.

The Covid pandemic has slowed the pace of urbanization and commercial building industry development. The future role of office buildings might change as remote work becomes more commonplace. In the mid-to-long term this could have an impact on commercial building development, which is an important driver especially for flat tempering and flat laminating in the heat treatment business. Demand for insulating glass machines is currently driven by the widespread global need to improve the energy performance of buildings and is therefore less dependent on the global economic cycle. This brings stability to the company alongside the more cyclical heat treatment and automotive glass businesses.

Due to rising costs caused by increasing global environmental requirements and environmental pollution, vehicle manufacturers need to invest in more low-emission and energy-efficient technologies and products. Changing consumer behavior, stricter requirements and tighter regulation have led to a shift in the investments of automotive industry customers. Long-term disruption and structural changes in the market could impact demand for the Group's automotive glass machines. Increasing automotive glass requirements present new challenges for glass processing, bringing new players to the market and creating new opportunities for glass processing technology suppliers. From a technical perspective, environmental requirements will be met, among other things, through the use of lighter vehicle structures, on which thin glass, in particular, will have a positive impact.

Heat treatment and automotive glass machines accounted for 31% of the company's net sales in 2020.

In addition to sales of new machines, the company is focusing on increasing its services business, with the aim of partially balancing its cyclically sensitive business and improving its profitability.

Competitive situation and price risks

Competition in the glass processing machines and services market is intense, and Glaston is in competition with several multinational companies and regional manufacturers and service providers, as well as indirectly with its customers' operations. The intensification of competition may lead to a deterioration of order intake, project margins or terms of payment, thereby adversely impacting Glaston's business. Existing or new competitors may expand into one or more of the company's key markets, or may seek to increase their market share through aggressive pricing strategies or other means. For example in China, which is the largest market for the glass processing industry globally, purchasing behavior is more cost-conscious than in other market areas. Consequently, price competition is intense and local players have certain competitive advantage in the market. The company's position in the Chinese market and its success in launching and increasing the sales of new products developed for the market are important factors in the company's long-term growth.

Utilizing the full potential of the integration will create opportunities for the company to develop its markets and cost competitiveness as well as to seek growth by developing its product range to better meet the needs of mid-range segment customers in the glass processing market, particularly in Asia's architectural market.

Technology risks

One of Glaston's most significant strategic risks is technology risk, i.e. entry into the market by a competing machine or glass processing technology, which would result in a reduction of Glaston's currently high market shares and require the company to make considerable investments in product development. Glaston also invests in new, early-stage technologies whose commercial viability is uncertain. Currently this mainly comprises Glaston's stake in Heliotrope Technologies where unsuccessful commercialization of the product or the company being unsuccesful in raising funding for the product development could lead to a write-off of the investment and other assets related to the project.

Responsibility and climate change risks

Glaston has assessed its responsibility risks, including risks related to climate change, in both its strategic and operational risk assessments. However, the risks were not found to be significant. The potential risks associated with responsibility, climate change and Glaston's products include regulatory changes, environmental protection and rising operating costs due to environmental taxation.

Glaston's position as a frontrunner in technology development reduces the company's responsibility risks and supports the exploitation of the opportunities provided by more stringent environmental requirements, for example through the insulating glass and smart glass technologies offered by the company. In addition, a key focus of Glaston's product development work is the energy-efficiency of products, and consecuently customers can process their glass more energy-efficiently than before.

Changes in the climate

As a result of climate change, changes in annual rainfall and extreme weather conditions are becoming more common. Floods or unusual levels of snow and ice, for example, could jeopardize the continuity of Glaston's operations. None of Glaston's production facilities are located in such a way that there is a significant risk that flooding would jeopardize their activities. Glaston manages these risks at the Group level and takes the necessary preventive measures for its production facilities and their machinery and equipment.

Compliance and corruption risk

Glaston recognizes the risk of becoming the target of third-party fraud and that the risk of corruption and fraud is possible in the company's operating areas. Glaston's operations are guided by its Code of Conduct, which has been approved by the company's Board of Directors. The company always adheres to high ethical operating principles and requires strict compliance with its anti-corruption procedures. The Code of Conduct describes the company's requirements and expectations regarding responsible and ethical conduct. In addition, the Code of Conduct guides Glaston's employees in their daily work with colleagues, customers, suppliers and other stakeholders. The topics covered include workplace conduct and responsible business practices as well as the environment and sustainable development. The Code of Conduct was updated in 2020. In addition, a separate Supplier Code of Conduct was approved by the Board of Directors as well as an anti-bribery and anti-corruption policy. All personnel will be trained in the updated Code of Conduct during 2021. The Code of Conduct is complemented by other Group-level operating guidelines approved by the Board of Directors. Local guidelines, on occupation health and safety, for example, supplement the Group-level guidelines.

Glaston has a whistleblowing system that allows personnel to anonymously report any violations of the Code of Conduct and other guidelines. Group-level guidelines are available on the company's intranet. Local guidelines are available on either the intranet sites or shared networks of operating locations.

Operational risks

Operational risk management forms part of the daily work of business areas. Opportunities and risks are identified, assessed and managed on a daily basis.

Glaston's most significant operational risks include management and possible quality problems related to demanding customer projects, availability of components, management of the contractual partner and subcontractor network, product development, succeeding in the protection and efficient production of intellectual property rights as well as the availability and permanence of expert personnel. In some cases, the possible failure of a single project may have significant financial implications if its size or contractual terms and conditions are exceptional.

The successful growth of the Group's operations requires successful management and the controlled growth of resources. In addition, digitalization and developing technologies are bringing requirements for technological and business management expertise. The Group's ability to attract new types of expertise and maintain a high level of job satisfaction among its employees is further emphasized.

Glaston's balance sheet contains a substantial amount of goodwill. A prolonged period of low demand may lead to a situation in which Glaston's recoverable amounts are insufficient to cover the carrying amounts of asset items, particularly goodwill. If this happens, it will be necessary to recognize an impairment loss, which, when implemented, will weaken the result and equity.

Glaston continually develops its information systems and, despite careful planning, temporary disruptions to operations might be associated with the introduction stages. Because of the industrial internet, the significance of information security risks has increased, and the management of such risks is the subject of particular attention.

Financial risks

The Group's most significant financial risks are foreign exchange, credit and refinancing risks. Financial risks and their management are described in the section Management of Financial Risks of the Annual Review.

The Group's risk management processes are described in the Corporation Governance Statement.

Events after the closing date

On 15 January 2021, Glaston announced the appointment of Susanna Kohisevankoski as SVP People and Culture and a member of the Executive Management Group. She will take up her position no later than July 2021. Taina Tirkkonen, the company's current General Counsel and SVP Human Resources, will continue as the company's General Counsel and a member of the Executive Management Group.

Uncertainties and factors affecting nearfuture development

In the fourth quarter of 2020, the global community adapted on a step-by-step basis to the "new normal" characterized by the pandemic, and market activity increased in Glaston's market segments. Recent vaccine development and approvals also raised hopes of a turnaround in the pandemic later in 2021. Nevertheless, near-term risks continue to be mainly related to the impacts of the COVID-19 pandemic. The uncertainty related to the pandemic prevails as the situation might change quickly for the worse with new lock-downs, new variants of the virus, a slow rollout of vaccinations and a shortfall of doses. Thus higher-than-normal uncertainty is related to customers' investment behavior.

Glaston's outlook for 2021

The strong recovery in orders received towards the end of 2020 and continued positive market environment during the first weeks of 2021 indicate positive development for both the machines and services business throughout 2021. However, reflecting the lower order intake in 2020 compared to the previous year Glaston will start 2021 with a 20% lower order backlog than the previous year. This will have an impact on Glaston's net sales and comparable operating profit for the first half of 2021. The uncertainty related to the pace and extent of market recovery continues to be higher than normal due to the COVID-19 pandemic and its implications on economic activity, investments and travel restrictions.

Based on the expected continued market recovery, Glaston Corporation estimates, that its net sales and comparable EBITA will improve in 2021 from the levels reported for 2020. In 2020, Group net sales totaled EUR 170.1 million and comparable EBITA was EUR 7.7 million.

Board of Directors' proposal on the distribution of profits

The distributable funds of Glaston Corporation, are EUR 72,146,705 of which EUR 3,151,611 represents the loss for the financial year. No funds are available for dividend distribution.

For the Annual General Meeting to be held on 13 April 2021, the Board of Directors proposes that the loss for the financial year 2020 be placed in retained earnings and no dividend be paid.

The Board of Directors proposes to the Annual General Meeting that based on the balance sheet to be adopted for financial period 2020, a return of capital of a total of EUR 1,685,798 be distributed, i.e. EUR 0.02 per share.

The return of capital will be paid from the reserve for invested unrestricted equity to shareholders who are registered in the company's register of shareholders, maintained by Euroclear Finland Ltd, on the record date for payment, 15 April 2021. The Board of Directors proposes to the Annual General Meeting that the return of capital be paid on 23 April 2021.

The number of shares entitled to a return of capital on the date of the proposal on the distribution of profits is 84,289,911, corresponding to a total return of capital of EUR 1,685,798. EUR 70,460,907 will be left in distributable funds.

There have been no substantial changes in the company's financial position after the end of the financial year. In the view of the Board of Directors, the proposed distribution of profits does not jeopardize the company's solvency.

Helsinki, 9 February 2021
Glaston Corporation
Board of Directors

Per Share Data

	2020	2019	restated* 2018
Earnings per share, adjusted with share issue EUR [1]	-0.065	-0.089	0.041
Return of capital per share, EUR [2]	0.02	-	0.03
Return of capital ratio, % [2]	-30.9%	-	73.9%
Return of capital yield [2]	2.2%	-	2.1%
Adjusted equity attributable to owners of the parent per share, EUR [1]	0.82	0.87	0.94
Price per earnings per share (P/E) ratio [1]	-13.7	-14.1	35.4
Price per equity attributable to owners of the parent per share [1]	1.09	1.44	1.53
Capital repayment, EUR million [2]	1.7	-	1.2
Number of shares at the end of the year, adjusted with share issue [1]	84,289,911	84,289,911	38,726,627
Number of shares at the end of the year, adjusted with share issue, treasury shares excluded [1]	84,289,911	84,289,911	38,568,911
Number of shares, average, adjusted with share issue, treasury shares excluded [1]	84,289,911	72,071,521	51,302,265

	2020	2019	restated* 2018
Share price and turnover			
Share price, year high, EUR [1]	1.27	1.82	1.89
Share price, year low, EUR [1]	0.58	1.05	1.38
Share price, volume-weighted year average, EUR [1]	0.78	1.25	1.65
Share price, end of year, EUR [1]	0.89	1.26	1.44
Number of shares traded (1,000) [1]	24,638	10,878	4,307
% of average number of registered shares [1]	29.2%	15.1%	8.4%
Market capitalization of registered shares, end of year, treasury shares excluded, EUR million [1]	75.0	105.8	55.4

[1] A Reverse share split was implemented on 1 March 2019. A Rights issue was implemented during the second quarter in 2019. The number of shares and the share price and key ratios based on these for the comparative periods has been restated accordingly.

[2] Board of Directors' proposal to Annual General Meeting

*) Glaston is applying the new leasing standard 'IFRS 16 Leases' fully retrospectively from 1 January 2019 and has restated the comparable figures accordingly for 2018.

Financial Ratios

EUR thousand	2020	2019	restated* 2018
Income statement and profitability			
Net sales	170,067	181,018	101,139
Operating result	-541	-1,270	3,833
% of net sales	-0.3%	-0.7%	3.8%
Comparable operating result	3,225	5,937	5,663
% of net sales	1.9%	3.3%	5.6%
Financial income and expenses (net)	-2,761	-3,084	-1,239
% of net sales	-1.6%	1.7%	1.2%
Result before income taxes and non-controlling interests	-3,302	-4,354	2,594
% of net sales	-1.9%	-2.4%	2.6%
Income taxes	-2,161	-2,042	-671
Net profit / loss attributable to owners of the parent	-5,463	-6,393	2,083
% of net sales	-3.2%	-3.5%	2.1%
Return on capital employed (ROCE), %	-0.4%	-1.3%	6.5%
Return on equity, %	-7.7%	-11.6%	5.3%
Research and development expenses	5,823	6,437	4,098
% of net sales	3.4%	3.6%	4.1%
Gross capital expenditure	3,368	63,081	2,020
% of net sales	2.0%	34.8%	2.0%
Order book, EUR million	63.9	79.5	38.2
Comparable operating result (EBIT)			
Operating result	-541	-1,270	3,833
Items affecting comparability	3,766	7,206	1,830
Comparable operating result	3,225	5,937	5,663
% of net sales	1.9%	3.3%	5.6%

EUR thousand	2020	2019	restated* 2018
Statement of financial position and solvency			
Property, plant and equipment and intangible assets	48,605	53,216	21,493
Goodwill	58,327	58,327	30,551
Non-current assets total	113,494	118,418	58,837
Equity attributable to owners of the parent	68,881	73,429	36,332
Equity (includes non-controlling interest)	68,881	73,429	36,399
Liabilities	138,399	143,244	62,473
Total assets	207,281	216,671	98,872
Capital employed	125,764	126,322	58,152
Net interest-bearing debt	33,623	33,032	13,902
Equity ratio, %	41.2%	41.6%	44.4%
Gearing, %	82.6%	72.0%	59.8%
Net gearing, %	48.8%	45.0%	38.2%

Personnel	2020	2019	2018
Personnel, average	744	689	379
Personnel, at the end of the period	723	790	357

*Glaston is applying the new leasing standard 'IFRS 16 Leases' fully retrospectively from 1 January 2019 and has restated the comparable figures accordingly for 2018.

Definitions 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*

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

Dividend yield per share*

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

Equity attributable to owners of the parent per share

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

Average trading price

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

Price per earnings per share (P/E)

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

Price per equity attributable to owners of the parent per share

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

Share turnover

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

Market capitalization

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

Number of shares at period end

Number of issued shares - treasury shares

* Definitions are also applied with return of capital

Financial ratios

EBITDA

Profit / loss before depreciation, amortization and impairment

Operating result (EBIT)

Profit / loss after depreciation, amortization and impairment

Cash and cash equivalents

Cash + other financial assets (includes cash and cash equivalents at amortized cost)

Net interest-bearing debt

Interest-bearing liabilities (includes interest-bearing liabilities at amortized cost) - cash and cash equivalents

Contents

Financial expenses

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

Equity ratio, %

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

Gearing, %

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

Net gearing, %

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

Return on capital employed, % (ROCE)

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

Return on equity, % (ROE)

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

Alternative performance measures

Comparable EBIT

Operating result after depreciation, amortization and impairment, +/- items affecting comparability

Comparable EBITA

Operating result before amortization, impairment of intangible assets and purchase price allocation +/- items affecting comparability

Comparable return on capital employed, % (Comparable ROCE)

(Profit / loss before taxes + amortization of purchase price allocations +/- items affecting comparability + financial expenses x 100) / Equity + interest-bearing liabilities, average of 1 January and end of the reporting period

Comparable earnings per share (Comparable EPS)

Net result attributable to owners of the parent +/- items affecting comparability / Adjusted average number of shares

Items affecting comparability:

Items affecting comparability are adjusted for non-business transactions or changes in valuation items when they arise from restructuring, acquisitions and disposals, related integration and separation costs, sale or impairment of assets. These may include staff reductions, rationalization of the product range, restructuring of the production structure and reduction of premises.

Impairment losses on goodwill, gains or losses on disposals due to changes in the group structure, exceptionally large gains or losses on tangible and intangible assets, exceptional compensations for damages and legal proceedings are restated as an item affecting comparability.

Consolidated Financial Statements

Consolidated Statement of Financial Position

EUR thousand	Note	31.12. 2020	31.12. 2019
Assets			
Non-current assets			
Goodwill	13,14	58,327	58,327
Other intangible assets	14	18,567	19,729
Property, plant and equipment	15	23,125	25,040
Right-of-use assets	23	6,913	8,448
Financial assets measured at fair value through other comprehensive income	17	2,842	3,078
Loan receivables	19	2,095	2,541
Deferred tax assets	12	1,625	1,256
Total non-current assets		**113,494**	**118,418**
Current assets			
Inventories	18	25,109	42,556
Receivables			
Trade and other receivables	19	17,721	22,971
Contract assets	7	27,347	12,647
Assets for current tax	12	351	219
Cash equivalents		23,259	19,861
Total current assets		**93,787**	**98,253**
Total assets		**207,281**	**216,671**

EUR thousand	Note	31.12. 2020	31.12. 2019
Equity and liabilities			
Equity			
Share capital	20	12,696	12,696
Share premium account	20	-	-
Other restricted equity reserves	20	74	23
Reserve for invested unrestricted equity	20	109,549	109,549
Treasury shares	4	-	-
Fair value reserve	20	-286	164
Other unrestricted equity reserves	20	53	53
Retained earnings and exchange differences	20	-53,204	-49,056
Equity attributable to owners of the parent		**68,881**	**73,429**
Non-controlling interest		-	-0
Total equity		**68,881**	**73,429**
Non-current liabilities			
Non-current interest-bearing liabilities	22	44,028	39,320
Non-current lease liabilities	23	6 620	8,230
Non-current non interest bearing liabilities and provisions	21,24,25	800	2,380
Deferred tax liabilities	12	7,764	6,669
Total non-current liabilities		**59,212**	**56,599**
Current liabilities			
Current interest-bearing liabilities	22	4,644	3,643
Current lease liabilities	23	1,590	1,700
Current provisions	24	3,531	3,916
Trade and other current interest-free payables	25	67,153	72,186
Contract liabilities	7	1,383	4,845
Liabilities for current tax	12	886	354
Total current liabilities		**79,187**	**86,644**
Total liabilities		**138,399**	**143,243**
Total equity and liabilities		**207,281**	**216,671**

Consolidated Statement of Profit or Loss

EUR thousand	Note	1.1.–31.12. 2020	2019
Net sales	7	**170,067**	**181,018**
Other operating income	8	2,329	1,844
Changes in inventories of finished goods and work in progress	18	-15,914	4,441
Own work capitalized		241	1,332
Materials	9	-65,155	-92,875
Personnel expenses	10	-53,815	-51,374
Other operating expenses	9	-30,188	-37,507
Depreciation, amortization and impairment	13	-5,971	-5,581
Depreciation of right-of-use assets	13	-2,136	-2,567
Operating result		**-541**	**-1,270**
Financial income	11	194	188
Financial expenses	11	-2,955	-3,272
Financial items, net		-2,761	-3,084
Result before income taxes		**-3,302**	**-4,354**
Income taxes	12	-2,161	-2,042
Profit / loss for the period		**-5,463**	**-6,396**
Attributable to:			
Owners of the parent		-5,463	-6,393
Non-controlling interest		-	-2
Total		**-5,463**	**-6,396**
Earnings per share, EUR [1]		-0.065	-0.089
Earnings per share, EUR, basic and diluted		**-0.065**	**-0.089**

[1] A Reverse share split was implemented on 1 March 2019. A Rights issue was implemented during the second quarter in 2019. The number of shares and the share price and key ratios based on these for the comparative period has been restated accordingly.

Consolidated Statement of Comprehensive Income

EUR thousand	1.1.–31.12. 2020	2019
Profit / loss for the period	**-5,463**	**-6,396**
Other comprehensive income that will be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	-629	-361
Cash flow hedges	-277	42
Income tax on other comprehensive income	-1	-12
Other comprehensive income that will not be reclassified subsequently to profit or loss:		
Exchange differences on actuarial gains and losses arising from defined benefit plans	-6	-1
Fair value changes of financial assets measured at fair value through other comprehensive income	-120	63
Actuarial gains and losses arising from defined benefit plans	1,565	-1,232
Taxes on actuarial gains and losses arising from defined benefit plans	276	268
Other comprehensive income for the reporting period	**809**	**-1,234**
Total comprehensive income for the reporting period	**-4,654**	**-7,629**
Attributable to:		
Owners of the parent	-4,654	-7,627
Non-controlling interest	-	-2
Total comprehensive income for the reporting period	**-4,654**	**-7,629**

Consolidated Statement of Changes in Equity

EUR thousand 2019	Note	Share capital	Share premium account	Reserve for invested unrestricted equity	Treasury shares	Fair value and other reserves	Retained earnings	Cumulative exchange difference	Attributable to owners of the parent	Non-controlling interest	Total equity
Equity 1 January		**12,696**	**25,270**	**39,628**	**-3,308**	**194**	**-42,667**	**4,519**	**36,332**	**67**	**36,399**
Total comprehensive income for the period	20	-	-	-	-	93	-7,358	-362	-7,627	-2	-7,629
Changes in non-controlling interest		-	-	-	-	-	-	-	-	-65	-65
Share-based incentive plan		-	-	-	-	-	-	12	12	-	12
Share-based incentive plan, tax effect		-	-	-	-	-	-	-2	-2	-	-2
Change in treasury shares		-	-	-	3,308	-	-3,308	-	0	-	0
Return of capital		-	-	-1,157	-	-	-	-	-1,157	-	-1,157
Share issue		-	-	45,808	-	-	-	-	45,808	-	45,808
Total transactions with owners of the Company		**-**	**-**	**44,651**	**3,308**	**-**	**-3,308**	**10**	**44,662**	**65**	**44,597**
Dissolution of share premium account		-	-25,270	25,270	-	-	-	-	-	-	-
Other changes		-	-	-	-	-	63	-	63	-	63
Equity 31 December		**12,696**	**-**	**109,549**	**-**	**287**	**-53,270**	**4,167**	**73,429**	**-**	**73,429**

EUR thousand 2020	Note	Share capital	Share premium account	Reserve for invested unrestricted equity	Treasury shares	Fair value and other reserves	Retained earnings	Cumulative exchange difference	Attributable to owners of the parent	Non-controlling interest	Total equity
Equity 1 January		**12,696**	**-**	**109,549**	**-**	**287**	**-53,270**	**4,167**	**73,429**	**-**	**73,429**
Total comprehensive income for the period	20	-	-	-	-	-452	-3,575	-627	-4,654	-	-4,654
Changes in non-controlling interest		-	-	-	-	-	-	-	-	-	-
Share-based incentive plan		-	-	-	-	-	-	45	45	-	45
Share-based incentive plan, tax effect		-	-	-	-	-	-	-9	-9	-	-9
Change in treasury shares		-	-	-	-	-	-	-	-	-	-
Return of capital		-	-	-	-	-	-	-	-	-	-
Share issue		-	-	-	-	-	-	-	-	-	-
Total transactions with owners of the Company		**-**	**-**	**-**	**-**	**-**	**-**	**36**	**36**	**-**	**36**
Dissolution of share premium account		-	-	-	-	-	-	-	-	-	-
Other changes		-	-	-	-	-	-	70	70	-	70
Equity 31 December		**12,696**	**-**	**109,549**	**-**	**-165**	**-56,845**	**3,646**	**68,881**	**-**	**68,881**

Consolidated Statement of Cash Flows

EUR thousand	1.1.–31.12. 2020	2019
Cash flows from operating activities		
Net result attributable to owners of the parent	-5,463	-6,393
Adjustments to net result attributable to owners of the parent	11,548	11,855
Interest received	134	75
Interest paid	-1,349	-1,597
Dividends received	9	8
Other financing items	-997	-1,073
Income taxes paid	-901	-595
Cash flows from operating activities before change in net working capital	**2,981**	**2,279**
Change in net working capital		
Change in inventories	16,663	-10,056
Change in current receivables	-12,227	5,746
Change in interest-free current liabilities	-6,696	12,866
Change in net working capital, total	**-2,260**	**8,556**
Cash flows from operating activities	**720**	**10,835**
Cash flows from investing activities		
Acquisition of subsidiaries less cash at the date of acquisition	-	-51,659
Purchase of loan receivables of subsidiaries acquired	-	-16,938
Other purchases of non-current assets	-3,369	-4,586
Proceeds from sale of business and investments	564	530
Proceeds from sale of other non-current assets	586	202
Cash flows from investing activities	**-2,220**	**-72,451**
Cash flow before financing	**-1,499**	**-61,615**

EUR thousand	1.1.–31.12. 2020	2019
Cash flows from financing activities		
Share issue, net	-	45,808
Draw-down of non-current loans	7,500	40,073
Repayments of non-current loans	-	-5,000
Change in loan receivables (decrease +, increase -)	88	-
Draw-down of current loans	-	33,000
Repayments of current loans	-1,644	-37,644
Return of capital	-	-1,157
Cash flows from financing activities	**5,945**	**75,081**
Effect of exchange rate fluctuations	**-1,047**	**-1,457**
Net increase (- decrease) in cash and cash equivalents	**3,398**	**12,009**
Cash and cash equivalents at beginning of period	19,861	7,852
Cash and cash equivalents at end of period	23,259	19,861
Net increase (- decrease) in cash and cash equivalents	**3,398**	**12,009**

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

Supplemental Information for Statement of Cash Flows

	1.1.–31.12.	
EUR thousand	2020	2019
Cash and bank	23,125	19,757
Other securities	135	104
Total cash and cash equivalents	**23,259**	**19,861**
Cash flows from operating activities		
Adjustments to net result attributable to owners of the parent		
Depreciation, amortization and impairments	8,107	8,148
Changes of provision	-639	-2,390
Financing items	2,761	3,084
Taxes	2,161	1,823
Others	-842	1,189
Adjustments to net result attributable to owners of the parent Total	**11,548**	**11,855**
Cash flows from investing activities		
Disposal of subsidiaries		
Proceeds from sale of investments	350	1,304
Expenses related to the sale, paid during the year	–	-30
Cash and cash equivalents of divested subsidiaries	–	-744
Net cash flow	**350**	**530**

	1.1.–31.12.	
EUR thousand	2020	2019
Net assets disposed		
Net working capital	–	175
Property, plant, equipment, intangible assets, shares and other long-term investments	–	16
Other interest-free liabilities	–	-140
Total disposed net assets	**–**	**51**

Glaston Mexico S.A. de C.V. , Glaston's subsidiary in Mexico was sold in October 2019 from which EUR 0.1 million was booked as loss. The company's external revenue for the financial year 2019 was EUR 2.2 million and the loss for the financial year was EUR 0.1 million.

	2020	2019
Business combinations		
Purchase price of the shares	–	-56,720
Purchase price of loan receivables of subsidiaries acquired	–	-16,938
Cash at the date of aquisition	–	5,061
Cash flow from acquisition of subsidiaries less cash at the date of acquisition	**–**	**-68,596**

The net assets of acquired businesses are presented in note 5.

	2020	2019
Total cash outflow on lease liablities	-3,021	-3,017

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Summary of significant accounting policies – consolidated financial statements

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

Basic Information

Glaston Corporation is a public limited liability company organized under the laws of the Republic of Finland and domiciled in Helsinki, Finland. Glaston's shares are publicly traded in Nasdaq Helsinki Ltd. Small Cap in Helsinki, Finland. Glaston Corporation is the parent of Glaston Group and its registered office is at Lönnrotinkatu 11, 00120 Helsinki, Finland.

Glaston Group is an international glass technology company. Glaston is one of the leading manufacturers of glass processing machines globally. Its product range and service network are the most extensive in the industry. The operations of Glaston Group are organized in three reportable segments which consists of operating segments.

The Board of Directors of Glaston Corporation has in its meeting on 9 February 2021 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.

Applied New and Amended Standards and Interpretations

In addition to the standards and interpretations presented in the financial statements for 2020, the Group will adopt IFRS standards, IFRIC interpretations and changes to existing standards and interpretations that enter into effect in 2021. Management estimates that these will have no material effect on Glaston's consolidated financial statements.

Consolidation Principles

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

Associates, where the Group has a significant influence (holding normally 20–50 per cent), are accounted for using the equity method. The Group's share of the associates' net results for the financial year is recognized as a separate item in profit or loss. The Group's interest in an associate is carried in the statement of financial position at an amount that reflects its share of the net assets of the associate together with goodwill on acquisition, if such goodwill exists. When the Group's share of losses exceeds the carrying amount of associate, the carrying amount is reduced to nil and recognition of further losses ceases unless the Group is committed to satisfy obligations of the associate by guarantees or otherwise. Glaston Group has no associates in years 2020 and 2019.

Other shares, i.e. shares in companies in which Glaston owns less than 20 percent of voting rights, are classified as assets recognized at fair value through other comprehensive income, or if the fair value cannot be measured reliably, at acquisition cost, and dividends received from them are recognized in profit or loss.

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

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

Foreign Subsidiaries

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

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

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

Transactions in Foreign Currency

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

Financial Assets and Liabilities

Glaston's financial assets have been classified into three categories: as assets recognized at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. The classification depends on the business model under which the financial assets are managed as well as the characteristics of the instrument's cash flows. A financial asset item is derecognized from the statement of financial position when Glaston's contractual right to the cash flows from the financial asset item expire or the financial asset item is transferred to an external party and the transfer fulfills the asset derecognition requirements of IFRS 9.

Financial liabilities are classified at amortized cost using the effective interest method, or at fair value through profit or loss. A financial liability or part of a financial liability is derecognized from the statement of financial position when the liability has ceased to exist, i.e. when the obligation specified in the contract has been discharged or canceled or has expired.

Derivative Contracts Recognized at Fair Value through Profit or Loss, And Hedge Accounting

Derivative contracts are entered in the statement of financial position at the time of acquisition at fair value and remeasured at fair value in the financial statements using the market prices at the end of the reporting period. Entries of the changes of derivatives are influenced by whether a derivative contract falls within the scope of hedge accounting. Derivatives that do not meet the hedge accounting conditions are financial assets and liabilities acquired for trading and entered at fair value through profit or loss, and whose changes of value are recognized immediately through profit or loss.

When a hedging arrangement is entered into, the relationship between the item being hedged and the hedging instrument, as well as the objectives of the Group's risk management are documented. The IFRS 9 standard requires an economic relationship between the hedged item and the hedging instrument as well as the same hedge ratio that management actually uses in risk management.

If the hedging accounting conditions are met, cash flow hedge accounting under IAS 9 is applied with respect to foreign exchange derivatives. If the hedge accounting conditions are not met, the result of hedging instruments when hedging a commercial foreign exchange risk are recognized in profit or loss within other operating income or expenses.

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

In reporting periods 2020 and 2019, hedge accounting was used in hedging the trade receivables of projects. At the end of reporting periods 2020 and 2019, Glaston had open foreign exchange forward contracts.

Other Assets Recognized at Fair Value through Profit or Loss

Other assets recognized at fair value through profit or loss may include current investments that are acquired and held for trading, i.e. acquired or incurred for the main purpose of selling them in the short term. Other assets recognized at fair value through profit or loss are included in current assets in the statement of financial position.

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

Loans and Other Receivables

Loans and other receivables are assets which are not included in derivative assets. Loans and other 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.

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

Trade receivables are carried at the original invoice amount less the share of the discounted interest and an estimate made for doubtful receivables. The estimate made for doubtful receivables is based on a review of all trade receivables outstanding on the reporting date as well as on an assessment of the impairment of financial assets based on expected credit losses. Impairment losses of trade receivables are recorded in a separate allowance account within trade receivables, and the impairment losses are recognized in profit or loss as other operating expenses. If the impairment loss is final, the trade receivable is derecognized from the allowance account. If a payment is later received from the impaired receivable, the received amount is recognized in profit or loss as a deduction of other operating expenses. If no impairment loss has been recognized in allowance account and the impairment loss of the trade receivable is found to be final, impairment loss is recognized directly as deduction of trade receivables.

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

Financial Assets Valued at Fair Value through other comprehensive income

Financial assets measured at fair value through other comprehensive income are financial assets not included in derivative assets, assets or liabilities recognized at fair value through profit or loss, or other receivables.

Listed investments included in financial assets measured at fair value through other comprehensive income are valued at the market price at the end of the reporting period. Investments whose fair value cannot be reliably determined, such as unlisted shares and other investments, are stated at acquisition cost or lower if an impairment loss is recognized for the investment.

Unrealized changes in the fair value of financial assets measured at fair value through other comprehensive income are recognized in other comprehensive income less tax effects and are included in the fair value reserve in equity.

Financial assets at fair value through other comprehensive income 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, debenture bond, trade payables and advances received. They are included in current or non-current liabilities in accordance with their maturity.

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

Revenue Recognition

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

Revenue from the sale of goods is recognized at a specific date or within a certain period, according to when the buyer receives the goods or gains control. Normally, this takes place at the date of the delivery in accordance with the terms of delivery. Revenue from services rendered and repair work is recognized when the service has been rendered or the work has been completed. Revenue is recognized in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods delivered or services rendered.

In satisfying the terms of IFRS 15, Glaston recognizes the revenue from tailor-made glass processing machine deliveries over time (partial revenue recognition). As a revenue recognition practice, Glaston applies the cost-to-cost method, i.e. the share of accumulated project costs compared to total estimated costs is used as the degree of completion. Revenue recognition takes place over time, according to when costs accumulate and are recognized for the project.

Pensions and Other Long-term Employee Benefits

The Group has various pension plans in accordance with the local conditions and practices in the countries

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where it operates. The pension plans are classified as defined contribution plans or defined benefit plans. The payments to the schemes are determined by actuarial calculations.

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

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

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

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

According to the standard Glaston records actuarial gains and losses in other comprehensive income. Only current and past service costs as well as net interest on net defined benefit liability can be recorded in profit or loss. Other changes in net defined benefit liability are recognized in other comprehensive income with no subsequent recycling to profit or loss.

Share-based Payments

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

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

The expenses arising from the incentive plans are recognized in profit or loss during the vesting periods. The cash-settled portion of the incentive plans is recorded as a liability in the statement of financial position, if it has not been paid, and the portion settled in shares is recorded in retained earnings in equity net of tax. Glaston records the personnel costs arising from the share-based incentive plans to the extent it is liable to pay them. The share-based incentive plans are described in Note 30 to the consolidated financial statements.

Current and Deferred Taxes

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

Income taxes which relate to items recognized in other comprehensive income are therefore 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, through other comprehensive income and derivative instruments at fair value, inter-company inventory profits, share-based payments and confirmed tax losses.

Items Affecting Comparability

Items affecting comparability are adjusted for non-business transactions or changes in valuation items when they arise from restructuring, acquisitions and disposals, related integration and separation costs, sale or impairment of assets. These may include staff reductions, rationalization of the product range, restructuring of the production structure, and reduction of premises.

Impairment losses on goodwill, gains or losses on disposals due to changes in the group structure, exceptionally large gains or losses on tangible and intangible assets, exceptional compensations for damages and legal proceedings are restated as an item affecting comparability. Additionally large gains or losses on tangible and intangible assets, exceptional compensations for damages and legal proceedings are restated as an item affecting comparability.

Intangible Assets

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

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

The estimated useful lives for intangible assets are as follows:

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

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

Borrowing costs are capitalized as part of the acquisition cost of intangible assets if the intangible assets are qualifying assets as defined in IAS 23 Borrowing Costs. In 2020 or 2019 Glaston did not have any qualifying assets.

Goodwill

Goodwill represents the excess of the acquisition cost over fair value of the assets less liabilities of the acquired entity. Goodwill arising from the acquisition of foreign entities of acquisitions is treated as an asset of the foreign entity and translated at the closing exchange rates at the end of the reporting period.

Acquisitions 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).

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

Glaston's goodwill has been allocated to the cash generating units of the group.

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 labor 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

The buildings include the investment property which is part of the plant situated in Tianjin, China. This is reported as investment property and has been leased since 2016 under a 10-year agreement.

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

The costs of major inspections or the overhaul of property, plant and equipment items, that occur at regular

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intervals and are identified as separate components, are capitalized and depreciated over their useful lives. Ordinary maintenance and repair charges are expensed as incurred.

Borrowing costs are capitalized as part of the acquisition cost of tangible assets if the tangible assets are qualifying assets as defined in IAS 23 Borrowing Costs. In 2020 or 2019 Glaston did not have any qualifying assets.

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

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

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

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

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

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

Impairment of Assets

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

Cash flow projections have been calculated on the basis of reasonable and supportable assumptions. They are based on the most recent financial plans and forecasts that have been approved by management. Estimated cash flows are used for a maximum of five years. Cash flow projections beyond the period covered by the most recent plans and forecasts are estimated by extrapolating the projections. The discount rate is the weighted average cost of capital. It is a pre-tax rate and reflects current market assessments of the time value of money at the time of review and the risks related to the assets. Impairment of assets has been described in more detail in Note 13 to the consolidated financial statements.

Inventories

Inventories are reported at the lower of cost and net realizable value. Cost is determined on a first in first out (FIFO) basis, or alternatively, weighted average cost. Net realizable 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 labor, other direct costs and a systematically allocated appropriate share of variable and fixed production overheads. As Glaston's machine projects are usually not considered to be qualifying assets as defined in IAS 23, borrowing costs are not included in the cost of inventory in normal machine projects.

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

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

Government Grants

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

Accounting for Leases

All leases over 12 months in length are recognized in the lessee's statement of financial position. The lessee recognizes in the statement of financial position a right-of-use asset item, based on its right to use the said asset, and a lease liability item corresponding to the present value of the asset, based on the obligation to make the lease payments. IFRS 16 Leases contains exemptions for leases of 12 months or less and for assets of low value. Glaston adopts the exemptions permitted by IFRS 16 for leases of 12 months or less and for assets of low value and continues to treat them as other leases, and their costs are recognized as an expense on a straight-line basis.

Under IFRS 16 Leases, the amount of the right-of-use asset and the liability is calculated by discounting future minimum lease payments. The discount rate will primarily be the interest rate implicit in the lease, if available. In leases where the implicit interest rate is not specified, the discount rate used is the lessee's incremental borrowing rate, the components of which are the currency-specific reference rate, the interest margin and any country or currency risk premium.

Glaston has leased machinery and equipment for production use, which have been treated as finance leases and for which a finance lease receivable has been recognized in the Group. The lessor's leases are subdivided into finance leases and other leases.

Provisions

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

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

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

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

Segment Information

Glaston's reportable segments are Glaston Heat Treatment, Glaston Insulating Glass, Glaston Automotive & Emerging Technologies. The reportable segments comply with the group's accounting and valuation principles. In inter-segment transactions, Glaston complies with the same commercial terms and conditions as in its third party transactions.

The reportable segments consist of operating segments, which have been aggregated in accordance with the criteria of IFRS 8.12. Operating segments have been aggregated, when the nature of the products and services is similar, the nature of the production process is similar as well as the type or class of customers. Glaston Group's business consists of the manufacture and sale of glass processing machines as well as the service operations for these machines. There is a high level of integration between glass machines and maintenance. Their customers are the same, as is their market development, which is linked to the general development of the global market.

The reportable segment is disclosed in more detail in the Note 6 to the consolidated financial statements.

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Critical Accounting Estimates and Judgmentst

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

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

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

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

Dividends and Return of Capital

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

Treasury Shares

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

Earnings per Share

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

Order Book

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

Orders Received

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

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Critical accounting estimates and judgments

The most significant management estimates relate to impairment tests, which require use of estimates in the calculations. In impairment testing management estimates recoverable amount of an asset or a cash generating unit. Recoverable amount is the higher of fair value less costs to sell and value in use. When calculating value in use, management estimates the future cash flows as well as the discount rates used in discounting the cash flows. Discount rates reflect current market assessments of the time value of money at the time of impairment testing and the risks related to the tested assets. Estimated cash flows include assumptions of, among other things, future prices, production levels, costs and development of the markets. Impairment loss is recorded if the carrying amount exceeds recoverable amount. The sensitivity analyses related to the impairment tests performed are described in Note 13 to the consolidated financial statements.

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.

Customer relationships, trademarks, product development assets and other intangible assets acquired in a business combination are measured at fair value at the acquisition date and subsequently amortized over their estimated useful lives.

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 2020, Glaston had EUR 5.7 (4.9) million of capitalized development expenditure on its statement of financial position.

Measurement of inventories and trade and loan receivables includes some management estimates. Inventories are measured at lower of cost and net realizable value. Net realizable 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 realizable value is used in testing the recoverable amount of inventories in order to avoid the inventories being carried in excess of amount expected to be realized from their sale or use. If management estimates that carrying amount of a trade or loan receivable exceeds its fair value, an impairment loss is recognized. For example, payment defaults or late payments are considered as indications of impairment of the receivable. The carrying amount of inventory at the end of the reporting period was EUR 25.1 (42.6) million, the carrying amount of trade receivables was EUR 14.6 (18.5) million and the carrying amount of loan receivables was EUR 1.6 (1.8) million.

Recognition and measurement of deferred tax liabilities and assets include management estimates, especially deferred tax assets arising from confirmed tax losses of group companies or from other temporary differences. Deferred tax assets are recognized for deductible temporary differences and tax losses to the extent that it is probable that taxable profit will be available against which tax credits and deductible temporary differences can be utilized. All tax liabilities and assets are reviewed at the end of the reporting period and changes are recognized in profit or loss. At the end of the reporting period, Glaston's had deferred tax assets of totaling EUR 1.6 (1.3) million and deferred tax liabilities totaling EUR 7.8 (6.7) million.

If Glaston's management has assessed that as a result of a past event Glaston has a legal or constructive obligation, and that it is probable, that an outflow of resources will be required to settle the obligation, the management has estimated the amount of provision recognized from the obligation. The amount of the provision is the management's best estimate of the amount required to settle the obligation at the end of the reporting period. Glaston's most significant provision at the end of the reporting period was the warranty provision of totaling EUR 2.7 (3.6) million. The management's estimate of the warranty provision is based on previous experience. The estimate of the restructuring provision is based on the restructuring plan in which the locations and personnel concerned have been identified. If possible, external experts have been used in estimating the amount of the provision. If the management has estimated that it is unlikely, that Glaston has an obligation, a contingent liability is presented in the notes to the consolidated financial statements.

Calculation of defined benefit pensions and other defined long-term employee benefits requires choosing certain assumptions which actuaries use in calculation of the obligations arising from defined benefit plans. These assumptions include, among other things, discount rates used in the measurement of plan assets and liabilities as well as other actuarial assumptions such as future salary increases and mortality rate.

In satisfying the terms of IFRS 15, Glaston recognizes the revenue from tailor-made glass processing machine deliveries over time (partial revenue recognition). As a revenue recognition practice, Glaston applies the cost-to-cost method, i.e. the share of accumulated project costs compared to total estimated costs is used as the degree of completion. Revenue recognition takes place over time according to when costs accumulate and are recognized for the project. Costs attributable to a project for which revenue is not yet recognized are included in inventories as construction contracts. Estimates are monitored and updated monthly and changes in revenue recognition are recognized in the same month as a forecast is changed. Forecasts are related to material and wage costs and to project overheads, which may result in a risk of a greater increase in a project's overall costs than forecast. Other risks related to the project and its profitability are unforeseen technical problems with supplied and installed equipment, which may give rise to repair costs. If project costs exceed the revenue of a project subject to partial revenue recognition, the loss is recognized for the period in which it is identified.

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Management of Financial Risks

Financial Risk Management

The main objectives for financial risk management within Glaston are to secure operational continuity, support the achievement of operational objectives and to implement treasury functions cost-effectively utilizing the Group's economies of scale.

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

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

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

Also investment of liquid funds is managed in accordance with the Treasury Policy. Liquid assets are invested in low risk instruments and only counterparties that possess good credit-worthiness are accepted.

COVID-19 pandemic might have an impact on company's financial risk. Glaston is closely monitoring and managing its liquidity and financial position. Efforts have been taken to strengthen receivables collection throughout the year, and credit risk and realized credit losses have not increased. Credit risks are mitigated through stringent customer payment terms with significant customer advances. Orders are only registered in the order book upon receipt of a customer advance. No orders in the order book have been cancelled. Glaston is maintaining an ongoing dialogue with customers in order to continuously follow-up and mitigate the situation. As a measure to ensure the adherence to the terms of its external financing Glaston agreed with its financing banks on increased covenant levels and postponement of debt repayments for the second half of 2020.

Market Risks

Foreign Exchange Risk

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

The invoicing currency for a large proportion of the Group's deliveries is the euro, which is also the Group's reporting currency. The most significant foreign exchange risk arises from exchange rate fluctuations between the euro and the US dollar, but the Group may also have significant exposures in Chinese Yuan, English Pound, Brazilian Real and Swiss Franc. The US dollar accounted for approximately 28 per cent of the net sales of in 2020 (32 per cent). The Euro and US dollar

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together accounted for approximately 88 per cent of the invoicing in 2020 (83 per cent).

The Group did not have foreign currency denominated loans. The Group's internal loans are either short-term working capital credit facilities or subordinated long-term loans denominated on a case-by-case basis either in the local currency of the foreign subsidiary or in the reporting currency of the Group.

The objective for foreign exchange risk management is primarily to secure the planned result of group companies from unexpected currency fluctuations. Possible hedging of foreign exchange risk is conducted in accordance with the Treasury Policy and the group companies are responsible for reporting their respective foreign currency items. In 2020, large orders in USD and the percentage of the most probable 18-month orders defined in Treasury Policy were hedged by currency forward contracts. Cash flow hedging was based on IFRS 9 hedge accounting in 2020. Cash flow hedging is presented in note 27. The Group has not hedged net investments in foreign entities nor internal loans.

For the sensitivity analysis as defined in IFRS 7, a possible +/- 10 per cent change in the main currencies was assessed, with all other factors remaining unchanged. The sensitivity analysis is based on the foreign currency denominated assets and liabilities as of 31 December 2020. The analysis takes into consideration the impact of foreign exchange derivatives, if such instruments have been used, which offsets the effects of changes in foreign exchange rates.

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

				Change in currency rate, Gross position		Change in currency rate, Net position Impact on the income statement	
EUR thousand	Gross position	Nominal value	Net position	-10 per cent	+ 10 per cent	-10 per cent	+ 10 per cent
USD/EUR	-10,331	11,610	1,279	-1,148	939	142	-116
BRL/EUR	-564	-	-564	-63	51	-63	51
CHF/EUR	-350	-	-350	-39	32	-39	32
CNY/EUR	-3,396	-	-3,396	-377	309	-377	309
GBP/EUR	826	694	132	92	-75	15	-12
	-13,815	12,304	-2,899				

Interest Rate Risk

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

As a measurement for the management of interest rate risk has been used an effect of the 1 per cent changed of interest rates to interest expences for the period of 12 months. At the end of 2020 this effect was EUR 218 thousand (EUR 267 thousand).

On 31 December 2020, the Group's interest-bearing net debt mainly consisted of loans agreed with lenders in the financing agreement signed in April 2019 as well as a TyEL loan signed in 2016.

For the sensitivity analysis as defined by IFRS 7, a possible +1 / -0.5 percentage point change in the interest rates was assessed. The effect of the change on the Group's result before taxes given the level of debt with floating interest rates on 31 December 2020 is EUR -0.22 / +0.23 (-0.27 / +0.20) million.

Credit and Counterparty Risk

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

The objective for credit risk management is to reduce this risk as much as possible without compromising the flexibility needed by different business areas. Risk management is performed together with the business management with the objective to avoid major credit risk concentrations and to verify, that sufficient guarantees and collaterals are received. The Group reduces its credit risk by using letters of credit and various types of guarantees received from the customers to secure the receivables. In addition, the Group uses advance payments to reduce risk and to accelerate fund inflows.The COVID-19 pandemic might have an impact on the company's credit risk. Glaston is closely monitoring and managing its liquidity and financial position. Efforts have been taken to strengthen receivables collection throughout the year, and credit risk and realized credit losses have not increased. Credit risks are mitigated through stringent customer payment terms with significant customer advances. Orders are only registered in the order book upon receipt of a customer advance. No orders in the order book have been cancelled. Glaston is maintaining an ongoing dialogue with customers in order to continuously follow-up and mitigate the situation.

At the end of 2020 15.3 (12.7) per cent of Group's trade receivables were secured by LCs.

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 unfavourable changes in the level of investment demand might, however, cause changes in the development of the Group's credit risk.

The Group's liquid funds are invested to mitigate risk and only counterparties with high credit rating are accepted. Investment portfolio consist mainly of money market deposits or commercial papers.

Trade receivables

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

The total carrying amount of trade receivables on 31 December 2020 was EUR 14.7 (18.5)million.

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

Liquidity Risk

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

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

The Group's funding is mainly organized by using the approximately EUR 75 million facilities agreement signed 2019 from which EUR 35 million is committed credit facilities. The covenant terms of the financing package are described in the section on Management of capital.

Committed credit facilities

EUR million	In use	Unused	Total
Committed credit facilities 31.12.2020	15.4	19.6	35.0
Committed credit facilities 31.12.2019	10.6	24.4	35.0

Committed credit facilites include bank guarantee limits and EUR 7.5 million revolving credit facility maturing in 31.3.2023.

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Maturity analysis of financial liabilities 31 December 2020

EUR thousand			Maturing in		
Maturity of financial liabilities	**Carrying amount**	**Contractual cash flows**	**< 12 months**	**1–2 years**	**> 2 years**
Financial liabilities					
Interest-bearing loans	46,500	50,228	6,211	4,853	39,164
Other interest-bearing loans	2,172	2,206	21	1,685	499
Lease liabilities	8,211	11,754	1,590	1,313	5,308
Trade payables	13,186	13,186	13,186	–	–
Total	**70,068**	**77,373**	**21,008**	**7,851**	**44,971**

Maturity analysis of financial liabilities 31 December 2019

EUR thousand			Maturing in		
Maturity of financial liabilities	**Carrying amount**	**Contractual cash flows**	**< 12 months**	**1–2 years**	**> 2 years**
Financial liabilities					
Interest bearing loans	40,873	45,038	4,825	5,720	34,494
Other interest-bearing loans	2,090	2,215	21	42	2,152
Lease liabilities	9,930	11,684	1,700	1,442	6,788
Trade payables	14,608	14,608	14,608	–	–
Total	**67,501**	**73,545**	**21,154**	**7,204**	**43,433**

Management of Capital

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

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

The Group's loan agreements include covenants and other terms and conditions which are linked to consolidated key figures. If the covenant terms are not fulfilled, negotiations with the lenders will be initiated. These negotiations may lead to notice of termination of financial agreements. The covenants in use are net interest-bearing debt to equity (gearing ratio) and interest-bearing debt to EBITDA (leverage). Group treasury is responsible for monitoring the covenants and reports the situation regularly to management and the Board of Directors of Glaston Corporation. All covenant terms during the financial year have been met.

EUR thousand	**31.12.2020**	**31.12.2019**
Interest-bearing net debt		
Non-current interest-bearing liabilities	50,648	47,549
Current interest-bearing liabilities	6,234	5,343
Cash and cash equivalents	-23,259	-19,861
Total	**33,623**	**33,032**
Equity		
Attributable to owners of the parent	68,881	73,429
Non-controlling interest	-	-0
Total	**68,881**	**73,429**
Total assets	207,281	216,671
Advances received	-40,142	-40,302
Total	**167,138**	**176,370**
Equity ratio, %	41.2%	41.6%
Net gearing, %	48.8%	45.0%

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

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Shares and Shareholders

Shares and Voting Rights

Glaston Corporation has one class of shares. The number of outstanding shares is 84,289,911 and each share carries one vote at general meetings of shareholders. There are no limitations to transfer the shares. At the end of 2020 and 2019, 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 0.15 per share. Glaston's shares are registered in the book-entry securities system maintained by Euroclear Finland Ltd.

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

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

a) the weighted average price of trading in the share during the last ten (10) trading days on the Nasdaq Helsinki Ltd. before the day when the company received from the Redeeming Shareholder a notification that the shareholding or voting rights limit as set forth above had been reached or exceeded or, should such notification be lacking or fail to be received by the deadline, when the company's Board of Directors otherwise received knowledge of it;

b) the average price, weighted by the number of shares, which the Redeeming Shareholder has paid for the shares which he has purchased or otherwise received during the last twelve (12) months before the day specified in paragraph a) above.

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

Number of shares and treasury shares	2020	2019
Number of shares (registered)		
Number of shares, 1 January	84,289,911	193,633,136
Reverse split 1.3.2019	–	-154,906,509
Directed share issue 9.4.2019	–	7,407,405
Cancellation of the treasury shares 9.4.2019	–	-157,716
Rights offering 27.6.2019	–	38,313,595
Number of shares, 31 December	84,289,911	84,289,911
Treasury shares, 31 December	–	–
Number of shares without the treasury shares, 31 December	**84,289,911**	**84,289,911**
Average number of shares 31 December, excluding treasury shares.	**84,289,911**	**72,071,521**

Acquisition and disposal of treasury shares	2020	2019
Treasury shares 1 January, shares	–	788,582
Reversed split 1.3.2019	–	-630,866
Cancellation of the treasury shares 9.4.2019	–	-157,716
Treasury shares 31 December, shares	**-**	**-**
Treasury shares 1 January, EUR thousand	–	3,308
Cancellation of treasury shares 9.4.2019	**-**	**-3,308**
Treasury shares 31 December, EUR thousand	**-**	**-**

Share-based incentive plan and management's shareholding

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

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

Equity attributable to owners of the parent per share	2020	2019
Equity attributable to owners of the parent, EUR thousand	68,881	73,429
Number of shares	84,289,911	84,289,911
Equity attributable to owners of the parent per share, EUR	**0.82**	**0.87**
Distribution of profit		
Return of capital per share, EUR[1]	0.02	–

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

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Business combinations

There were no business combinations in Glaston Group in 2020.

On 1 April 2019, Glaston Corporation completed the acquisition of the Swiss-German company Bystronic glass for an enterprise value of EUR 68 million. Glaston Services Ltd Oy aquired 100% of shares of Bystronic Maschinen AG and Bystronic Lenhardt GmbH and their subsidiaries.

Bystronic Glass purchase price allocation in 2019

Acquired assets and liabilities, fair value
EUR million

Non-current assets	
Intangible assets	14.9
Tangible assets	17.4
Right-of-use assets	1.3
Deferred tax assets	1.8
Total non-current assets	**35.5**
Current assets	
Inventory	30.3
Trade and other receivables	16.8
Bad debt provision	-1.4
Cash and cash equivalents	5.1
Total current assets	**50.8**
Total assets	**86.3**
Non-current liabilities	
Non-current lease liabilities	1.2
Non-current interest-free liabilities and provisions	0.1
Deferred tax liabilities	6.6
Defined benefit pensions and other long-term employee benefits liabilities	0.2
Total non-current liabilities	**8.1**
Current liabilities	
Current interest-bearing liabilities	16.9
Current lease liabilities	0.3
Current provisions	3.5
Trade and other payables	25.0
Contract liabilities	3.2
Liabilities for current tax	0.3
Total current liabilities	**49.2**
Total liabilities	**57.3**
Total net assets acquired	**29.0**
Goodwill	**27.7**
Consideration paid	**56.7**

Fair value adjustments	**Fair value adjustments** EUR million	**Estimated useful life** (years)	**Depreciation/ amortization/ year** EUR million
Buildings	4.8	20	0.2
Land	5.4	N/A	-
Trademark	3.1	3	1
Customer relationships	11.4	10	1.1
Inventory	0.7	2	0.4
Total	**25.4**		**2.8**
Related deferred tax liablity	5.9		

Segment Information

Glaston's reportable segments as of 1 January 2020 are Glaston Heat Treatment, Glaston Insulating Glass, Glaston Automotive & Emerging Technologies. The reportable segments comply with the group's accounting and valuation principles. In inter-segment transactions, Glaston complies with the same commercial terms and conditions as in its third party transactions.

The reportable segments consist of operating segments, which have been aggregated in accordance with the criteria of IFRS 8.12. Operating segments have been aggregated, when the nature of the products and services is similar, the nature of the production process is similar as well as the type or class of customers. Glaston Group's business consists of the manufacture and sale of glass processing machines as well as the service operations for these machines. There is a high level of integration between glass machines and maintenance. Their customers are the same, as is their market development, which is linked to the general development of the global market.

Glaston's highest operative decision maker (CODM, Chief Operating Decision Maker) is Glaston Corporation's President & CEO, supported by the Executive Management Group. The President & CEO assesses the Group's financial position and its overall development.

The items affecting comparability of January-December 2020, in total EUR 3.8 million negative, consist of integration costs of the acquisition and other re-structuring costs.

Reportable segment

2020	Heat Treatment	Insulating Glass	Automotive & Emerging Technologies	Total segments	Unallocated and eliminations	Total
External net sales	61,618	81,927	24,623	168,168	1,899	170,067
Internal net sales	17	356	-2	371	-371	-
Total net sales	**61,635**	**82,283**	**24,621**	**168,539**	**1,528**	**170,067**
Comparable operating result of the segment	**826**	**5,233**	**-2,926**	**3,133**	**92**	**3,225**
Items affecting comparability	-1,617	-1,669	-459	-3,746	-20	-3,766
Operating result	**-791**	**3,564**	**-3,385**	**-613**	**72**	**-541**
Financial items					-2,761	-2,761
Income taxes					-2,161	-2,161
Result for the reporting period	**-791**	**3,564**	**-3,385**	**-613**	**-4,850**	**-5,463**
Segment assets	69,801	78,423	28,622	176,846	-	176,846
of which investments	1,810	946	612	3,368	-	3,368
Other assets	-	-	-	-	30,435	30,435
Total assets	**69,801**	**78,423**	**28,622**	**176,846**	**30,435**	**207,281**
Segment liabilities	31,867	35,109	5,139	72,114	-	72,114
Other liabilities	-	-	-	-	66,285	66,285
Total liabilities	**31,867**	**35,109**	**5,139**	**72,114**	**66,285**	**138,399**
Operative net working capital	**-11,857**	**2,081**	**7,301**	**-2,475**	**-254**	**-2,729**

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Segment Information

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

2019	Heat Treatment	Insulating Glass	Automotive & Emerging Technologies	Total segments	Unallocated and eliminations	Total
External net sales	82,615	58,110	35,309	176,034	4,984	181,018
Internal net sales	-	685	191	876	-876	-
Total net sales	**82,615**	**58,795**	**35,501**	**176,911**	**4,107**	**181,018**
Comparable operating result of the segments	**1,930**	**2,606**	**1,464**	**6,000**	**-59**	**5,941**
Items affecting comparability	-4,769	-2,200	-264	-7,233	27	-7,206
Operating result	**-2,839**	**406**	**1,200**	**-1,233**	**-32**	**-1,265**
Financial items					-3,084	-3,084
Income taxes					-2,042	-2,042
Result for the reporting period	**-2,839**	**406**	**1,200**	**-1,233**	**-5,158**	**-6,391**
Segment assets	81,026	77,850	30,839	189,714	-	189,714
of which investments	3,111	677	669	4,457	-	4,457
Other assets	-	-	-	-	26,957	26,957
Total assets	**81,026**	**77,850**	**30,839**	**189,714**	**26,957**	**216,671**
Segment liabilities	40,083	28,643	13,321	82,047	-	82,047
Other liabilities		-	-	-	61,196	61,196
Total liabilities	**40,083**	**28,643**	**13,321**	**82,047**	**61,196**	**143,243**
Operative net working capital	**-11,272**	**948**	**6,973**	**-3,352**	**-652**	**-4,003**

The items affecting comparability of January-December 2019, in total EUR 7.2 million negative, consist of transaction and integration costs of the acquisition and other re-structuring costs.

Contents

Items affecting comparability

2020	Heat Treatment	Insulating Glass	Automotive & Emerging Technologies	Total segments	Unallocated and eliminations	Total
Integration costs of the acquisition	-820	-1,669	-459	-2,949	-20	-2,969
Other re-structuring	-797	–	–	-797	–	-797

2019	Heat Treatment	Insulating Glass	Automotive & Emerging Technologies	Total segments	Unallocated and eliminations	Total
Integration costs of the acquisition	-1,904	-2,200	-264	-4,368	27	-4,341
Transaction costs of the acquisition	-1,901	–	–	-1,901	–	-1,901
Other re-structuring	-965	–	–	-965	–	-965

Non-cash income and expenses included in operating result [1]	2020	2019
Segment total	147	-2,123
Unallocated	–	–
Total non-cash expenses and income	**147**	**-2,123**

[1] Excluding impairment.

Non-cash income and expenses in 2020 included the following items: impairment losses of trade receivables EUR 0.7 million, impairment losses of inventory EUR 0.5 million and changes in provisions EUR 1.4 million.

Non-cash income and expenses in 2019 included the following items: impairment losses of trade receivables EUR 0.4 million, impairment losses of inventory EUR 1.7 million and changes in provisions EUR 0.0 million.

Personnel

Number of personnel at the end of the year by segment	2020	2019
Heat Treatment	293	333
Insulating Glass	330	344
Automotive & Emerging Technologies	94	103
Total Segments	**717**	**780**
Unallocated and eliminations	6	10
Total Glaston Group	**723**	**790**

Number of personnel at the end of the year by geographical location		
Finland	169	177
Other EMEA*	351	355
Americas*	54	64
APAC*	149	194
Total	**723**	**790**

Entity-wide disclosures

EUR thousand

Net sales by product groups	2020	2019
Goods sold	162,205	170,989
Services rendered	7,862	10,029
Total	**170,067**	**181,018**

Net sales by country by destination		
Finland	6,300	7,251
Other EMEA*	88,147	69,224
Americas*	44,697	66,499
APAC*	30,924	38,044
Total	**170,067**	**181,018**

Assets by country		
Finland	77,317	78,576
Other EMEA*	94,549	100,584
Americas*	18,371	18,514
APAC*	17,044	18,997
Total	**207,281**	**216,671**

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

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

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Revenue from contracts with customer

Classification of net sales

EUR thousand

2020	Heat Treatment	Insulating Glass	Automotive & Emerging Technologies	Total segment	Unallocated and eliminations	Total
External net sales	61,618	81,927	24,623	168,168	1,899	170,067
Internal net sales	17	356	-2	371	-371	–
Total net sales	**61,635**	**82,283**	**24,621**	**168,539**	**1,528**	**170,067**
Revenue recognition						
Over time	38,737	17,774	8,395	64,905	–	64,905
At a point in time	22,899	64,509	16,226	103,634	1,528	105,162
Total net sales	**61,635**	**82,283**	**24,621**	**168,539**	**1,528**	**170,067**

2019	Heat Treatment	Insulating Glass	Automotive & Emerging Technologies	Total segment	Unallocated and eliminations	Total
External net sales	82,615	58,110	35,309	176,034	4,984	181,018
Internal net sales	–	685	191	876	-876	–
Total net sales	**82,615**	**58,795**	**35,501**	**176,911**	**4,107**	**181,018**
Revenue recognition						
Over time	57,777	234	655	58,665	–	58,665
At a point in time	24,838	58,561	34,846	118,245	4,107	122,353
Total net sales	**82,615**	**58,795**	**35,501**	**176,911**	**4,107**	**181,018**

Contents

Contract assets and liabilities

	31.12.2020	31.12.2019	1.1.2019
Contract assets			
Trade receivables	4,239	4,860	4,939
Project income receivables	27,347	12,647	10,315
Contract assets total	**31,586**	**17,506**	**15,254**
Contract liablities			
Advance payments	-35,339	-17,280	-11,149
Project expense liablities	-1,935	-2,485	-657
Contract liablities total	**-37,274**	**-19,765**	**-11,806**
Gross contract assets/liabilities	**-5,689**	**-2,258**	**3,448**

Contractual receivables are recognized when project billing is lower than revenue recognized based on the progress of the project and, similarly, advances received and contractual liabilities are recognized if project billing exceeds the revenue recognized on the basis of the project.

Contractual liabilities are recognized as revenue as the project is completed. Projects subject to partial revenue recognition are, as a rule, completed in less than a year from start-up.

	31.12.2020	31.12.2019
Transaction price allocated to performance obligations that are partially or fully unsatisfied at the end of the reporting period		
Allocated transaction price expected to be recognised as revenue	44,052	36,885

Contents

Other Operating Income

Other operating income

EUR thousand	2020	2019
Capital gains on sale of property, plant and equipment	195	39
Capital gains on sale of intangible assets	–	1
Rents	984	1,007
Government grants	664	8
Insurance compensation	3	14
Other income	482	776
Other operating income total	**2,329**	**1,844**

Government grants

The Glaston Group has been awarded four government grants related to the COVID-19 pandemic in 2020.

Glaston Finland Oy was granted the State Treasury's business cost support of EUR 132 thousand. The aid was granted from 1 April to 31 May to companies whose turnover had declined due to the COVID-19 pandemic.

Glaston Finland Oy was granted a total of EUR 120 thousand from Business Finland's development and feasibility study financing.

Australian branch office of Glaston Finland Oy was granted a cost subsidy of AUD 58 thousand.

Glaston UK Ltd was granted a discretionary cost subsidy of GBP 10 thousand.

Contents

Materials and Other Operating Expenses

EUR thousand	2020	2019
Materials		
Materials and supplies, purchases during the period	-65,509	-91,954
Change in inventories of materials and supplies	355	-921
Total materials	**-65,155**	**-92,875**
Other operating expenses		
Leases	-3,021	-3,017
Losses on sale of property, plant and equipment	-15	-6
Subcontracting and maintenance	-4,674	-5,202
Commissions	-1,645	-1,920
Freight expenses	-3,294	-4,030
Travel expenses	-3,414	-6,614
External services, not production related	-3,149	-5,535
IT, internet and phone	-5,966	-4,984
Electricity, heating	-1,298	-1,157
Marketing expenses	-510	-2,145
Other expenses	-3,202	-2,899
Total other operating expenses	**-30,188**	**-37,507**
Fees for professional services rendered by auditors		
Auditing, KPMG	-325	-
Auditing, EY	-51	-394
Auditing, other companies	-138	-36
Other services	-72	-188
Tax advisory	-108	-122
Total	**-693**	**-739**

The principal auditor of Glaston Group during the financial years of 2020 has been KPMG. In 2019 principal auditor was Ernst & Young.

Non-audit services paid to KPMG Oy Ab were EUR 21 thousand in 2020.

EUR thousand	2020	2019
Research and development costs		
Recognized in profit or loss	-4,746	-5,318
Amortization of capitalized development costs during the reporting period	-1,078	-1,119
Total	**-5,823**	**-6,437**
As a percentage of net sales	3.4%	3.6%
Capitalized development costs during the reporting period	1,695	1,753
Capitalized development costs during the reporting period, total	**1,695**	**1,753**

Contents

Employee Benefits and Number of Personnel

EUR thousand	2020	2019
Employee benefits		
Wages and salaries	44,935	42,341
Pension expenses	3,244	4,152
Other personnel expenses	5,323	4,512
Other post-employment benefits	312	369
Total personnel expenses	**53,815**	**51,374**

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

Pension expenses		
Defined benefit plans	4	28
Defined contribution plans	3,240	4,123
Total pension expenses	**3,244**	**4,152**

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

Number of personnel		
Number of personnel, average	744	689
Personnel in Finland, end of the period	169	177
Personnel outside Finland, end of the period	554	613
Total	**723**	**790**

Contents

Financial Income and Expenses

EUR thousand	2020	2019
Recognized in profit or loss		
Interest income		
Interest income on loans and receivables	185	179
Total interest income	185	179
Dividend income		
Dividend income measured at fair value through other comprehensive income	9	8
Interest expenses		
Interest expenses on financial liabilities measured at amortized cost	-1,288	-1,512
Interest expenses on lease liabilities	-486	-522
Other interest expenses	-103	-80
Total interest expenses	-1,877	-2,115
Other financial expenses		
On financial liabilities measured at amortized cost	0	-322
On bank fees	-214	-145
Currency derivatives financial	18	-1
Guarantee expenses	-345	-270
Impairment losses of loan receivables	-221	-
Other financial expenses	-98	-347
Total other financial expenses	-860	-1,085
Foreign exchange differences, net		
On financial liabilities measured at amortized cost	-67	-217
On loans and receivables	-149	-29
Other foreign exchange gains and losses	-2	175
Total foreign exchange differences	-218	-72
Total financial income and expenses in financial items	**-2,762**	**-3,084**

EUR thousand	2020	2019
Net foreign exchange differences in operating result		
Net sales	655	-318
Purchases	-247	48
Other operating expenses	-59	1
Total	**350**	**-269**
Derivatives recognized in profit or loss		
Currency derivatives, hedge accounting		
Realized currency derivatives recognized in net sales	-275	-248
Total	**-275**	**-248**
Recognized in other comprehensive income		
Fair value changes of financial assets measured at fair value through other comprehensive income	-120	63
Total in other comprehensive income	**-120**	**63**

Borrowing costs were not capitalized in Glaston Group in 2020 or 2019 as Glaston has not had any qualifying assets as defined in IAS 23 Borrowing Costs.

Impairment losses on trade receivables are presented in Note 19.

Contents

Income Taxes

EUR thousand	2020	2019
Income tax charge in income statement		
Current income tax charge	-1,205	-871
Adjustments in respect of current income tax of previous years	67	32
Deferred tax charge	-805	-1,114
Other	-218	-88
Total income tax charge	**-2,161**	**-2,042**
Income taxes recognized in other comprehensive income and in equity		
Deferred taxes		
Share-based incentive plan recognized in equity	-9	-2
Actuarial gains and losses arising from defined benefit plans	276	268
Fair value changes of financial assets measured at fair value through other comprehensive income	-1	-12
Total taxes recognized in other comprehensive income and in equity	**266**	**254**

EUR thousand	2020	2019
Reconciliation of income tax expense calculated at statutory tax rates with income tax expense in the income statement		
Profit before taxes	-3,302	-4,354
Tax at the tax rate applicable to the parent	660	871
Difference due to different tax rates of foreign subsidiaries	-357	-625
Tax exempt income and non-deductible expenses	-2,181	57
Losses, where no deferred tax benefit is recognized	-1,335	-3,159
Deferred taxes recognized during the reporting period in respect of previous years' temporary differences	-202	18
Withholding taxes and adjustments in respect of current income tax of previous periods	58	-56
Use of losses for which deferred tax has not been recognized	1,195	852
Income taxes in the income statement	**-2,161**	**-2,042**
Effective tax rate	-65%	-47%

The Group companies have tax losses totalling EUR 47.8 (46.4) 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. Tax losses expire in the period 2021-2030. Some of the losses do not have an expiration date. Over the next two years, the losses will expire by approximately EUR 13 million.

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

Deferred tax liability has not been recognized in 2020 or 2019 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.

EUR thousand	**2020**	**2019**
Tax assets and tax liabilities		
Deferred tax assets	1,625	1,256
Assets for current tax	351	219
Deferred tax liabilities	7,764	6,669
Liabilities for current tax	886	354

Reconciliation of deferred tax assets and deferred tax liabilities 2020

Deferred tax assets	1 January	Exchange difference	Change in income statement (- tax expense)	Acquisition of business	Recognized in equity	Recognized in other comprehensive income	31 December
Unrealized internal profits, inventory	91	–	45	–	–	–	137
Confirmed tax losses carried forward	800	–	-200	–	–	–	600
Share-based payments	–	–	–	–	-6	–	-6
Other temporary differences	364	-191	721	–	–	–	894
Deferred tax assets in statement of financial position	**1,256**	**-191**	**567**	**-**	**-**	**-**	**1,625**

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	Change in income statement (+ tax expense)	Acquisition of business	Recognized in equity	Recognized in other comprehensive income	31 December
Untaxed reserves	-411	–	59	–	–	–	-351
Defined benefit employee benefits	-401	5	69	–	–	-276	-603
Fair value changes of financial assets	47	–	–	–	–	-48	-1
PPA allocation	5,871	–	–	–	–	–	5,871
Other temporary differences	1,563	-28	1,244	–	70	–	2,849
Deferred tax liabilities in statement of financial position	**6,670**	**-23**	**1,372**	**-**	**70**	**-324**	**7,764**

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

Total change in deferred taxes in income statement (- tax expense)	**-805**

Reconciliation of deferred tax assets and deferred tax liabilities 2019

Deferred tax assets	1 January	Exchange difference	Change in income statement (- tax expense)	Acquisition of business	Recognized in equity	Recognized in other comprehensive income	31 December
Unrealized internal profits, inventory	135	-	-44	-	-	-	91
Confirmed tax losses carried forward	-	-	800	-	-	-	800
Share-based payments	-	-	0	-	-	-	
Other temporary differences	482	14	-404	272	-	-	364
Deferred tax assets in statement of financial position	**617**	**14**	**353**	**272**	**-**	**-**	**1,256**

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	Change in income statement (+ tax expense)	Acquisition of business	Recognized in equity	Recognized in other comprehensive income	31 December
Untaxed reserves	-388	-	-23	-	-	-	-411
Defined benefit employee benefits	17	-	-114	-35	-	-268	-401
Intangible assets recognized at fair value	35	-	-	-	-	12	47
PPA allocation	-	-	-	5,871	-	-	5,871
Other temporary differences	500	13	1,604	-677	123	-	1,563
Deferred tax liabilities in statement of financial position	**164**	**13**	**1,467**	**5,159**	**123**	**-256**	**6,669**

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

Total change in deferred taxes in income statement (- tax expense)	**-1,114**

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Depreciation, Amortization and Impairment of Assets

EUR thousand	2020	2019
Depreciation and amortization		
Intangible assets		
Intangible rights	2,830	2,230
Capitalized development expenditure	1,090	1,131
Property, plant and equipment		
Buildings and constructions	2,116	2,689
Machinery and equipment	1,909	1,853
Other tangible assets	172	190
Total depreciation and amortization	**8,116**	**8,094**
Impairment losses		
Property, plant and equipment		
Machinery and equipment	-10	55
Total impairment losses	**-10**	**55**
Total depreciation, amortization and impairment	**8,107**	**8,148**

Impairment of assets

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

Glaston's cash generating units are Heat Treatment Machines, Heat Treatment Services, Insulating Glass Technologies and Automotive Glass Technologies.

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 is recorded if the recoverable amount is lower than the carrying amount. Consistent methods have been used in testing property, plant and equipment and intangible assets. If the asset has been classified as held for sale, the recoverable amount used is the fair value of the asset less costs of sale.

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

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

The assumptions used in impairment calculations are mainly the same as in estimates. The assumptions, such as for example market development on short term and price development of products, are based on past experience and information gathered from external sources. Assumptions on market development on longer term are based on external sources, such as market studies on development of flat glass consumption, which has a major impact on Machines in particular. The new products are expected to receive good response from customers and this is expected to give Glaston a better position on the market compared to competitors. Restructuring measures to improve cost structure have already improved and will further improve profitability.

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

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

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

The most significant assumptions used in value in use calculations in 2020	**Heat Treatment Machines**	**Heat Treatment Services**	**Insulating Glass Technologies**	**Automotive Glass Technologies**
Pre-tax discount rate	10.5%	11.9%	12.7%	10.7%
Long-term growth rate	1.0%	1.0%	1.0%	1.0%

The most significant assumptions used in value in use calculations in 2019	**Heat Treatment Machines**	**Heat Treatment Services**	**Insulating Glass Technologies**	**Automotive Glass Technologies**
Pre-tax discount rate	11.4%	11.4%	10.7%	11.1%
Long-term growth rate	2.0%	2.0%	2.0%	2.0%

Impairment testing of goodwill

Goodwill

EUR million

Cash generating unit	**1 January, 2020**	**Acquisition of business**	**31 December, 2020**
Heat Treatment Machines	4.1	–	4.1
Heat Treatment Services	26.5	–	26.5
Insulating Glass Technologies	19.4	–	19.4
Automotive Glass Technologies	8.3	–	8.3
Total	**58.3**	**-**	**58.3**

Cash generating unit	**1 January, 2019**	**Acquisition of business**	**31 December, 2019**
Heat Treatment Machines	4.1	–	4.1
Heat Treatment Services	26.5	–	26.5
Insulating Glass Technologies	–	19.4	19.4
Automotive Glass Technologies	–	8.3	8.3
Total	**30.6**	**27.7**	**58.3**

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Sensitivity analysis

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

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

The recoverable amounts of these cash generating units exceed their carrying amounts by 42 per cent in the Heat Treatment Machines business, by 44 per cent in the Heat Treatment Service business, by 92 in the Insulating Glass Technologies business and by 15 per cent in the Automotive Glass Technologies business.

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

Post-tax discount rate	Value assigned to the assumption	Value Change
Heat Treatment Machines	9.7%	13.2%
Heat Treatment Services	9.2%	13.0%
Insulating Glass Technologies	8.7%	15.8%
Automotive Glass Technologies	9.1%	10.4%

Long-term growth rate	Value assigned to the assumption	Value Change
Heat Treatment Machines	1.0%	-4.8%
Heat Treatment Services	1.0%	-4.9%
Insulating Glass Technologies	1.0%	-12.4%
Automotive Glass Tehcnologies	1.0%	-0.7%

The costs of Heat Treatment Machine business are estimated to be 93 per cent of the estimated net sales during the testing period. Should the costs be 4 percentage points higher, the recoverable amount, other things being equal, would equal the carrying amount.

The costs of Heat Treatment Services business are estimated to be 81 per cent of the estimated net sales during the testing period. Should the costs be 5 percentage points higher, the recoverable amount, other things being equal, would equal the carrying amount.

The costs of Insulationg Glass Technologies business are estimated to be 88 per cent of the estimated net sales during the testing period. Should the costs be 4 percentage points higher, the recoverable amount, other things being equal, would equal the carrying amount.

The costs of Automotive Glass Technologies business are estimated to be 93 per cent of the estimated net sales during the testing period. Should the costs be 0,5 percentage points higher, the recoverable amount, other things being equal, would equal the carrying amount.

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

In 2020 and in 2019 Glaston had no impairment losses.

Contents

Intangible Assets

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

EUR thousand **2020**	**Capitalized development expenditure**	**Intangible rights**	**Goodwill**	**Other capitalized expenditure**	**Advances paid**	**Total**
Acquisition cost at beginning of year	22,759	24,566	52,067	503	2,336	102,232
Other increases	55	116	–	–	2,349	2,520
Reclassifications and other changes	331	1,036	0	–	-1,098	270
Exchange differences	-21	-61	-0	–	2	-80
Acquisition cost at end of year	**23,123**	**25,657**	**52,067**	**503**	**3,590**	**104,941**
Accumulated amortization and impairment at beginning of year	-19,857	-10,074	6,260	-503	–	-24,173
Amortization during the reporting period	-1,090	-2,830	–	–	–	-3,919
Reclassifications and other changes	–	-33	–	–	–	-33
Exchange differences	20	60	–	–	–	81
Accumulated amortization and impairment at end of year	**-20,926**	**-12,877**	**6,260**	**-503**	**–**	**-28,046**
Carrying amount at end of year	**2,198**	**12,779**	**58,327**	**0**	**3,590**	**76,894**

Intangible Assets

EUR thousand **2019**	**Capitalized development expenditure**	**Intangible rights**	**Goodwill**	**Other capitalized expenditure**	**Advances paid**	**Total**
Acquisition cost at beginning of year	21,877	4,320	24,291	503	1,040	52,032
Increase, business acquisition	–	20,063	27,776	–	84	47,924
Other increases	15	175	27,776	–	2,146	2,335
Decreases	–	-138	–	–	–	-138
Reclassifications and other changes	862	148	–	–	-934	76
Exchange differences	5	-2	–	–	–	3
Acquisition cost at end of year	**22,759**	**24,566**	**52,067**	**503**	**2,336**	**102,232**
Accumulated amortization and impairment at beginning of year	-18,722	-2,750	6,260	-503	–	-15,715
Accumulated amortization relating to business acquisition	–	-5,233	–	–	–	-5,233
Accumulated amortization relating to decreases and transfers	-0	137	–	–	–	137
Amortization during the reporting period	-1,131	-2,230	–	–	–	-3,361
Reclassifications and other changes	–	0	–	–	–	0
Exchange differences	-4	2	–	–	–	-2
Accumulated amortization and impairment at end of year	**-19,857**	**-10,074**	**6,260**	**-503**	**–**	**-24,173**
Carrying amount at end of year	**2,902**	**14,492**	**58,327**	**0**	**2,336**	**78,058**

Contents

Property, Plant and Equipment

Glaston has given liens on chattel as security for liabilities. These are presented in Note 28. At the end of 2020 and 2019 Glaston did not have any pledged property, plant and equipment or intangible assets as security for liabilities.

At the end of 2020 and 2019 Glaston had not contractual commitments for the acquisition of property, plant and equipment.

In 2020 or 2019, Glaston did not receive any material third party compensation for items of property, plant and equipment that were impaired, lost or given up.

Glaston China has reported the expansion of its factory as investment property. In 2016 the expansion part was leased out to a third party for a period of ten years. Rental income in 2020 was 0.2 million EUR. Costs related to investment property were 0.1 million EUR.

EUR thousand **2020**	Land and water areas	Buildings and constructions	Investment property	Machinery and equipment	Other tangible assets	Advances paid and assets under construction	Total property, plant and equipment	Right-of-use assets	Total property, plant and equipment and right-of-use assets
Acquisition cost at beginning of year	5,910	28,448	2,601	19,769	588	1,092	58,407	17,702	76,109
Other increases	–	–	–	360	30	456	847	857	1,704
Decreases	–	–	–	-887	–	-87	-974	–	-974
Reclassifications and other changes	–	–	–	-500	113	-213	-600	-2,277	-2,877
Exchange differences	–	-57	-65	-158	-15	–	-296	–	-296
Acquisition cost at end of year	**5,910**	**28,391**	**2,535**	**18,584**	**716**	**1,248**	**57,384**	**16,281**	**73,665**
Accumulated depreciation and impairment at beginning of year	–	-17,201	-513	-15,580	-73	–	-33,367	-9,254	-42,621
Accumulated depreciation relating to decreases and transfers	–	–	–	569	–	–	569	–	569
Depreciation during the reporting period	–	-690	-134	-1,064	-172	–	-2,061	-2,134	-4,195
Reclassifications and other changes	–	–	–	484	-80	–	404	2,020	2,423
Exchange differences	–	34	15	135	12	–	197	–	197
Accumulated depreciation and impairment at end of year	**–**	**-17,857**	**-632**	**-15,456**	**-313**	**–**	**-34,259**	**-9,368**	**-43,627**
Carrying amount at end of year	**5,910**	**10,534**	**1,903**	**3,128**	**403**	**1,248**	**23,125**	**6,913**	**30,038**

EUR thousand 2019	Land and water areas	Buildings and constructions	Investment property	Machinery and equipment	Other tangible assets	Advances paid and assets under construction	Total property, plant and equipment	Right-of-use assets	Total property, plant and equipment and right-of-use assets
Acquisition cost at beginning of year	474	4,761	2,583	7,572	343	1,187	16,920	13,694	30,613
Increase, business acquisition	5,436	23,545	–	11,146	–	–	40,127	2,496	42,623
Other increases	–	115	–	591	89	1,327	2,122	1,262	3,384
Decreases	–	–	–	-843	-81	–	-924	–	-924
Reclassifications and other changes	–	–	–	1,290	235	-1,423	103	249	352
Exchange differences	–	27	18	13	3	–	61	–	61
Acquisition cost at end of year	**5,910**	**28,448**	**2,601**	**19,769**	**588**	**1,092**	**58,407**	**17,702**	**76,109**
Accumulated depreciation and impairment at beginning of year	–	-2,868	-375	-5,988	42	–	-9,189	-5,696	-14,885
Accumulated depreciation and impairtment, business acquisition	–	-13,646	–	-8,988	–	–	-22,634	-996	-23,629
Accumulated depreciation relating to decreases and transfers	–	–	–	795	78	–	873	–	873
Depreciation during the reporting period	–	-672	-137	-1,167	-190	–	-2,165	-2,563	-4,728
Impairment losses (Note 13)	–	–	–	-55	–	–	-55	–	-55
Reclassifications and other changes	–	–	–	-158	–	–	-158	–	-158
Exchange differences	–	-16	-1	-21	-3	–	-40	–	-40
Accumulated depreciation and impairment at end of year	**–**	**-17,201**	**-513**	**-15,580**	**-73**	**–**	**-33,367**	**-9,254**	**-42,621**
Carrying amount at end of year	**5,910**	**11,247**	**2,088**	**4,188**	**516**	**1,092**	**25,040**	**8,448**	**33,488**

Carrying amount of machinery and equipment used in production 31 December, 2020	2,061
Carrying amount of machinery and equipment used in production 31 December, 2019	2,549

Subsidiary, with material non-controlling interest ownership

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

Glaston made the decision in January 2018 to discontinue the production operations of its Chinese joint venture Glaston Tools (Sanhe) Co. The company was liquidated in May 2019.

EUR thousand	2020	2019
Non-current asset	-	-
Current assets	-	-
Equity and long-term liabilites	-	-0
Short-term liabilities	-	-
Turnover	-	-
Expenses	-	-8
Profit / Loss for the period	-	-8
Profit / Loss attributable to parent company shareholders	-	-6
Profit / Loss attributable to non-controlling interest	-	-2
Dividends paid to non-controlling interest	-	-
Net cash flow from operating activities	-	-65

Other investments

Financial assets measured at fair value through other comprehensive income

EUR thousand **2020**	**Shares and oher long-term investments**
Carrying amount 1 January	3,078
Fair value changes recognized in other comprehensive income	-172
Carrying amount 31 December	**2,906**

2019	**Shares and oher long-term investments**
Carrying amount 1 January	3,015
Fair value changes recognized in other comprehensive income	63
Carrying amount 31 December	**3,078**

Glaston's long term financial assets have been classified into assets recognized at fair value through other comprehensive income. The classification depends on the business model under which the financial assets are managed as well as the characteristics of the instrument's cash flows. A financial asset item is derecognized from the statement of financial position when Glaston's contractual right to the cash flows from the financial asset item expire or the financial asset item is transferred to an external party and the transfer fulfills the asset derecognition requirements of IFRS 9.

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Inventories

EUR thousand	2020	2019
Inventories		
Materials and supplies	15,290	15,493
Work in process	6,173	18,373
Finished goods	3,549	8,641
Advances paid	97	48
Total inventories	**25,109**	**42,556**
Impairment losses of inventory during the period	-937	-2,605
Reversals of impairment losses of inventory during the period	394	950
Total	**-543**	**-1,655**

Contents

Receivables

Receivables

EUR thousand	2020	2019
Trade receivables	14,645	18,460
Trade receivables, falling due after 12 months	6	7
Total trade receivables	14,651	18,468
Finance leasing receivables	87	85
Finance leasing receivables, falling due after 12 months	557	645
Prepaid expenses and accrued income	1,538	2,013
Prepaid expenses and accrued income, falling due after 12 months	128	135
Other receivables	1,228	2,187
Other receivables, falling due after 12 months	2	223
Current loan receivables	222	226
Non-current loan receivables [1]	1,402	1,531
Total receivables	**19,815**	**25,512**

[1] In non-current assets

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

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

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

Each loan receivable has been individually analyzed for a possible impairment loss. These analyses are based on the financial position and future cash flows of the debtor. Debtors have no external credit rating. In 2020, no impairment losses were recognized.

Ageing analysis of trade receivables at 31 December

	Carrying amount of trade receivables after recognizing allowance account	Not past due	Past due < 30 days	Past due 31-180 days	Past due 181-360 days	Past due > 360 days
2020	14,651	9,766	2,890	1,434	387	175
2019	18,468	12,412	2,789	1,742	717	808

Allowance account of trade receivables is used based on expected credit losses. These impairment losses are recognized in profit or loss. If the impairment loss recognized in the allowance account becomes final, trade receivables are decreased with the amount of the impairment loss and allowance account is adjusted respectively.

The counterparties of trade receivables do not normally have external credit rating. The credit quality of these receivables is assessed based on assessment of the impairment of financial assets based on expected credit losses and on the payment history of the customers and third party credit reports.

Also the trade receivables past due are analyzed both in reporting unit level and individually. If the days past due exceed the time limits set in the Group's credit policy, an impairment loss is recognized of the trade receivable. The estimate made for doubtful receivables is based on a review of all trade receivables outstanding on the reporting date as well as on an assessment of the impairment of financial assets based on expected credit losses. The gross amount of impaired trade receivables at the end of the reporting period was EUR 1.5 (3.7) million, and the impairment loss of these receivables was EUR 1.4 (2.4) million.

Contents

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

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

EUR thousand	
Allowance account 1 January, 2019	**1,881**
Exchange difference	20
Addition, acquisition of companies	1,372
Charge for the year	155
Utilized	-484
Unused amounts reversed	-585
Allowance account 31 December, 2019	**2,359**
Exchange difference	2,359
Addition, acquisition of companies	-179
Charge for the year	1,117
Utilized	-1,651
Unused amounts reversed	-292
Allowance account 31 December, 2020	**1,354**

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

2020	703
2019	433

Finance lease receivables

	2020		**2019**	
	Minimun lease receivables	**Unearned finance income**	**Minimun lease receivables**	**Unearned finance income**
Finance lease receivables are due as follows				
No later than 1 year	87	23	85	23
Later than 1 year and no later than 5 years	381	60	368	64
Later than 5 years	193	11	276	13
Total finance lease receivables	661	93	729	100
Present value of minimum lease receivables	663		745	

Contents

Total Comprehensive Income Included in Equity

2020 EUR thousand	Other restricted equity reserves	Fair value reserve	Retained earnings	Cumulative exchange difference	Non-controlling interest	Total
Total other comprehensive income						
Total exchange differences on translating foreign operations	-2	–	-6	-627	–	-635
Change in actuarial gains and losses	–	–	1,565	–	–	1,565
Taxes on actuarial gains and losses arising from defined benefit plans	–	–	276	–	–	276
Fair value changes of financial assets measured at fair value through comprehensive income	–	-172	53	–	–	-120
Hedging	–	-277	–	–	–	-277
Income taxes on fair value changes of financial assets measured at fair value through comprehensive income	–	-1	–	–	–	-1
Other comprehensive income	**-2**	**-450**	**1,888**	**-627**	**-**	**809**
Gain/loss	**-**	**-**	**-5,463**	**-**	**-**	**-5,463**
Total comprehensive income	**-2**	**-450**	**-3,575**	**-627**	**-**	**-4,654**

2019						
Total other comprehensive income						
Total exchange differences on translating foreign operations	0	–	-1	-362	0	-362
Change in actuarial gains and losses	–	–	-1,232	–	–	-1,232
Taxes on actuarial gains and losses arising from defined benefit plans	–	–	268	–	–	268
Fair value changes of financial assets measured at fair value through comprehensive income	–	63	–	–	–	63
Hedging	–	42	–	–	–	42
Income taxes on fair value changes of financial assets measured at fair value through comprehensive income	–	-12	–	–	–	-12
Other comprehensive income	**0**	**92**	**-964**	**-362**	**0**	**-1,234**
Gain/loss	**-**	**-**	**-6,393**	**-**	**-2**	**-6,396**
Total comprehensive income	**0**	**92**	**-7,358**	**-362**	**-2**	**-7,629**

Other restricted equity reserves

Other restricted equity funds include restricted capital not included in the share capital of subsidiaries.

Fair value reserve

The fair value reserve includes changes in the fair values of investments measured at fair value through other comprehensive income and changes in the fair value of instruments used in cash flow hedging if the hedge is effective and meets the criteria of hedge accounting requirements.

Contents

Pensions and Other Defined Long-term Employee Benefits

The Group has a defined benefit pension plan in Finland and in Bystronic Machinen AG, Switzerland, aquired in 2019. The Group has also defined contribution pension plans, of which the charge to the income statement was EUR 3.2 (4.2) million.

In addition to defined benefit pensions, Glaston has no other long-term defined employee benefits in 2020 and 2019.

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

EUR thousand	2020	2019
Present value of unfunded obligations	20,033	18,513
Fair value of plan assets	19,496	16,720
Total deficit of defined benefit pension plans	-537	-1,793
Difference	**-537**	**-1,793**
Amounts in the statement of financial position		
Liabilities	-537	-1,793
Assets	-	-
Net liability (asset -)	**-537**	**-1 793**

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

EUR thousand	Present value of obligation	Fair value on plan assets	Total
1.1.2019	**19,142**	**18,963**	**179**
Interest expense / income	164	162	2
Current service cost	746	-	746
Past service cost	455	-	455
Employee contributions	548	548	-
Employer contributions	-	711	-711
Benefits paid	-3,169	-3,169	-
Actuarial gains (-) / losses (+)	888	-	888
Other gains (-) / losses (+) on settelement	-261	-270	10
Return on plan assets (excluding amounts included in the net interest expense)	-	-225	225
31.12.2019	**18,513**	**16,720**	**1,793**

EUR thousand	Present value of obligation	Fair value on plan assets	Total
1.1.2020	**18,513**	**16,720**	**1,793**
Interest expense / income	81	80	1
Current service cost	58	52	6
Past service cost	857	-	857
Employee contributions	0	-	-
Employer contributions	490	490	-
Benefits paid	-	563	-563
Actuarial gains (-) / losses (+)	-16	-16	-
Other gains (-) / losses (+) on settelement	41	-	41
Return on plan assets (excluding amounts included in the net interest expense)	9	1,606	-1,597
31.12.2020	**20,033**	**19,496**	**537**

Contents

Plan asset classes

EUR thousand	2020	2019
Cash and cash equivalents	585	502
Equity instruments	6,824	5,852
Debt instruments	6,239	7,524
Real estate	3,899	2,842
Other	1,950	-
Total plan assets	**19,496**	**16,720**

Sensitivity analysis, defined benefit obligation

EUR thousand	Changes in parameters	2020	2019
Discount rate	-0.25%	19,527	20,919
Discount rate	+0.25%	17,720	19,017
Interest rate on retirement savings capital	-0.25%	18,307	19,696
Interest rate on retirement savings capital	+0.25%	18,874	20,222
Salary increase	-0.25%	18,432	19,787
Salary increase	+0.25%	18,743	20,077
Life expectancy	+ 1 year	18,953	20,350
Life expectancy	- 1 year	18,221	19,510

The foundation is able to adapt the contribution and benefits. Risk for the employer is the case of underfunding that may involve additional payments from the employer.

The Group expects to contribute EUR 595 thousand to its other long-term employee benefit plans in 2021.

Actuarial assumptions

	2020 Defined pension plans	2019 Defined pension plans
Discount rate, %	0.2%	0.30-1.0%
Future salary increase, %	1.0%	1.5%
Future pension increases, %	0.0%	0.0%
Inflation, %	0.0%	0.0%
Duration in years	19.1	19.5

Amounts for the current and previous periods, defined benefit pensions

EUR thousand	2020	2019
Defined benefit pension obligation	537	1,793
Plan assets	-	-
Surplus / deficit (-)	**-537**	**-1,793**

Contents

Interest-bearing Liabilities

Non-current interest-bearing liabilities

EUR thousand	2020	2019
Loans from financial institutions	44,028	39,320
Lease liablities	6,620	8,230
Total non-current interest-bearing liabilities	**50,648**	**47,550**

Maturity of long term interest bearing liabilities

	1-2 years	2-3 years	3-5 years	> 5 years	Total
Loans from financial institutions	5,666	38,362	-	-	44,028
Lease liablities	1,313	1,007	2,003	2,298	6,620
Total	**6,979**	**39,369**	**2,003**	**2,298**	**50,648**

Non-current liabilities by currency

	2020	2019
EUR	44,028	39,320
Total	**44,028**	**39,320**

Current interest-bearing liabilities

	2020	2019
Loans from financial institutions	4,644	3,644
Lease liabilities	1,590	1,700
Total current interest-bearing liabilities	**6,234**	**5,344**

Interest-bearing net liabilities

	2020	2019
Non-current interest-bearing liabilities	50,648	47,550
Current interest-bearing liabilities	6,234	5,344
Cash	-23,259	-19,861
Total	**33,623**	**33,032**

The Group's funding is mainly organized by using the Facilitites Agreement signed in March 2019.

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

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

	1.1.2020	Cash flow*	Effective rate and Exchange differences	Reclassification	31.12.2020
Non-current interest-bearing liabilities	47,550	5,889	-146	-2,644	50,648
Current interest-bearing liabilities	5,344	-1,754	-	2,644	6,234
Total	**52,893**	**4,135**	**-146**	**0**	**56,882**

*Cash flow includes the changes of leasing agreements

Contents

Leases

Leases in the balance sheet

EUR million

Right-of-use assets	Buildings	Vehicles	Others	Total
Carrying amount at 1 January 2019	7.7	0.3	-	8.0
Additions	2.0	1.1	1.0	4.0
Decrease	-	0.0	-	0.0
Depreciation expense	-2.2	-0.8	-0.6	-3.6
Carrying amount at 31 December 2019	7.5	0.6	0.4	8.4
Additions	0.1	0.6	0.1	0.9
Decrease	-0.3	0.0	-	-0.3
Depreciation expense	-1.3	-0.5	-0.3	-2.1
Carrying amount at 31 December 2020	**6.0**	**0.7**	**0.2**	**6.9**

EUR million

Lease liabilities	2020	2019
Carrying amount at beginning of the period	9.9	9.0
Additions	0.4	3.1
Interest expense	0.5	0.5
Rental payment	-2.6	-2.7
Carrying amount at end of the period	**8.2**	**9.9**

The weighted average lessee's incremantal borrowing rate applied to lease liabilities recognized in the statement of financial position at the date initial application 2.66%.

Maturity of lease liabilities is shown in note 22.

Leases in profit and loss statement

EUR million

	2020	2019
Depreciation of right-of-use assets	-2.1	-2.6
Interest expense on lease liabilities	-0.5	-0.5
Low value lease expense	-0.2	0.0
Short-term lease expense	-0.1	-0.1
Total amounts recognised in profit or loss	**-2.9**	**-3.3**

Provisions

Non-current provisions

EUR thousand

2020	Warranty provision	Other provisions	Total
Carrying amount 1 January	358	160	517
Reclassification	-415	–	-415
Increase in provisions	198	3	201
Provisions released during the period	–	-40	-40
Carrying amount 31 December	**141**	**122**	**263**

2019			
Carrying amount 1 January	567	–	567
Reclassification	-573	–	-573
Increase in provisions	362	9	372
Group restructuring	–	156	156
Provisions released during the period	–	-6	-6
Carrying amount 31 December	**357**	**160**	**517**

Current provisions

2020	Warranty provision	Restructuring provision	Other provisions	Total
Carrying amount 1 January	3,270	258	387	3,916
Exchange difference	-8	-47	-3	-58
Reclassification	141	–	–	141
Increase in provisions	2,698	748	15	3,461
Provisions used during the period	-1,293	-172	-177	-1,642
Provisions released during the period	-2,206	–	-80	-2,286
Carrying amount 31 December	**2,602**	**787**	**142**	**3,531**

2019				
Carrying amount 1 January	1,521	156	3	1,681
Exchange difference	27	-3	-0	24
Reclassification	520	–	–	520
Increase in provisions	1,610	277	382	2,269
Group restructuring	3,393	–	66	3,459
Provisions used during the period	-1,198	-173	-31	-1,401
Provisions released during the period	-2,603	–	-33	-2,637
Carrying amount 31 December	**3,270**	**258**	**387**	**3,916**

Warranty provisions

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

Restructuring provisions

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

Other provisions

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

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Interest-free Liabilities

Current interest-free liabilities

EUR thousand	2020	2019
Trade payables	13,186	14,608
Advances received	40,142	40,302
Accrued expenses and deferred income	11,942	14,744
Other current interest-free liabilities	1,883	2,533
Total current interest-free liabilities	**67,153**	**72,186**

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

Financial Assets and Liabilities

EUR thousand 31 December, 2020	Note	Financial assets measured at fair value through other comprehensive income (*	Financial assets and liabilities at fair value through profit and loss (*	Loans and receivables	Financial liabilities at amortized cost	Total carrying amounts	Total fair value
Cash	3	–	–	23,259	–	23,259	–
Trade receivables	19	–	–	14,651	–	14,651	–
Other interest-free receivables	19	–	–	1,406	–	1,406	–
Receivables related to financial liabilities		–	–	–	113	113	–
Current loan receivables	19	–	–	222	–	222	–
Other non-current interest-free receivables	19	–	–	2	–	2	–
Non-current loan receivables	19	–	–	1,402	–	1,402	–
Derivatives		–	–	–	–	–	–
Shares and oher long-term investments	17	2,906	–	–	–	2,906	–
Non-current interest-bearing liabilities	22	–	–	–	-50,648	-50,648	-48,497
Current interest-bearing liabilities	22	–	–	–	-6,234	-6,234	-6,163
Trade payables	25	–	–	–	-13,186	-13,186	–
Other current interest-free liabilities	25	–	-733	–	-1,150	-1,883	–
Total		**2,906**	**-733**	**40,942**	**-71,105**	**-27,991**	**-54,660**

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

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EUR thousand 31 December, 2019	Note	Financial assets measured at fair value through other comprehensive income (*	Financial assets and liabilities at fair value through profit and loss (*	Loans and receivables	Financial liabilities at amortized cost	Total carrying amounts	Total fair value
Cash	3	–	–	19,861	–	19,861	–
Trade receivables	19	–	–	18,468	–	18,468	–
Other interest-free receivables	19	–	–	2,506	–	2,506	–
Receivables related to financial liabilities		–	–	–	47	47	–
Current loan receivables	19	–	–	226	–	226	–
Other non-current interest-free receivables	19	–	–	223	–	223	–
Non-current loan receivables	19	–	–	1,531	–	1,531	–
Derivatives		–	–	–	–	–	–
Shares and oher long-term investments	17	3,078	–	–	–	3,078	–
Non-current interest-bearing liabilities	22	–	–	–	-47,550	-47,550	-46,789
Current interest-bearing liabilities	22	–	–	–	-5,344	-5,344	-5,322
Trade payables	25	–	–	–	-14,608	-14,608	–
Other current interest-free liabilities	25	–	–	–	-2,533	-2,533	–
Total		**3,078**	**-**	**42,815**	**-69,987**	**-24,094**	**-52,111**

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

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

	2020	2019
1 January	2,842	2,842
Additions	–	–
Disposals	–	–
Impairment losses	–	–
Reclassification	–	–
31 December	**2,842**	**2,842**

	31.12.2020				31.12.2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Listed shares	-0	–	8	8	236	–	8	244
Other long-term investments	–	–	2,834	2,834	–	–	2,834	2,834
Currency forward contracts	–	310	–	310	–	–		–
Total	**-0**	**310**	**2,842**	**3,151**	**236**	**-**	**2,842**	**3,078**
Liabilities								
Financial liabilities	–	-54,660	–	-54,660	–	-52,111	–	-52,111
Currency forward contracts	–	–	–	–	–	–	–	–
Total	**-**	**-54,660**	**-**	**-54,660**	**-**	**-52,111**	**-**	**-52,111**

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

Specific valuation techniques used to value financial instruments include:
The fair value of forward foreign exchange contracts is determined by using forward rates at the closing date
The use of quoted market prices or dealer quotes for similar instruments

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Derivative Instruments

Glaston hedges foreign currency-denominated sales and cash flows of binding orders received with currency forwards. In fulfilling the conditions of hedge accounting, cash flow hedge accounting under IFRS 9 is applied with respect to currency derivatives.

Derivative instruments are used only for hedging purposes. Nominal values of derivative instruments do not necessarily correspond with the actual cash flows between the counterparties and do not therefore give a fair view of the risk position of the Group. The fair values are based on market valuation on the date of reporting. Maturity of the agreement is under 12 months.

Valuation methods of derivative instruments are presented in the Summary of Significant Accounting Policies and hedging principles in Note 3.

Nominal and fair values of derivative instruments

	2020		2019	
EUR thousand	Nominal value	Fair value	Nominal value	Fair value
Currency forwards	12,304	310	11,987	9

EUR thousand	2020	2019
Derivative instruments in the income statement		
Items included in net sales	-275	-248
Items included in operating expenses	-	-
Financial items	18	-1
Derivative instruments in the statement of financial position, receivables and liabilities		
Accrued expenses and deferred income		
Currency forwards	733	-

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Contingencies

EUR thousand	2020	2019
Loans secured with mortgages or pledges		
Loans from financial institutions	46,500	40,000
Mortgages given	–	–
Liens on chattel	487,500	487,500
Carrying amount of pledged securities	23,944	23,944
Total loans secured with mortgages, liens on chattel and pledged assets	**46,500**	**40,000**
Total mortgages, liens on chattel and pledged assets	**511,444**	**511,444**
Contingent liabilities		
Liens on chattel		
On behalf of own commitments	487,500	487,500
Securities pledged		
On behalf of own commitments	23,944	23,944
Total	**511,444**	**511,444**

Liens on chattel are related to companies: Glaston Services Ltd. Oy, Glaston Finland Oy, Glaston Emerging Technologies Oy and Uniglass Engineering Oy. All companies are jointly responsible for the debt.

	2020	2019
Guarantees		
On behalf of own commitments	8,958	12,367
On behalf of others	56	100
Repurchase obligation	–	–
Total	**9,014**	**12,467**
Total contingent liabilities	**520,457**	**523,910**

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.

	2020	2019
Minimum future payments of operating leases		
Maturity within one year	873	877
Maturity later than one year and not later than five years	1,689	2,167
Maturity later than five years	213	408
Total minimum future payments of operating leases	**2,776**	**3,452**

Other contingent liabilities and litigations

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

Shares and Holdings

Group companies			Group holding %	Parent holding %
Glaston Oyj Abp	Helsinki	Finland		
Uniglass Engineering Oy	Tampere	Finland	100.0%	100.0%
Glaston Services Ltd. Oy	Tampere	Finland	100.0%	100.0%
Glaston Emerging Technologies Oy	Tampere	Finland	100.0%	
Glaston Finland Oy	Tampere	Finland	100.0%	
Glaston International Oy	Tampere	Finland	100.0%	
Glaston America, Inc.	Mount Laurel, NJ	United States	100.0%	
Glaston UK Ltd. *	Derbyshire	United Kingdom	100.0%	
Glaston France S.A.R.L.	Paris	France	100.0%	
Glaston Singapore Pte. Ltd.	Singapore	Singapore	100.0%	
Glaston Tianjin Co. Ltd.	Tianjin	China	100.0%	
Glaston Management (Shanghai) Co. Ltd.	Shanghai	China	100.0%	
Glaston China Co. Ltd.	Tianjin	China	100.0%	
LLC Glaston	Moscow	Russia	100.0%	
Glaston Brasil Ltda	São Paulo	Brasil	100.0%	
Glaston Hong Kong Ltd.	Hong Kong	China	100.0%	
Glaston Germany GmbH **	Neuhausen-Hamberg	Germany	100.0%	
Bystronic Glass Inc.	Aurora, CO	United States	100.0%	
OOO Bystronic Steklo RUS	Moscow	Russia	100.0%	
Glaston Swizerland AG	Bützberg	Switzerland	100.0%	
Bystronic Glass UK Ltd.	Shropshire	United Kingdom	100.0%	
Bystronic Glass Machinery (Shanghai) Co. Ltd.	Shanghai	China	100.0%	
Bystronic Glass (Shanghai) Co. Ltd.	Shanghai	China	100.0%	

Changes in subsidiaries in 2020

- Bystronic Asia Pte. Ltd. was merged to Glaston Singapore Pte. Ltd in September 2020
- Glaston Germany GmbH was merged to Bystronic Lenhardt GmbH in September 2020
- Bystronic Lenhardt GmbH name was changed to Glaston Germany GmbH in September 2020
- Bystronic Machinen AG name was changed to Glaston Switzerland in September 2020

Changes in subsidiaries in 2019

- Acquisition of shares of Bystronic Lenhardt GmbH, Bystronic Machinen AG and their subsidiaries in April 2019.
- Glaston Tools (Sanhe) Co, Ltd. was liquidated in May 2019.
- Glaston Mexico S.A. de C.V. was sold in October 2019 to Bavelloni S.p.A.

* For the year ending 31 December 2020, Glaston UK Ltd and Bystronic Glass UK Ltd were entitled to exemption from audit under section 479A of the UK Companies Act 2006.

**Pursuant to Sec. 291 German Commercial Code, all EU subsidiaries included in these consolidated financial statements are exempt from the duty to prepare their own consolidated financial statements and group management report for the subgroups in question.

For the following German corporations, the exempting provision pursuant to Sec. 264 (3) German Commercial Code applies in addition:
- Glaston Germany GmbH

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Share-based Incentive Plans

Share-based incentive plans
Glaston's share-based incentive plans are directed to the Group's key personnel as part of the Group's incentive schemes. The plans aim to align the interests of the company's shareholders and key personnel in the Group in order to raise the value of Glaston.

The expenses arising from the incentive plans have been recognized in profit or loss during the vesting periods. The cash-settled portion of the incentive plans is recorded as a liability in the statement of financial position, if it has not been paid. Glaston has recorded the personnel costs arising from the share-based incentive plans to the extent it is liable to pay them.

Share-based incentive plan
On 8 August 2019 the Board of Directors of Glaston Corporation approved a new share-based incentive plan for the Group key employees. The aim of the new incentive plan is to align the objectives of the shareholders and the key employees in order to increase the value of the company in the long-term, to retain the key employees at the company and to offer them a competitive incentive plan that is based on earning and accumulating the company's shares.

The Performance Share Plan 2019-2023 comprises three performance periods, calendar years 2019-2021, 2020-2022 and 2021-2023. The Board of Directors resolves on the plan's performance criteria and on the performance levels at the beginning of each performance period. The key employees will receive the company's shares as a reward, if the performance levels of the performance criteria, set by the Board of Directors, are achieved. As a rule, no reward will be paid, if a key employee's employment or service terminates before the reward payment.

The CEO and each member of the Executive Management Group of the Company must hold 50% of the net number of shares he or she has received on the basis of the plan, until the number of the company's shares he or she holds corresponds to the value of his or her gross annual base salary. Such number of shares must be held as long as such person's employment or service in a company belonging to the Group Company continues.

Performance Period 2020–2022
The potential reward of the performance period 2020-2022 is based on the Glaston Group's comparable EBITA and average gearing during a period of 1 January 2020–31 December 2022. If the performance levels of the performance criteria are achieved in full, the payable rewards correspond to a maximum total of 500 000 Glaston Corporation shares, including also the proportion to be paid in cash.

The potential reward from the performance period 2020-2022 will be paid in 2023 in a manner resolved by the Board of Directors, either partly in the company's shares and partly in cash, in which case the cash proportion is intended to cover taxes and tax-related costs arising from the reward to the key employee, or fully in cash.

The reward to be paid on the basis of the plan may be reduced, if the reward cap set by the Board of Directors is reached. Approximately 17 key employees, including the CEO and members of the Executive Management Group, belong to the target group of the plan in the performance period 2020-2022.

Performance Period 2019–2021
The potential reward of the performance period 2019-2021 is based on Glaston Group's comparable EBITA and average gearing during the period of 1 January 2019–31 December 2021. If the performance levels of the performance criteria for the performance period 2019-2021 are achieved in full, the payable rewards correspond to a maximum total of 500 000 Glaston Corporation shares, including also the proportion to be paid in cash.

The potential reward from the performance period 2019-2021 will be paid in 2022 in a manner resolved by the Board of Directors, either partly in the company's shares and partly in cash, in which case the cash proportion is intended to cover taxes and tax-related costs arising from the

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reward to the key employee, or fully in cash.

The reward to be paid on the basis of the plan may be reduced, if the reward cap set by the Board of Directors is reached. Approximately 15 key employees, including the CEO and members of the Executive Management Group, belong to the target group of the plan in the performance period 2019–2021.

Share-based incentive plan 2018

On 8 February 2018, Glaston's Board of Directors approved a new period for the long-term incentive and commitment plan for the Group's key personnel including senior management of the Group and its subsidiaries.
The incentive plan is based on the development of Glaston's share price. The plan covers the years 2018–2020 and the possible rewards will be paid in spring 2021. The incentive plan for 2018 covers 20 key persons of Glaston.

Basic information of the share-based plans	2020–2022	2019–2021	2018–2020
Grant date	14 February 2020	13 September 2019	8 February 2018
Nature of the plan	Shares/cash	Shares/cash	Cash
Target group	Key personnel	Key personnel	Key personnel
Maximum amount of cash	500 000 shares	500 000 shares	1 820 000 eur
Total amount of cash at the end of the performance period, EUR thousand	-	-	-
Performance period begins	1 January 2020	1 January, 2019	1 January 2018
Performance period ends	31 December 2022	31 December 2021	31 December 2020
End of restriction period/ payment	1 April, 2023	1 April, 2022	1 April 2021
Vesting conditions	Group's comparable EBITA and average net gearing Service period	Group's comparable EBITA and average net gearing Service period	Share price Service period
Maximum contractual life, years	3	3	3
Remaining contractual life, years	2	1	0
Number of persons involved 31 December 2020	17	15	20

Effect on the profit or loss for the period and on financial position	2020	2019	2018
Effect on the result of the reporting period, EUR thousand	30	12	-

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

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Related Parties

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

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

Glaston follows the same commercial terms in transactions with associates and other related parties as with third parties.

Total accrual based remuneration of the Board of Directors and the Executive Management Group was EUR 2,024 (2,005) thousand.

Remuneration of the Executive Management Group, accrual based

EUR	2020	2019
CEO Arto Metsänen 1.1.2020-31.5.2020		
Salaries	187,963	405,646
Bonuses	-	40,000
Share based benefit	-	-
Total	187,963	445,646
Fringe benefits	100	1,432
Total	**188,063**	**447,078**
Statutory pension payments (Finnish TyEL or similar plan)	35,648	86,167
Voluntary pension payments	23,942	48,960

EUR	2020	2019
Acting CEO Sasu Koivumäki 1.6.2020- 31.12.2020		
Salaries	153,600	-
Bonuses	73,335	-
Share based benefit	-	-
Total	226,935	-
Fringe benefits	7,623	-
Total	**234,558**	**-**
Statutory pension payments (Finnish TyEL or similar plan)	10,400	-
Voluntary pension payments	20,405	-

The Board of Directors of Glaston Corporation appointed Anders Dahlblom President and CEO of Glaston Corporation on 14 August 2020 and he assumed his position on 1 January 2021.

Other members of the Executive Management Group

	2020	2019
Salaries	1,079,846	1,023,373
Bonuses	158,687	168,188
Share based benefit	-	-
Total	1,238,533	1,191,561
Fringe benefits	32,040	83,207
Total	**1,270,573**	**1 274,768**
Statutory pension payments (Finnish TyEL or similar plan)	156,100	124,114
Voluntary pension payments	21,195	37,114

The remuneration includes salaries only for the period of membership of the Executive Management Group.

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

The Acting CEO's period of notice is 3 months. In the event the company would give notice to the Acting CEO, he will receive an additional remuneration equaling 9 months' salary.

Compensation of the CEO and other members of the Executive Management Group consists of a fixed monthly salary, an annual bonus and a share-based incentive plan intended as a long-term incentive (described in more detail in Note 30). The criteria for bonus payments are consolidated result, result of the business area or business unit as well as functional targets. The maximum annual bonus of the CEO is 50 per cent of the annual salary. The maximum annual bonus of the Acting CEO is 40 per cent of the annual salary.The maximum annual bonus of the other members of the Executive Management Group is 40 per cent of the annual salary.

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

Remuneration of the Board of Directors, accrual based

	2020		2019	
EUR	annual fee	meeting fee	annual fee	meeting fee
Teuvo Salminen, Chairman of the Board of Directors, until 31.12.2020	70,000	9,300	64,000	12,700
Sebastian Bondestam, Deputy Chairman of the Board of Directors	47,500	6,250	44,250	8,600
Sarlotta Narjus	30,000	10,250	28,250	8,600
Kai Mäenpää	30,000	9,250	28,250	6,850
Tero Telaranta	30,000	6,750	28,250	8,600
Antti Kaunonen	30,000	10,750	28,250	8,600
Michael Willome(1	22,500	2,750	-	-
Veli-Matti Reinikkala(2	15,000	1,000	-	-
Anu Hämäläinen(3	-	-	5,750	2,600
Total	**275,000**	**56,300**	**227,000**	**56,550**

The members of Glaston Corporation's Board of Directors were paid an annual remuneration and a meeting fee; other compensation was not paid. The Chairman of Glaston Corporation's Board of Directors was paid EUR 60,000 (60,000) annually, the Deputy Chairman EUR 40,000 (40,000) annually and each of the members EUR 30,000 (30,000) annually. In addition, a meeting fee of EUR 800 (800) per meeting held in the Chairman's home country and EUR 1,500 per meeting held elsewhere were paid to the Chairman. The other members of Glaston Corporation's Board of Directors were paid EUR 500 per meeting held in the Board member's home country and EUR 1,000 per meeting held elsewhere. For the Board Meeting, which is held per capsulam, half of the regular fee is paid.

The members of Glaston Corporation's Committees are paid for every meeting, that a member has participated in, EUR 500. In addition, to the Chairman of the Audit Committee an annual fee of EUR 10,000 is paid, and to the Chairman of the Compensation Committee an annual fee of EUR 7,500.

Board of Directors, share ownership*

	Glaston shares	
	31 December 2020	31 December 2019
Teuvo Salminen, Chairman of the Board of Directors, until 31.12.2020	306,057	206,165
Sebastian Bondestam, Deputy Chairman of the Board of Directors	21,344	21,344
Sarlotta Narjus	–	–
Kai Mäenpää	15,000	15,000
Tero Telaranta	376	376
Antti Kaunonen	76,005	3,655
Michael Willome[(1]	–	–
Veli-Matti Reinikkala[(2]	180,000	–
Anu Hämäläinen[(3]	–	52,407

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

Executive Management Group, share ownership*

	Glaston shares	
	31 December 2020	31 December 2019
Sasu Koivumäki	89,979	89,979
Päivi Lindqvist	38,680	38,680
Dietmar Walz[(4]	–	–
Taina Tirkkonen[(5]	27,500	27,500
Artturi Mäki[(6]	4,731	4,731
Robert Prange[(7]	15,000	–
Miika Äppelqvist[(8]	6,815	–
Juha Liettyä[(9]	91,665	91,665
Arto Metsänen [(10]	660,000	490,000
Pekka Hytti[(11]	36,665	36,665
Frank Chengdong Zhang[(12]	–	–
Burghard Schneider[(13]	–	–

[(1] Member of the Board of Directors from 28 May 2020
[(2] Member of the Board of Directors from 4 September 2020
[(3] Member of the Board of Directors until 4 April 2019

[(4] Member of the Executive Management Group from 27 May 2019
[(5] Member of the Executive Management Group until 1 April 2019 and from 1.1.2020
[(6] Member of the Executive Management Group until 1 April 2019 and from 1.1.2020
[(7] Member of the Executive Management Group from 1 January 2020
[(8] Member of the Executive Management Group from 1 December 2020

[(9] Member of the Executive Management Group until 30 November 2020
[(10] CEO and member of the Executive Management Group until 1 June 2020
[(11] Member of the Executive Management Group until 1 April 2019
[(12] Member of the Executive Management Group until 1 April 2019
[(13] Member of the Executive Management Group from 1 April until 27 May 2019

* A reverse share split was implemented on 1 March 2019. A Rights issue was implemented during the second quarter in 2019.

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Events after End of the Reporting Period

On 15 January 2021, Glaston announced the appointment of Susanna Kohisevankoski as SVP People and Culture and a member of the Executive Management Group. She will take up her position no later than July 2021. Taina Tirkkonen, the company's current General Counsel and SVP Human Resources, will continue as the company's General Counsel and a member of the Executive Management Group.

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Income statement of the parent company (FAS)

		1.1.–31.12.	
EUR thousand	Note	2020	2019
Net sales	2	**2,812**	**3,436**
Other operating income	3	4,822	3,091
Personnel expenses	4	-2,101	-1,889
Depreciation, amortization and impairment losses	5	-443	-494
Other operating expenses	6	-7,118	-7,990
Operating profit / loss		**-2,027**	**-3,847**
Net financial items	7	-1,126	-8,260
Profit /loss before appropriations and taxes		**-3,152**	**-12,107**
Appropriations	8	2	-85
Income taxes	9	-1	-16
Profit / loss for the financial year		**-3,152**	**-12,208**

Balance sheet of the parent company (FAS)

		31.12.	
EUR thousand	Note	2020	2019
Assets			
Non-current assets			
Intangible assets	10	1,526	1,199
Tangible assets	10	30	314
Subordinated loand receivable Group Companies	12,13	36,846	36,846
Investments	11,12	17,211	17,218
Non-current assets, total		**55,614**	**55,576**
Current assets			
Non-current receivables	13	77,700	77,700
Current receivables	13	17,189	22,579
Cash and bank		15,127	2,898
Current assets, total		**110,017**	**103,177**
Total assets		**165,630**	**158,753**

		31.12.	
EUR thousand	Note	2020	2019
Equity and liabilities			
Equity			
Share capital		12,696	12,696
Reserve for invested unrestricted equity		114,270	114,270
Retained earnings		-38,972	-26,764
Profit / loss for the financial year		-3,152	-12,208
Total equity	14	**84,843**	**87,994**
Accumulated appropriations	15	97	100
Liabilities			
Non-current liabilities	16	42,507	37,128
Current liabilities	17	38,183	33,531
Total liabilities		**80,690**	**70,659**
Total equity and liabilities		**165,630**	**158,753**

Parent company cash flow statement (FAS)

EUR thousand	2020	2019
Cash flow from operating activities		
Profit / loss for the financial period	-3,152	-12,208
Adjustments:		
Income taxes for the period	1	16
Deferred taxes	-2	85
Financial income and expenses	1,126	4,591
Depreciation, amortization and impairment	443	494
Proceeds from disposal of tangible and intangible assets	-73	-
Proceeds from disposal of investments	-	3,669
Other adjustments	-36	1,965
Cash flow before change in net working capital	-1,694	-1,387
Change in net working capital		
Change in current interest-free receivables	426	-2,505
Change in current interest-free liabilities	3,561	2,424
Cash flow from operating activities before financial items and taxes	2,294	-1,467
Interests paid and payments made for other financial items and income taxes		
Interests and other financial expenses paid	-2,557	-5,544
Dividends received	3	3
Interest received	220	-228
Income taxes paid	-1	-
Cash flow from operating activities before extraordinary items	-41	-7,237
Cash flow from operating activities	**-41**	**-7,237**

EUR thousand	2020	2019
Cash flow from investing activities		
Investments in tangible and intangible assets	-756	-595
Proceeds from disposal of tangible and intangible assets	349	-
Cash flow from investing activities	**-407**	**-595**
Cash flow from financing activities		
Drawn-down of non-current loans	7,500	40,000
Repayment in non-current loans	-	-5,000
Change in current intra-group receivables	6,299	-77,795
Change in current intra-group loans	-	5,135
Drawn-down of current loans	-	33,000
Repayments of current loans	-1,121	-37,121
Return of capital	-	-1,157
Share issue	-	49,099
Cash flow from financing activities	**12,677**	**6,160**
Change in cash and cash equivalents	**12,229**	**-1,672**
Cash and cash equivalents at the beginning of the period	2,898	4,570
Cash and cash equivalents at the end of the period	15,127	2,898
Change in cash and cash equivalents	**12,229**	**-1,672**

Summary of Significant Accounting Policies

Glaston Corporation is a public limited liability company organized under the laws of the Republic of Finland. Glaston's shares are publicly traded in the Nasdaq Helsinki Ltd. Small Cap in Helsinki, Finland. Glaston Corporation is domiciled in Helsinki, Finland and its registered office is Lönnrotinkatu 11, 00120 Helsinki, Finland. Glaston Corporation is the parent of Glaston Group.

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

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

Pension Arrangements

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

Financial Assets and Liabilities and Derivative Instruments

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

Finance Leasing

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

Appropriations

The parent's appropriations consist of group contributions received from and given to subsidiaries.

Fixed assets

The parent's fixed assets accounting follows the same principles than presented in the accounting policies of Glaston Group.

Untaxed Reserves

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

Notes to parent company financial statements (FAS) / Note 2

Net Sales

EUR thousand	2020	2019
Net sales by business		
Manufacturing industry	2,812	3,436
Net sales by country by destination		
Finland	383	2,411
Other EMEA*	2,075	550
Americas*	340	434
Asia*	14	41
Total	**2,812**	**3,436**

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

Notes to parent company financial statements (FAS) / Note 3

Other Operating Income

EUR thousand	2020	2019
Charges from group companies	4,749	3,091
Proceeds from sale of fixed assets	10	-
Proceeds from other investments	63	-
Other operating income, total	**4,822**	**3,091**

Notes to parent company financial statements (FAS) / Note 4

Personnel Expenses

EUR thousand	2020	2019
Salaries and fees	-1,740	-1,628
Pension expenses	-323	-242
Other personnel expenses	-39	-19
Total	**-2,101**	**-1,889**
Salaries and remuneration paid to members of the Board of Directors and Managing Director	-754	-731
Employees during financial year, average		
White collar	10	10
Total	**10**	**10**

Depreciation, Amortization and Impairment Losses

EUR thousand	2020	2019
Depreciation and amortization according to plan		
Intangible assets		
Intangible rights	-327	-336
Other capitalized expenditure	-62	-21
Tangible assets		
Machinery and equipment	-53	-137
Total depreciation and amortization according to plan	**-443**	**-494**
Total depreciation and amortization according to plan and impairment losses	**-443**	**-494**

Other Operating Expenses

EUR thousand	2020	2019
Rents	-211	-131
Information and communications technology expenses	-5,002	-3,827
Travel expenses	-47	-162
Credit losses	-	27
Intra-group credit loss	-35	-1,993
Other expenses	-1,822	-1,904
Other operating expenses, total	**-7,118**	**-7,990**

Fees paid to auditors		
Fees paid to principal auditors for audit	-55	-72
Fees paid to principal auditors for other services	-33	-152
Total	**-88**	**-224**

Net Financial Items

EUR thousand	2020	2019
Dividend income		
From external parties	3	3
Dividend income, total	**3**	**3**
Interest and other financial income		
From group companies	1,511	1,459
From external parties	29	45
Interest and other financial income	**1,540**	**1,504**
Interest and other financial income, total	**1,543**	**1,507**
Interest and other financial expenses		
To group companies	-535	-555
Impairment losses of intra-group receivables	–	-3,669
To external parties	-2,133	-5,543
Interest and other financial expenses, total	**-2,668**	**-9,767**
Net financial items, total	**-1,126**	**-8,260**
Other financial income and expenses include foreign exchange gains and losses (net)	-13	91

Appropriations

EUR thousand	2020	2019
Difference between depreciation and amortization according to plan and depreciation and amortization in taxation	2	-85
Total	**2**	**-85**

Income Taxes

EUR thousand	2020	2019
Income taxes for operations	-1	-16
Total	**-1**	**-16**

Fixed Assets

Intangible assets

EUR thousand	Intangible rights	Other capitalized expenditure	Advance payments and investments in progress	Total
Acquisition cost 1 January, 2020	5,147	630	313	6,089
Additions	8	–	709	717
Transfers between items	250	654	-904	–
Acquisition cost 31 December, 2020	**5,404**	**1,284**	**118**	**6,806**
Accumulated amortizations and impairment losses 1 January, 2020	-4,286	-604	–	-4,891
Amortization of the period	-327	-62	–	-389
Accumulated amortizations and impairment losses 31 December, 2020	**-4,614**	**-666**	**–**	**-5,280**
Carrying amount at 31 December, 2020	**790**	**618**	**118**	**1,526**
Carrying amount at 31 December, 2019	860	26	313	1,199

Tangible assets

EUR thousand	Tangible assets and equipment	Other tangible assets	Advance payments and investments in progress	Total
Acquisition cost 1 January, 2020	916	-29	22	909
Additions	39	–	–	39
Disposals	-514	–	–	-514
Transfers between items	-136	158	-22	0
Acquisition cost 31 December, 2020	**305**	**129**	**-0**	**434**
Accumulated depreciations and impairment losses 1 January, 2020	-634	39	–	-595
Accumulated depreciations of disposals and transfers	244	–	–	244
Depreciation for the period	-53	–	–	-53
Transfers between items	158	-158	–	-0
Accumulated depreciations and impairment losses 31 December, 2020	**-285**	**-119**	**–**	**-404**
Carrying amount 31 December, 2020	**20**	**10**	**-0**	**30**
Carrying amount at 31 December, 2019	282	10	22	314

Investments

EUR thousand	Shares Group companies	Shares Other	Subordinated loan receivable Group companies	Total
Carrying amount at 1 January, 2020	17,204	14	36,846	54,064
Decrease	–	6	–	6
Carrying amount at 31 December, 2020	**17,204**	**8**	**36,846**	**54,058**

Shares and holdings owned by the Parent

Subsidiary shares

EUR thousand	Ownership %	Number of shares	Nominal value	Carrying amount
Uniglass Engineering Oy, Tampere, Finland	100%	20,000	400	2,351
Glaston Services Ltd. Oy, Tampere, Finland	100%	1,800,000	3,600	14,853
Total				**17,204**

Other	
Other shares and holdings	8
Total	**8**

Receivables

EUR thousand	2020	2019
Non-current receivables		
Receivables from group companies		
Loan receivables	77,700	77,700
Total	77,700	77,700
Non-current receivables, total	**77,700**	**77,700**
Current receivables		
Receivables from external parties		
Other receivables	33	33
Prepaid expenses and accrued income	605	649
Total	638	682
Receivables from group companies		
Trade receivables	5,211	5,156
Loan receivables	8,915	15,213
Other receivables	-	3
Accured interest receivables	2,347	1,006
Prepaid expenses and accrued income	79	519
Total	16,551	21,897
Current receivables, total	**17,189**	**22,579**
Relevant items of prepaid expenses and accrued income		
Financial items	557	597
Other	126	569
Prepaid expenses and accrued income, total	**683**	**1,167**

Equity

EUR thousand	2020	2019
Share capital 1 January	12,696	12,696
Share capital 31 December	12,696	12,696
Share premium account 1 January	-	25,270
Dissolution of share premium account	-	-25,270
Share premium account 31 December	-	-
Reserve for invested unrestricted equity 1 January	114,270	41,059
Share issue	-	49,099
Capital repayment	-	-1,157
Dissolution of share premium account	-	25,270
Reserve for invested unrestricted equity 31 December	114,270	114,270
Treasury shares 1 January	-	-3,308
Cancellation of treasury shares	-	3,308
Treasury shares 31 December	-	-
Retained earnings 1 January	-38,972	-23,455
Cancellation of treasury shares	-	-3,308
Retained earnings 31 December	-38,972	-26,764
Profit / loss for the financial year	-3,152	-12,208
Equity at 31 December	**84,843**	**87,994**
Distributable funds at 31 December		
Reserve for invested unrestricted equity	114,270	114,270
Retained earnings	-38,972	-26,764
Profit / loss for the financial year	-3,152	-12,208
Distributable funds	**72,147**	**75,298**

Accumulated Appropriations

EUR thousand	2020	2019
Accumulated depreciation difference 1 January	100	14
Increase (+) / decrease (-)	-2	85
Accumulated depreciation difference 31 December	**97**	**100**

Non-current Liabilities

EUR thousand	2020	2019
Liabilities to external parties		
Loans from financial institutions	42,500	37,121
Other liabilities	7	7
Liabilities to external parties, total	42,507	37,128
Non-current liabilities, total	**42,507**	**37,128**

Current Liabilities

EUR thousand	2020	2019
Liabilities to external parties		
Loans from financial institutions	4,121	3,121
Trade payables	454	657
Other liabilities	44	182
Accrued expenses and deferred income	933	754
Liabilities to external parties, total	5,553	4,715
Liabilities to group companies		
Other interest-bearing liabilities	32,596	28,810
Trade payables	35	7
Liabilities to group companies, total	32,631	28,817
Current liabilities, total	**38,183**	**33,531**
Accrued expenses and deferred income		
Salary and other personnel expense accruals	299	312
Interests	391	300
Other	244	142
Accrued expenses and deferred income, total	**933**	**754**

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Contingent Liabilities

	2020	2019
Leasing liabilities		
Maturity within one year	30	30
Maturity later than one year	8	8
Total	**38**	**38**

The leasing agreements have normal terms.

	2020	2019
Other rental liabilities		
Maturity within one year	97	97
Maturity later than one year	40	40
Total	**137**	**137**
Pledges		
On behalf of group companies	6,338	8,839
Loans secured with pledged assets and mortgages		
Loans from financial institutions	46,500	40,000
Liens on chattel		
On own behalf	97,500	97,500
Carrying amount of pledged securities	17,204	17,204

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

Liens on chattel are given jointly with Glaston Services Ltd. Oy, Glaston Finland Oy, Glaston Emerging Technologies Oy and Uniglass Engineering Oy.

Signatures for the Board of Directors' Review and Financial Statements

Helsinki, 9 February 2021

Veli-Matti Reinikkala
Chairman of the Board

Sebastian Bondestam
Deputy Chairman of the Board

Sarlotta Narjus

Kai Mäenpää

Antti Kaunonen

Teuvo Salminen

Tero Telaranta

Michael Willome

Anders Dahlblom
CEO

The Auditor's note
Our auditor's report has been issued today.

Tampere, 9 February 2021
KPMG Oy Ab
Authorised public accountants

Lotta Nurminen
Authorized Public Accountant, KHT

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Auditor's Report

To the Annual General Meeting of Glaston Oyj Abp

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Glaston Oyj Abp (business identity code 1651585-0) for the year ended 31 December, 2020. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's income statement, balance sheet, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee and Board of Directors.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 9 to the consolidated financial statements.

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

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

The Key Audit Matter	How the matter was addressed in the Audit
Revenue recognition (Note 7 Revenue from contracts with customers, Summary of Significant Accounting Policies and Critical Accounting Estimates and Judgments)	
The consolidated revenue comprise different revenue flows based on different contract types, such as sale of machines, spare parts and services. Revenue from the sale of goods is recognized at a point in time or over time when the buyer receives the goods or gains control. Revenue from services rendered and repair work is recognized when the service has been rendered or the work has been completed. The most significant risks relate to revenue from tailor-made glass processing machine deliveries for which the revenue is recognized over time applying percentage of completion method. These involve management judgment related to measuring the progress towards complete satisfaction of the performance obligation and total estimated costs. Net sales for the reporting period includes EUR 65 million revenue recognized over time representing 38 percent of total net sales. Due to the analyses of different contract terms and conditions associated with the choice of a revenue recognition method and high level of management judgement involved, revenue recognition is considered a key audit matter.	Our audit procedures included evaluation of the revenue recognition principles applied by the Group and assessment of their appropriateness by reference to IFRS standards. We have obtained an understanding of processes relating to different revenue flows and identified and assessed internal controls over revenue recognition as well as tested their effectiveness. In addition, we performed substantive testing and analytical procedures, partly based on data analytics, in order to assess the appropriateness of revenue recognition and the accounting treatment of recording revenue and the related expenses in the correct period. We assessed the control environment in respect of the main sales software and the related user rights management. We discussed with the management the revenue recognition practices applied and decisions involving management judgement which had an impact on revenue recognition. Furthermore, we considered the appropriateness of the Group's disclosures in respect of revenue recognition principles and net sales.
Valuation of goodwill (Note 13 Depreciation, Amoritzation and Impairment of Assets, Note 14 Intangible Assets, Summary of Significant Accounting Policies and Critical Accounting Estimates and Judgments)	
Value of goodwill amounts to EUR 58 million, which is 28 percent of the total assets and 85 percent of the consolidated equity. Goodwill is not amortized, instead it is tested for impairment at least on an annual basis. Impairment tests are based on future cash flow forecasts and determining the underlying key assumptions require management judgment. Due to the high level of management judgment related to the forecasts used in goodwill impairment tests and the significant carrying amounts involved, valuation of goodwill is considered as a key audit matter.	We have assessed the key assumptions used in the calculations, such as profitability, discount rate and long-term growth rate with relation to the forecasts presented to the Board of Directors, external references and our own views. We involved KPMG valuation specialists when assessing the technical accuracy of the calculations and comparing the assumptions used with external market and industry data. In addition, we considered the appropriateness of the Group's disclosures in respect of goodwill impairment testing.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement
We were first appointed as auditors by the Annual General Meeting on 28 May, 2020.

Other Information
The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Tampere, 9 February 2021
KPMG OY AB

Lotta Nurminen
Authorised Public Accountant, KHT

This document is an English translation of the Finnish Independent Auditor's Reasonable Assurance report. Only the Finnish version of the report is legally binding.

Independent Auditor's Reasonable Assurance Report on Glaston Oyj's ESEF Financial Statements

To the Board of Glaston Oyj

We have undertaken a reasonable assurance engagement on the iXBRL-marking up of the consolidated financial statements for the year ended December 31,2020 included in the Glaston Oyj's digital files [743700V3I7CLI3DJ8L62-2020-12-31.zip] prepared in accordance with the requirements of Article 4 of EU Delegated Regulation 2018/815 (ESEF RTS).

The Responsibility of the Board of Directors and Managing Director

The Board of Directors and Managing Director are responsible for preparing the report of the Board of Directors and financial statements (ESEF financial statements) that comply with the requirements of ESEF RTS. This responsibility includes:

- preparation of ESEF financial statements in XHTML format in accordance with Article 3 of the ESEF RTS
- marking up the consolidated financial statements included in the ESEF financial statements with iXBRL tags in accordance with Article 4 of the ESEF RTS; and
- ensuring consistency between ESEF financial statements and audited financial statements.

The Board of Directors and the Managing Director are also responsible for such internal control as they deem necessary to prepare the ESEF financial statements in accordance with the requirements of the ESEF RTS.

Auditor's Independence and Quality Control

We are independent of the company in accordance with the ethical requirements applicable in Finland, which apply to the engagement we have performed, and we have fulfilled our other ethical obligations in accordance with these requirements.

The auditor applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibility

In accordance with the Engagement Letter our responsibility is to express an opinion on whether the marking up of the consolidated financial statements included in the ESEF financial statements comply in all material respects with the Article 4 of the ESEF RTS. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000.

The engagement involves procedures to obtain evidence whether;

- the consolidated financial statements included in the ESEF financial statements are, in all material respects, marked up with iXBRL tags in accordance with Article 4 of the ESEF RTS, and;
- the ESEF financial statements and the audited financial statements are consistent with each other.

The nature, timing and the extent of procedures selected depend on practitioner's judgement. This includes the assessment of the risks of material departures from the requirements set out in the ESEF RTS, whether due to fraud or error.

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

Opinion

In our opinion, the consolidated financial statements included in the ESEF financial statements of Glaston Oyj identified as 743700V3I7CLI3DJ8L62-2020-12-31.zip for the year ended December 31, 2020 are marked up, in all material respects, in compliance with the ESEF Regulatory Technical Standard.

Our audit opinion relating to the consolidated financial statements of Glaston Oyj for the year ended December 31, 2020 is set out in our Auditor's Report. In this report, we do not express an audit opinion, review conclusion or any other assurance conclusion on the consolidated financial statements.

Tampere, March 22, 2021
KPMG OY AB

LOTTA NURMINEN
Authorised Public Accountant, KHT

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