Financial Statements
and
Board of Directors' Report

1.5.2018-30.4.2019

VAPO GROUP 1 MAY 2018–30 APRIL 2019
INTERIM REPORT AND FULL-YEAR FINANCIAL STATEMENTS

The final third of the year in brief:

January–April 2019:

- Group turnover in January–April 2019 was EUR 235.9 million (EUR 191.9 million in January–April 2018)
- The operating margin (EBITDA) was EUR 41.9 million (EUR 36.8 million), or 17.8% (19.2%) of turnover
- The operating result (EBIT) was EUR 29.2 million (EUR 26.8 million), or 12.4% (14.0%) of turnover, including EUR -1.5 million (EUR -1.9 million) in non-recurring items.
- Earnings per share were EUR 700 (EUR 680)
- Free cash flow before taxes was EUR -11.1 million (EUR 60.6 million)
- Gross investments were EUR 37.0 million (EUR 9.5 million)
- BVB Substrates became part of Vapo Group through an acquisition that was completed on 4 January 2019

The financial year in brief:

May 2018–April 2019

- Group turnover in May 2018–April 2019 was EUR 460.8 million (EUR 419.8 million in May 2017–April 2018)
- The operating margin (EBITDA) was EUR 74.1 million (EUR 61.1 million), or 16.1% (14.5%) of turnover
- The operating result (EBIT) was EUR 33.3 million (EUR 26.3 million), or 7.2% (6.3%) of turnover, including EUR -3.0 million (EUR 0.0 million) in non-recurring items
- Earnings per share were EUR 840 (EUR 586)
- The pre-tax return on invested capital (pre-tax ROIC) was 5.4% (4.3%)
- Free cash flow before taxes was EUR -22.3 million (EUR 73.6 million)
- Gross investments were EUR 62.7 million (EUR 31.3 million)
- The equity ratio on 30 April 2019 was 51.3% (51.2%)
- Interest-bearing net debt on 30 April 2019 was EUR 265.6 million (EUR 206.2 million)
- The ratio of interest-bearing net debt to operating margin (net debt/EBITDA) on 30 April 2019 was 3.6 (3.4)
- 9.7 TWh of energy peat was delivered (11.4 TWh)

The financial year in figures:	1 May 2018–30 April 2019	1 May 2017–30 April 2018
Turnover, EUR million	460.8	419.8
Operating margin/EBITDA, EUR million	74.1	61.1
Operating profit/EBIT, EUR million	33.3	26.3
Comparable operating profit excluding non-recurring items and the effect of divested businesses, EUR million	36.3	26.3
Profit/loss for the period, EUR million	25.2	17.6
Earnings per share	840	586
Pre-tax return on invested capital	5.4	4.3
Free cash flow before taxes, EUR million	-22.3	73.6
Equity ratio on 30 April	51.3	51.2
Ratio of interest-bearing net debt to operating margin	3.6	3.4
Energy peat deliveries (TWh)	9.7	11.4
Wood fuel deliveries (TWh)	3.7	3.5
Heating deliveries (TWh)	1.6	1.8
Accident frequency*	16	15

*) Accident frequency=number of accidents requiring a visit to occupational health services/million working hours

*

EUR million	Comparable 2019	Effect of acquisitions	Items affecting comparability	Total
Items affecting comparability				
Gains/losses on disposals			0.0	
Impairment			-0.5	
Restructuring			-1.8	
Other items			-0.7	
Operating profit	**36.3**	**0.0**	**-3.0**	**33.3**
Financial income and expenses	-2.7	-0.2		**-2.8**
Profit/loss before taxes	**33.6**			**30.5**
Income taxes	-4.4	-0.9		**-5.3**
Profit/loss for the period	29.2	-1.1	-3.0	**25.2**

VAPO IN BRIEF

Vapo is an international conglomerate whose businesses promote clean, local and water-conserving food production, supply local fuels and provide heating and steam production solutions. Vapo Group also develops new products for the purification of contaminated environments and creates well-being by providing jobs, recycling and by creating comfortable living environments.

Vapo is a leading bioenergy company in Finland, Sweden and Estonia. The product and service selection developed for Vapo's energy customers consists of local fuels, such as peat, pellets and forest fuels as well as added value services related to energy production. The company also owns seven combined heat and power (CHP) plants and approximately 150 heating plants producing local energy. Vapo is an important part of the local energy infrastructure in all of its markets.

Vapo Group also includes the growing media group Kekkilä-BVB, which is the European market leader in growing media products. The company produces garden soils, mulches and fertilisers for professional growers, consumers and landscapers in Finland under the Kekkilä brand, in Sweden under the Hasselfors Garden brand and in the Netherlands under the BVB Substrates brand.

Vapo Group's New Businesses division develops new business solutions based on the Group's strengths. The Group's latest higher added value business is Vapo Carbons, which aims to make a quick entry into the growing international market for peat-based technical carbons. The new higher added value businesses currently in development by the Group also include Vapo Refinery, which focuses on separating other useful minerals from peat before its use in agricultural peat and activated carbon products.

Vapo Group had an average of 869 employees during the financial year. At the end of the financial year, Vapo Group had 1,061 employees. The company also employs hundreds of local contractors in the fuel production and supply chain. As part of the BVB Substrates acquisition, the Group welcomed 310 new employees effective from 4 January 2019.

More information about the company: www.vapo.com.

CEO Vesa Tempakka: Good progress in Vapo's strategic transformation

The past financial year was a time of major changes for Vapo. Vapo Group adopted a new strategy on May 1, 2018, along with a new organisational structure based on international divisions and shared Group support functions. The growth areas defined in the strategy included growth in the global growing media market, focusing on customised fuel solutions, providing remote operation and other digital services, increasing the sale of renewable fuels in the energy business as well as developing new products and services from peat and other natural materials.

In line with the new strategy, in October the Group announced a transaction that saw Kekkilä Oy and the Netherlands-based BVB Substrates join forces to become the leading player in its field in Europe. Kekkilä-BVB Oy began its operations on 4 January 2019. The effect of the merger is already clearly evident in the higher turnover and improved operating result of the recently concluded financial year.

In December 2018, Vapo Oy made another announcement of high strategic significance by confirming that an activated carbon production facility will be built in Ilomantsi. The Group's first activated carbon production facility is scheduled to be completed in late 2020. The value of the investment is approximately EUR 25 million and it will directly and indirectly create tens of new jobs and, even more importantly, serve as a platform for a sustainable and high added value business based on the Group's own research and resources.

The heating season was warmer than in the previous financial year, which reduced the demand for heating and fuels. The fuel production season of summer 2018 was a good one, with Vapo's production targets being exceeded. This was reflected in an increase in inventories, lower unit costs in production and improved margins. Due to these factors and the positive start to the programme to improve operational efficiency, Vapo Group's result for the financial year was quite satisfactory. Turnover increased by 10 per cent and comparable operating margin by nearly 30 per cent. In spite of investments doubling from EUR 31 million to EUR 62 million, including working capital investments, the Group maintained its equity ratio at 51 per cent. Return on invested capital improved from 4.3 per cent to 5.4 per cent.

CEO Vesa Tempakka comments on the result:

It is not possible to draw direct conclusions regarding future profitability based on Vapo Group's result for the financial year. The Grow&Care division is seeing continued growth, but it should be noted that the consolidated figures are substantially influenced by the fact that BVB is only included for the period of the spring sales season. The most significant investments associated with the Carbons production plant project are still ahead and production will not begin nearly 1.5 years from now, and the future of the energy sector is quite difficult to predict. It is impossible to predict the combined near-future impact of the public debate regarding Finland's carbon sinks, the rising prices of emission rights and the energy policy outlined int he new Government Programme on the price of wood fuels and the production costs of district heating.

As a company, we are in a period of major transformation and we play a role in promoting the achievement of Finland's climate targets. We are responsible for a significant proportion of Finland's security of supply and the reliability of deliveries for our energy customers. We operate in a growing international market on the one hand and in the increasingly tight domestic fuel and energy market on the other hand. In our growth areas, namely the international growing media business and entirely new businesses, we are now investing in projects whose results will only become evident in the longer term.

In the energy business, we must be particularly careful in monitoring the price development of raw materials and tax-like payments and we need to adapt our operations in such a way as to simultaneously satisfy the requirements related to profitability, customer satisfaction and sustainability. We aim to achieve our profitability targets by improving the efficiency of operations and engaging in closer cooperation with our customers and partners. At the same time, we will strive to increase customer satisfaction by improving our services and investing in the competence of our employees. With regard to sustainability, our focus will be on the areas that have been empirically shown to have the most significant benefits to our operating environment.

Nevertheless, there are two major risks that we need to manage: weather risk and the risk of changes in the operating environment due to political decisions. The peat production season that has just begun can be characterised as weak so far. However, we have large inventories of high-quality energy peat from the previous production season, which ensures deliveries to our customers during the coming heating season in all circumstances.

The new Government Programme also introduced a much-needed long-term perspective, which is important for the energy sector. The decisions of the new Finnish government establish a controlled operating environment for Finland's gradual shift to carbon neutrality. Peat, burned in combination with wood chips, plays a significant role in this scenario. We are pleased that the Government Programme has incorporated the tax treatment of peat into the overall reform of energy taxation. It is also positive that the Government Programme aims to ensure that changes in taxation will not lead to the uncontrolled use of commercial timber for energy.

Board of Directors' report 1 May 2018–30 April 2019

Operating environment

According to preliminary data from Statistics Finland, the total energy consumption of Finland in 2018 was 380 TWh, which is two per cent higher than in the previous year. Electricity consumption totalled 85.5 TWh and was practically unchanged from the previous year. Domestic electricity production in 2018 amounted to 67 TWh, representing a year-on-year increase of approximately four per cent. Among the end-use sectors, the largest change was the four per cent increase seen in the industrial sector, which accounted for 48 per cent of the total end-use of energy. The total heating energy consumption of buildings was on par with the previous year, representing 25 per cent of the total end-use of energy. The energy consumption of transport declined by one per cent and accounted for 17 per cent of the total.

The use of renewable energy sources continued to grow, reaching a record-high 37 per cent of the total consumption of energy. The share of renewable energy has increased significantly in the 2010s. The use of fossil fuels and peat increased by two per cent and the carbon dioxide emissions arising from energy production increased by three per cent in 2018. Challenges related to the procurement of solid wood fuels during the cold period early in the year significantly increased the consumption of peat. As a result, the consumption of peat for the full calendar year 2018 increased by 24 per cent compared to the previous year. The consumption of wood fuels increased by 4 per cent and they remained Finland's most significant source of energy with a share of 27 per cent.

Compared to the previous years' price levels, the prices of oil, coal and natural gas increased during the financial year. Water reserves in the Nordic countries were under the long-term average, which led to increased electricity prices. Condensing power plants barely produced any electricity at all, which was reflected in the demand for peat and energy chips.

The target stated in Finland's national energy and climate strategy is to increase the share of renewable and emission-free energy to more than 50 per cent by 2030. Another key target is to increase the rate of self-sufficiency in energy to 55 per cent. In political decision-making, the aim is to halve the consumption of imported oil and ban the use of coal in energy production ahead of schedule, in 2025. There is also pressure to discontinue the energy use of peat by the 2040s at the latest.

After three consecutive poor peat production summers, Vapo Oy's peat production volume increased to 15 million cubic metres in Finland, ensuring fuel deliveries to customers during the coming summer.

Summer 2018 was warm, as was the subsequent heating season, which had a negative impact on the deliveries of fuels and heating.

Vapo Group

The Group's profit for the financial year 1 May 2018–30 April 2019 improved substantially year-on-year and amounted to EUR 25.2 million (EUR 17.6 million). Turnover grew by 10 per cent to EUR 460.8 million (EUR 419.8 million). The Group's operating profit improved by 27 per cent and was EUR 33.3 million. Comparable operating profit improved by 38 per cent and amounted to EUR 36.3 million. The previous financial year's comparable operating profit excluding non-recurring items was EUR 26.3 million. Increased working capital and larger investments were reflected in weaker operating cash flow (free cash flow before financial items and taxes), which amounted to EUR -22.3 million (EUR 73.6 million) for the financial year. In spite of the investments made in acquisitions and working capital, the key financial figures have remained relatively stable. The Group's equity ratio stood at 51.3 per cent (51.2%) at the end of the financial year, while the ratio of net debt to operating margin was 3.6 (3.4).

Vapo Oy's Grow&Care division and the Netherlands-based BVB Substrates joined forces effective from 4 January 2019 to form Kekkilä-BVB Oy, Europe's leading and most versatile company in the market for professional growers and home gardeners. The new company created by the merger combines decades of experience in professional growing and related products. Kekkilä-BVB Oy's aim is to provide horticultural solutions that support sustainable development and conserve fresh water, catering to the growing global trend of clean local food and the construction of attractive and pleasant living environments. The merger supports the implementation of Vapo's new strategy. The new company's pro forma turnover is approximately EUR 240 million and it employs around 500 people. Vapo Oy holds 70% of the shares in the new company, with the van Buuren family investment company holding 30%.

Developments by business segment

The reporting segments comprise the Group's divisions in accordance with Vapo's new management model. Effective from 1 May 2018, Vapo Group's reporting segments are Energy, Grow&Care, New Businesses and other activities.

Energy

The Energy division is responsible for the energy and fuel solutions provided by Vapo Group in Finland, Sweden and Estonia. We provide energy producers with peat, wood and pellet fuels as well as the most advanced remote operation services in the industry. For our industrial and municipal customers, we produce heat and steam as a service at six power plants and approximately 150 heating plants. We supply our consumer customers with district heating in more than 35 district heating networks. We serve our pellet customers through our own sales service as well as our online store. The division's turnover for the financial year that ended in April 2019 amounted to EUR 289.4 million, with renewable biofuels and energy solutions representing more than half of this total.

Turnover in the final third of the financial year (January–April) amounted to EUR 142.1 million (EUR 147.5 million). The operating profit for the reporting period was EUR 27.0 million (EUR 28.1 million). Investments amounted to EUR 6.1 million (EUR 6.6 million).

Turnover for the full financial year was EUR 289.4 million (EUR 298.9 million). The operating profit was EUR 33.2 million (EUR 32.7 million).

During the final third of the year, the demand for heating was approximately 12 per cent lower than in the comparison period. This was reflected in peat deliveries, which declined by 22 per cent year-on-year. The strong demand for biofuels continued during the final third of the year, with sales increasing by 10 per cent year-on-year. Heating deliveries decreased by 9 per cent year-on-year.

The weather conditions during the financial year were characterised by a favourable summer peat production season with low rainfall followed by a winter that was warmer than the year before. The heating demand for the financial year was 13 per cent lower than in the comparison period. Peat deliveries decreased by 15 per cent and heating sales by 9 per cent year-on-year. Biofuels continued to see strong demand throughout the financial year, increasing by 6 per cent year-on-year.

The strong peat production summer of 2018 created a buffer against potentially weaker production seasons in the coming years, helping ensure peat deliveries to customers in the upcoming heating season and the one after it.

Energy	1–4/2019	1–4/2018	Change	5/2018–4/2019	5/2017–4/2018	Change
Turnover (EUR million)	142.1	147.5	-3.7%	289.4	298.9	-3.2%
Operating profit (EUR million)	27.0	28.1	-3.9%	33.2	32.7	1.5%
Investments (EUR million)	6.1	6.6	-7.8%	27.3	23.6	15.6%
Number of employees	360	366	-1.7%	370	374	-1.1%
Energy sales, peat (GWh)	4,720	6,042	-21.9%	9,708	11,382	-14.7%

Energy sales, other fuels (GWh)	**1,737**	**1,578**	**10.1%**	**3,691**	**3,493**	**5.7%**
Heat and steam sales (GWh)	**784**	**859**	**-8.7%**	**1,639**	**1,794**	**-8.6%**

Grow&Care

The Grow&Care division's strategy matches several megatrends. Urbanisation and climate change are creating more demand for clean and plant-based local food. Peat's qualities as a growing medium support sustainable food production and reduce water consumption in agriculture. Growing interest in well-being supports not only the professional growing business, but also more natural lifestyles. These trends will have a favourable impact on consumer demand as well as businesses related to recycling and landscaping.

The Grow&Care division comprises all of the Group's businesses in the horticultural sector. We provide solutions for professional growers, consumers and landscapers as well as for the processing and recycling of biomass. We also supply agricultural peat for further processing around the world as well as bedding peat to horse farms, cattle farms, pig houses and poultry producers.

The division's well-known brands, Kekkilä Garden and Hasselfors Garden, offer products to home gardeners and landscapers in Finland, Estonia and Sweden. Kekkilä Professional focuses on the professional grower business in Vapo Group's home markets as well as the global markets. The Netherlands-based BVB Substrates Group became part of the division from the start of the 2019 calendar year. Vapo merged Kekkilä Group and BVB Substrates Group to establish Kekkilä-BVB Oy, a joint venture in which Vapo Group holds a 70% stake. The new company brings together decades of experience in professional growing and related products. The new company also combines the two companies' strong expertise in their respective markets and product development along with an expanding raw material base. Together, the two companies can take the next step towards growth in the global market.

Turnover in the final third of the financial year (January–April) amounted to EUR 100.5 million (EUR 44.4 million). The operating profit was EUR 7.6 million (EUR 3.1 million). Measured by figures adjusted for mergers, acquisitions and divestments, turnover and operating profit were both higher than in the corresponding third of the previous financial year. The division's gross investments were EUR 2.1 million (EUR 0.5 million)

Turnover for the full financial year was EUR 179.0 million (EUR 121.2 million). The operating profit was EUR 13.0 million (EUR 7.4 million). Measured by figures adjusted for mergers, acquisitions and divestments, turnover and operating profit were both higher than in the previous financial year. The division's gross investments were EUR 4.2 million (EUR 3.1 million)

The Grow&Care division's operating profit improved compared to the corresponding third of the previous financial year. Measured in terms of comparable figures, the growth of the Professional business has continued and the future sales outlook remains favourable. In the consumer business, the sales season falls on both sides of the turn of the financial year. As such, and due to changes in weather patterns, comparability between the different thirds of the year has decreased, but this will balance out in the coming months. The outlook for the current sales season remains unchanged. One element of the positive development of profit performance is the previous summer's successful peat production season, which enabled growth and ensured the availability of raw material resources for the recently concluded financial year.

The year-on-year growth in personnel is mainly due to 310 employees of BVB Substrates joining the Grow&Care division.

Grow&Care	1–4/2019	1–4/2018	Change	5/2018–4/2019	5/2017–4/2018	Change
Turnover (EUR million)	100.5	44.4	126.0%	179.0	121.2	47.7%
Operating profit (EUR million)	7.6	3.1	141.0%	13.0	7.4	76.4%
Investments (EUR million)	2.1	0.5	290.2%	4.2	3.1	36.0%
Number of employees	581	266	118.3%	380	268	41.7%

New Businesses

The New Businesses division creates new products and innovations based on the Group's competencies and raw material resources. Product development requires resources and the goal of the New Businesses division is to produce sustainable new business based on our resources and expertise, which will increase our shareholder value in the long run. Vapo Ventures is also responsible for developing and managing the Group's shared innovation activities and managing the company's IPR assets.

The Vapo Carbons investment announced in December is also part of this business area. The announcement concerned a strategically significant decision to build a production facility in Ilomantsi to refine activated carbon. The construction of the approximately EUR 25 million facility will begin in spring 2019 and the plan is to begin commercial production by the end of 2020. The employment effect of the construction stage is more than 100 person-years and the constant employment effect of the first stage of the facility, including the supply and production chain, is roughly 50 persons.

The operating loss for the final third of the financial year was EUR -0.7 million (EUR -0.6 million). Gross investments were EUR 2.3 million (EUR 0.7 million).

The operating loss for the full financial year was EUR -2.2 million (EUR -1.1 million). Gross investments were EUR 3.1 million (EUR 2.1 million).

New Businesses	1–4/2019	1–4/2018	Change	5/2018–4/2019	5/2017–4/2018	Change
Turnover (EUR million)	0.0	0.0	-	0.0	0.0	-
Operating profit (EUR million)	-0.7	-0.6	-23.4%	-2.2	-1.1	-90.2%
Investments (EUR million)	2.3	0.7	248.1%	3.1	2.1	46.5%
Number of employees	15	17	-10.3%	16	18	-10.2%

Other activities

The other activities segment consists of costs that are not allocated to the Vapo Group's business units. These costs are related to the Group's administrative activities, supply chain management, M&A activities and support functions.

The other activities segment's effect on the operating profit in January–April was EUR 2.0 million (EUR -5.4 million).

The other activities segment's effect on the operating profit for the full financial year was EUR -4.2 million (EUR -13.4 million).

Both of the figures mentioned above include non-recurring M&A income related to the formation of Kekkilä-BVB.

Other	1–4/2019	1–4/2018	Change	5/2018–4/2019	5/2017–4/2018	Change
Turnover (EUR million)	**0.0**	**0.2**	**-87.4%**	**0.2**	**0.5**	**-61.8%**
Operating profit (EUR million)	**2.0**	**-5.4**	**136.4%**	**-4.2**	**-13.4**	**68.4%**
Number of employees	**106**	**96**	**9.9%**	**103**	**98**	**5.2%**

Geographical information

EUR 1,000	Turnover by country	Long-term assets	Investments
Finland	282 390	424 557	51 835
Sweden	70 317	82 160	7 052
The Netherlands	34 717	8 777	1 847
Germany	14 822	102	-
Estonia	11 081	27 984	1 927
Other Nordic countries	8 021	-	-
Other European countries	22 199	603	-
North and South America	5 118	-	-
Other countries	12 162	-	-
Group total	460 827	544 182	62 660

Cash flow, investments and financing

The Group's free cash flow before taxes for the financial year 1 May 2018–30 April 2019 was EUR -22.3 million (EUR 73.6 million). In spite of the higher operating margin of the Group's businesses, investments in acquisitions and working capital reduced cash flow by EUR -45.7 million (EUR 37.6 million).

Gross investments in the financial year were EUR 62.7 million (EUR 31.3 million), or 151.0 per cent of the amount of depreciation (87.6%). The most significant investments during the financial year were allocated to the BVB acquisition, the start-up of the Carbons business and increasing working capital. Investments were also allocated to capacity expansion, energy efficiency investments and reducing the use of fossil fuels in the Heat and Power business as well as environmental protection, field maintenance and the preparation of new peat production areas in the peat production business. Net investments (gross investments – asset sales) totalled EUR 50.7 million (EUR -25.0 million).

Interest-bearing net debt at the end of the financial year amounted to EUR 265.6 million (EUR 206.2 million). Interest-bearing net debt includes a EUR 5 million capital loan in one of Vapo Oy's subsidiaries. The ratio of interest-bearing net debt to operating margin (net debt/EBITDA) on 30 April 2019 was 3.6 (3.4). Short-term interest-bearing debt amounted to EUR 78.2 million (EUR 12.2 million). Of Vapo's long-term interest-bearing debt, 34 per cent is covered by a covenant related to the company's equity ratio. The terms of the covenant were met at the end of the review period. The equity ratio at the end of the financial year was 51.3 per cent (51.2%) and the gearing ratio was 65.8 per cent (59.3%). The consolidated balance sheet total was EUR 805.8 million (EUR 697.5 million). The Group's net financing items were EUR -2.8 million (EUR -6.0 million). Net financing items were -0.6 per cent (-1.4%) of turnover.

In accordance with its hedging policy, the Group hedges the majority of its predicted net foreign currency exposure for the next 12 months. The hedging instruments used are primarily forward exchange agreements and currency swaps. The most important hedged currency is the Swedish krona.

Natural seasonal fluctuation in activities

The Group's business is cyclical to a significant extent due to seasonal variation in the demand for heating. The January–April third of the year is the strongest period for the Energy division's sales of heating, electricity and fuels. The temperatures during the heating season in the financial year were substantially warmer than average, which reduced the sales of heating and fuels. In the May–August third of the year, the focus was on fuel production and acquisition, while the September–December third of the year brings with it the start of the heating season, and the volume of fuel deliveries increases.

The Grow&Care division's growing media business is also sensitive to seasonal fluctuations, with demand peaking from late spring to early summer. During the recently concluded financial year, the spring season got off to a normal start in Finland, the Netherlands and Sweden. Peat production also played a key role in the Grow&Care division in the first two thirds of the financial year. The company achieved its production target during the production season, which enabled an improvement in profitability.

Notable risks and uncertainty factors

Regulation

The interpretation of the Water Framework Directive is set to become stricter. This may lead to more stringent provisions in the Finnish Water Act, which in turn may make it more difficult to obtain environmental permits for peat production. The risk of the conditions of environmental permits becoming increasingly strict applies to all of Vapo's peat-related businesses. With respect to energy peat, tighter permit conditions would also present a risk to Finland's self-sufficiency in energy.

Finland to ban the use of coal in 2029 – pressure on energy peat to increase

Finnish legislation prohibiting the use of coal in the future has entered into effect. The use of coal will be banned starting from 1 May 2029. Following the announcement of the ban on coal being brought forward, there have been calls in public discussion for a ban on energy peat as well as higher taxes on peat. These opinions have been voiced in spite of the Parliamentary Committee on Energy and Climate Issues previously stating that peat “will be dispensed with last, after discontinuing the use of fossil fuels” in a report published in 2014.

The Government Programme states that the energy use of peat is expected to be halved from the current level by 2030. Surveys conducted by the Finnish Energy Industries and the Bioenergy Association of Finland indicate that this will happen on market terms, with the consumption of peat predicted to be 5–7 TWh in 2030. According to the Government Programme, the use of peat will be permitted until the end of the 2030s and energy peat will also play a role as a fuel to ensure the security of supply. The Government Programme expresses the view that the use of peat will decline on market terms as a result of emissions trading.

The view taken in the Government Programme is moderate and deserving of support. It does not force customers to discontinue the use of energy peat before the end of a given facility’s life cycle. Energy peat will remain a part of the fuel selection for the next 20 years, which provides customers with flexibility in fuel choices. Without energy peat, Vapo’s customers would have to rely on light fuel oil as the only fuel to ensure the security of supply in the event of problems associated with the availability of fuel wood.

The Government Programme further states that the taxation of peat needs to be considered in conjunction with changes to other energy taxes in such a way as to ensure that changes in taxation will not lead to the uncontrolled use of commercial timber as fuel.

The new government will gradually eliminate the energy tax refund for energy-intensive industry. This will reduce the use of peat in the forest industry. Depending on the schedule of discontinuing the energy tax refund, this policy will reduce the forest industry’s use of energy peat by 1–2 TWh.

The risk of policymakers wanting to reduce the production and use of all peat along with energy peat is diminishing. The new Government Programme specifically mentions energy peat, the use of which will be reduced, and the other current uses of peat, such as agricultural peat and bedding peat, and the new higher added value uses of peat are separately addressed.

The rapidly increased price of emission rights, to a level as high as EUR 20–25 per tonne of CO_2, has increased the costs of energy peat users by EUR 7–9 per MWh. At this price level, the electricity production subsidy for wood chips is no longer paid and the various wood fractions (wood chips vs. forest industry by-products), including commercial timber, are in the same competitive position from the perspective of energy production. The price level of energy wood has increased, nearly reaching the price of pulpwood. The entry of pulpwood into the energy market would further complicate the market situation for energy peat.

At the time of the government negotiations, the Department of Energy Supply at the National Emergency Supply Agency and the Domestic Fuels section of its Power and District Heat Pool issued the following statement on 17 May 2019 (summarised): “It is the view of the National Emergency Supply Agency that peat should maintain its current role in the fuel selection for energy production. The use of peat will diminish using the existing steering measures to a minimum level that ensures the security of supply. With our energy system being in a period of major transformation, a premature ban on peat would unnecessarily increase Finland's energy supply risks and create the need for obligatory long-term investments in security of supply solutions based on light fuel oil."

The elimination of forest management subsidies in the 2020s may compromise the availability of wood fuels

The subsidies based on the Finnish Act on the Financing of Sustainable Forestry are known as Kemera subsidies. The subsidies are intended to support the management of young forests and they also help supply the market with fuel wood. The Kemera subsidy system will be subject to reforms after 2020.
According to the Bioenergy Association of Finland, discontinuing the current system for small-diameter wood would have a negative impact on forest development in circumstances where forest management areas are declining.

The Bioenergy Association of Finland and Vapo Oy as one of its members support a subsidy system that promotes the sustainable growth of forests and aims to ensure good health for forests. This improves felling opportunities and the carbon binding capacity of forests. The incentive system should promote the market for small-diameter wood from young forests and support young forests' growth in value.
Discontinuing the Kemera system would risk creating a situation where the boom period in the forest industry and the increased use of wood for more processed purposes would mean that the market availability of forest energy falls short of growth targets.

Market risks

Vapo's energy business is subject to significant market risks related to end product demand as well as the prices and availability of wood-based fuels and their raw materials.

Concern about the climate has led to a transformative shift in the energy industry, which will inevitably see a reduction in the share of energy solutions based on traditional fossil fuels. According to Statistics Finland, the use of peat as an energy source in Finland amounted to 27 TWh in 2010 (7% of the total consumption), while the corresponding figure in 2018 was 18.5 TWh (4.8%). The rate of decline has been the fastest in electricity production. To mitigate the demand risk of peat, Vapo invests in developing deeper relationships with existing fuel customers by offering the most reliable fuel and energy solutions through plant operation services, plant efficiency improvement projects or other added value services as well as by focusing on new uses for peat.

The demand for wood fuels has increased as energy companies have sought alternatives to fossil fuels. The higher demand has led to increased pellet production in Europe. Imports from outside of Europe have also increased. As the market grows, the availability of appropriately priced raw material in relation to the price of the end product plays a key role in ensuring competitiveness.

The Heat and Power business is influenced by the development of the heating, industrial steam and electricity markets as well as fuel markets and the markets for competing energy solutions. Electricity prices in Finland and Europe increased, leading to higher electricity sales revenue. Competing energy solutions based on new technology constitute a growing threat to energy produced from domestic fuels, although, in the past financial year, the costs of heating alternatives that compete with district heating remained at a level at which district heating maintained its competitiveness. New forms of heating, combinations of different forms of heating, and energy conservation are key considerations in the development of the district heating business.

The market price of oil increased substantially during the financial year, which increased costs in fuel production and the supply chain.

Weather risks

Weather is a risk that has extensive effects on Vapo's business. In winter, temperature influences the fuel needs of external and internal customers and the utilisation rates of the Group's own heat and power plants. In spring, the weather conditions also determine the timing of the peak season in the gardening trade. As the peak season takes place around the end of the Group's financial year, its timing affects the profit performance for the full year. During summer, the effects of weather concern the production volumes and quality of wood fuels and environmental products.

In summer 2018, peat production went better than planned in Finland, Sweden and Estonia, which improved the Group's result.

Damage risks

Damage risks include occupational safety risk, property risk, interruption risk and environmental risk. Vapo aims to prevent damage risks through proactive risk management measures and by reacting quickly to any observed hazards. Risks that cannot be managed by the company's own actions are insured where possible. The goal is to continuously promote a positive culture of occupational safety and asset protection throughout the organisation. Extensive investments in changing the organisation's safety culture are already being reflected in a reduced number of accidents and lower accident frequency as well as an increase in safety observations and related improvement measures throughout Vapo Group.

Financing and commodity risks

The company manages its financing risk and maintains liquidity by balancing the proportional share of short-term and long-term loans and the repayment schedules of long-term loans. In addition, the risk related to the availability and price of financing is managed by diversifying fundraising between different banks and financial instruments.

The company's main financial risks are currency risk, interest rate risk and liquidity risk. The Group treasury, guided by the financial policy ratified by the Board of Directors, is responsible for identifying and managing financial risks. The Group's risk management tools include currency derivatives and options, currency swaps, foreign currency loans, interest rate swaps and commodity derivatives.

With regard to commodity risks, Vapo purchases hedging services related to the purchase and sale of electricity. Electricity trading represents a very minor share of Vapo's business.

Research and development

The Group's research and development investments during the financial year 1 May 2018–30 April 2019 amounted to EUR 6.4 million (EUR 1.9 million), which corresponds to 1.4 per cent of turnover (0.4%). Research and development activities were focused on supporting the company's strategic renewal in all of the Vapo Group companies.

The New Businesses division develops and commercialises Vapo's new businesses based on the company's strengths, emerging customer needs, raw material resources, competencies and networks. The aim is to find solutions based on the sustainable use of natural resources to increase the refining rate and produce new products and services. Examples of these include Vapo Carbons, an initiative focused on activated carbon products that has already progressed to the business stage, and Vapo Fibers, which is aimed at providing eco-friendly peat fibre solutions for industry. The division is also responsible for the Group's innovation and IPR management.

The Vapo Refinery 2030 vision was worked on during the financial year. It will contribute to solving global problems by supporting the replacement of harmful chemicals and plastics with natural products and the discovery of new products and solutions for treating contaminated environments. In the Vapo Refinery vision, raw materials and side streams are comprehensively utilised in accordance with the circular economy principle. Peatland biomass is a natural organic material that has valuable attributes and functionalities that may be developed into new and innovative high added value products for the international market.

The Group's innovation activities reached a new level during the financial year following the implementation of a harmonised operating model and digital innovation platform. Innovation activities are now strategically targeted at the areas in which new ideas are needed the most: clean and local food, sustainable energy, healthy life and healthy living environments. The ideas will be processed faster and more openly than before, making use of the Group's synergies.

Environmental responsibility

Environmental responsibility is an important element of Vapo's day-to-day business operations. The company has implemented an environmental responsibility programme in Finland that was unique even by international standards. One goal of the project, known as Tiger's Leap, was to build water treatment systems using the best available water treatment technology (BAT) at all of Vapo's peat production areas. Summer 2018 was the fourth production season in which all of Vapo's peat production areas had water treatment systems using the best available technology. Vapo is also committed to ensuring that areas released from peat production will be in active after-use within two years of the end of production operations. The programme's other goals included improving the effectiveness of voluntary environmental inspections and engaging in even more active communications on the overall impacts of using peat.

The Group began drafting its environmental strategy in 2018. The environmental strategy is based on Vapo Group's strategy, key environmental perspectives and changes in the operating environment. All of the Group's employees responsible for environmental issues, such as environmental managers and experts — as well as business unit representatives — participated in the drafting of the environmental strategy. The drafting of the strategy then continued under the leadership of the Group's environmental team.

The four Kekkilä Recycling composting plants that started operations in 2017 have the capacity to process an annual total of some 90,000 tonnes of various types of organic waste and industrial by-products. The end products of these processing activities are high-quality recycled fertilisers and soil-conditioning products.

In 2018, nearly 13,000 (17,000) samples were taken as part of emissions monitoring in peat production, with 106,000 (138,000) analyses carried out. A further 2,800 (3,100) samples were taken in the monitoring of waterways, with 35,000 (39,000) analyses carried out.

The company continued to carry out self-initiated environmental impact inspections at peat production areas. Contractors inspected water treatment structures in two-week intervals during the production season. In addition, 16 environmental inspectors recruited for the summer season inspected water treatment methods and other aspects related to environmental permit conditions at all production areas. In 2018, Centres for Economic Development, Transport and the Environment made 124 inspection visits to Vapo's peat production sites.

Vapo continued to sell peat bogs of high natural value for protection purposes.
In accordance with its permit policy, Vapo only applies for new production permits for ditched peatlands. In 2018, 305 (249) hectares in newly approved production sites were obtained through environmental permit applications for peat production in Finland. The EIA process was completed for areas totalling 485 (679) hectares.

Vapo is committed to ensuring is that all new production areas opened after 2016 will have a lower solid and humus load on downstream watercourses than before peat production. To follow through on this commitment, Vapo launched the Clean Water project involving the monitoring of the impacts of new production areas on watercourses before the potential start of peat production. In 2018, a total of 830 (978) samples were taken at such sites, with approximately 5,100 (6,800) analyses performed on the samples. After considerable research investments made over several years, the Group began preparing to redefine this target in 2019 based on a summary produced in late 2018.

The Group's environmental investments amounted to EUR 3.0 million (EUR 2.8 million) and were primarily related to improving and building water treatment structures at peat production sites and investments required by environmental legislation in the Heat and Power business area. The Energy Users business unit's investments stipulated by the Finnish Government Decree on Environmental Protection Requirements for Medium-sized Energy Production Units (PIPO Decree) totalled EUR 715 thousand and the environmental protection investments for peat production areas amounted to EUR 1,032 thousand. The company also invested in energy efficiency and reducing the use of fossil fuels. Excluding Vapo's own personnel's input, environmental protection costs for the financial year amounted to EUR 19.2 million (EUR 17.2 million). The costs primarily consisted of the maintenance of water treatment structures in peat production and environmental load monitoring.

Vapo Group’s active peat production areas in Finland in summer 2018 totalled 35,400 hectares. Vapo Oy accounted for 34,500 (32,000) hectares of this total and Kekkilä Oy for 900 hectares. A total of 139 (395) hectares of new peatlands became ready for production by the end of the financial year. Peatlands released from production during the financial year amounted to 2,001 (1,114) hectares.

A total of 1,086 (1,125) hectares were transferred to other land use methods from peat production operations in Finland during the financial year. A total of 339 (369) hectares were assigned for forestation and 195 (109) hectares for building wetlands. In addition, a significant amount of land was sold, with the new owner deciding on their subsequent use. Areas released from peat production and returned to land owners totalled 551 (516) hectares. The company prepares for the subsequent maintenance of cutaway areas by means of an environmental provision that covers the costs associated with post-production obligations. A total of 418 hectares of peatlands were sold for protection purposes during the financial year.

In 2018, Vapo continued its own power and heating plants’ multi-year development programme aimed at reducing oil consumption and improving energy efficiency. Renewable fuels currently account for approximately half of all fuels used. The use of domestic fuels remained unchanged from the previous year at Vapo Oy’s energy production plants in Finland. The use of fuel oil decreased from the previous year. The share of domestic fuels was 94.6 per cent (95.0%) in Finland. The coefficient of efficiency for Vapo’s plants remained on par with the previous year.

Vapo Oy’s share capital and shareholders

Vapo Oy has one class of shares. The total number of shares is 30,000. Each share carries one vote at the General Meeting, and all shares carry the same dividends. If a Vapo share is transferred to an external party other than one that is in a Group relationship with the shareholder pursuant to Chapter 8, Section 12 of the Finnish Limited Liability Companies Act, the company’s shareholder shall have the right to redeem the share in question. If more than one shareholder wishes to exercise this redemption right, the shares are divided between the parties wishing to redeem them in proportion to their existing shareholdings. At the end of the financial year, on 30 April 2019, Vapo Oy’s share capital amounted to EUR 50,456,377.94.

Vapo Oy is a joint venture of the Finnish State and Suomen Energiavarat Oy. The Finnish State holds 33.4% of the shares (10,020 shares) directly and 16.7% (5,010 shares) indirectly through the State Development Company Vake Oy, while Suomen Energiavarat Oy holds 49.9% of the shares (14,970 shares).

General Meetings

Vapo Oy’s Annual General Meeting was held in Helsinki on 6 September 2018. The AGM adopted the financial statements and consolidated financial statements for the financial year 1 May 2017–30 April 2018 and discharged the members of the Supervisory Board and the Board of Directors, as well as the CEO, from liability. The AGM resolved to distribute a dividend for the financial period ended 30

April 2018 amounting to EUR 300.00 per share, or EUR 9.0 million in total. The dividend payment date was 7 September 2018.

The AGM confirmed the number of members of the Supervisory Board as ten. Johanna Ojala-Niemelä was appointed as Chairman and Heikki Miilumäki as Vice Chairman. Markku Eestilä, Hanna Halmeenpää, Lea Mäkipää, Hannu Hoskonen, Eero Kubin, Esko Kurvinen, Tommi Lunttila and Tiina Snicker were re-elected as members.

The AGM confirmed the maximum number of members of the Board of Directors as eight. Jan Lång continues as Chairman, with Markus Tykkyläinen as Vice Chairman. Tuomas Hyyryläinen, Juhani Järvelä, Risto Kantola, Minna Pajumaa and Minna Smedsten continue as members of the Board of Directors.

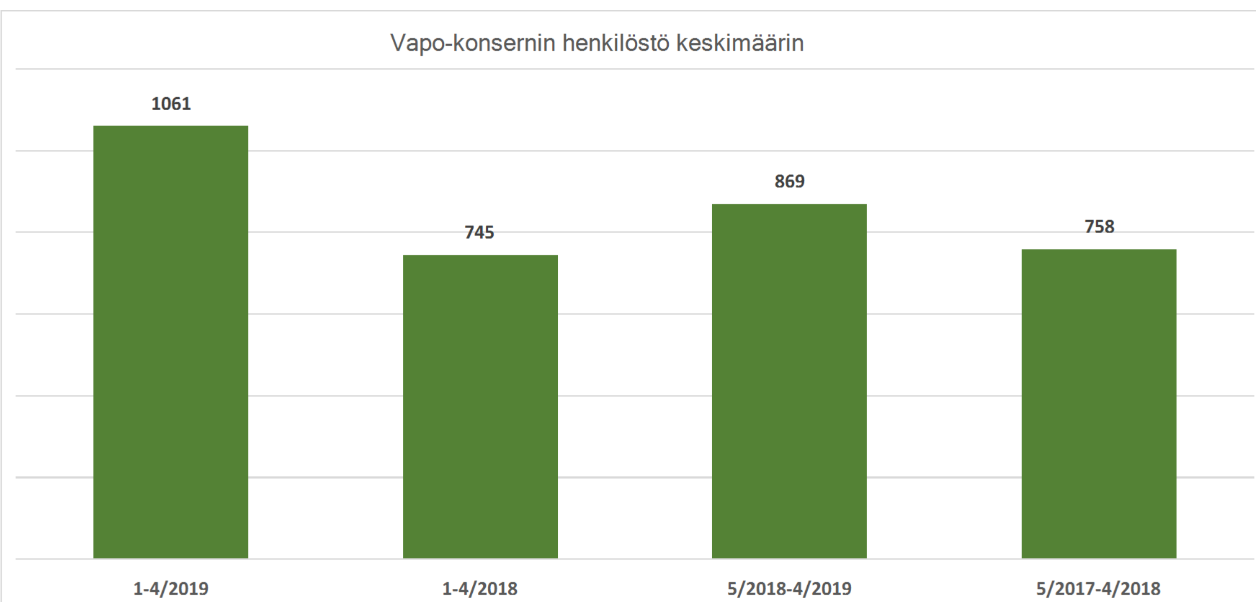
The audit firm KPMG Oy Ab was elected as the auditor.

Vapo Oy's Extraordinary General Meeting held on 17 October 2018 strengthened Vapo's Board of Directors by appointing Kirsi Puntila, Senior Vice President, Marketing, Altia Group, as the eighth member of the Board.

The shareholders of Vapo Oy unanimously decided at a meeting held on 18 March 2019 to change Vapo Oy's financial year to be the calendar year. The change will take effect on 1 January 2020. Before this change, Vapo Oy's financial year has been 1 May–30 April. Due to the change, the financial year beginning on 1 May 2019 will be 8 months long and it will end on 31 December 2019.

Number of employees

The Group employed an average of 1,061 (745) persons during the final third of the financial year. The average number of employees for the full financial year was 869 (758).



Employees by segment, average

	2019	2018
Energy	370	374
Grow&Care	380	268
New Businesses	16	18
Other	103	98
Total	**869**	**758**

The codetermination committees of Vapo Oy and Kekkilä Oy met twice, as planned, during the financial year to discuss current topics. Employees are also represented on Vapo's Supervisory Board. The Supervisory Board met four times during the financial year.

Occupational safety

Vapo Group's investments on occupational safety and well-being have produced good results. The starting point for all of our operations is workplace safety and developing a proactive and caring safety culture.The total accident frequency (MTR) for the final third of the financial year decreased compared to the previous financial year. The most typical cause of accidents in the final third of the financial year was slipping in winter conditions. Next winter, we will activate even more proactive measures to prevent accidents caused by slippery conditions.

The total accident frequency (MTR) for the full financial year 2018 was largely unchanged from FY2018. In FY2019, the number of safety observations continued its significant rise, which began in the previous year.

Executive appointments in Vapo Group

Group CFO Jarmo Santala took up his post on 23 July 2018. Antti Koivula was the acting CFO from 1 May to 31 August 2018.

Johan Nybergh took up the post of Vapo Group's Chief Legal Officer on 11 September 2018.

Jenni Nevasalo became the Group's Chief HR Officer on 1 January 2019.

Changes in organisational structure

Vapo Lämpövoima GP Oy was established as a new company on 13 August 2018 and Vapo Lämpövoima Ky on 22 August 2018. The two companies are treated as associates in IFRS reporting.

Kekkilä-BVB Oy was established as a new company on 30 November 2018. Vapo Oy held 70% of the company's shares on 30 April 2019.

G&C Materials Oy was established as a new company on 30 November 2018. Kekkilä-BVB Oy held 100% of the company's shares on 30 April 2019.

A majority share was acquired in the Netherlands-based subgroup BVB Substrates B.V. Kekkilä-BVB Oy held 100% of the company's shares on 30 April 2019.

The Danish subsidiary Vapo A/S was merged with Vapo Oy on 30 April 2019.

Board of Directors' proposal for the distribution of profits

The Board of Directors proposes to the General Meeting to be convened on 5 September 2019 that Vapo Oy's profit for the financial year, EUR 35,204,750.86, be added to retained earnings, after which the distributable funds available to the General Meeting amount to EUR 195,785,075.72.

In line with its dividend policy, Vapo Oy distributes as dividends, on average, 50 per cent of the annual profit shown in the financial statements. There have been no substantial changes in the company's financial position after the end of the financial year. The Board of Directors proposes to the General Meeting that EUR 12,3 million, or EUR 410,00 per share, be paid as dividend for the financial year 1 May 2018–30 April 2019.

Future outlook

Vapo Group is one of the world's largest producers of energy peat and environmental peat. The company holds an important role in ensuring Finland's self-sufficiency in energy and the security of supply. Nevertheless, political decisions have a material impact on the profitability of nearly all of the company's businesses and therefore affect the company's ability to invest in higher added value production.

Vapo will continue to implement measures in line with its strategy to increase the competence of its personnel and achieve market-leading customer service in the local energy value chain. This includes the development of new services and comprehensive solutions for our energy customers. At the same time, the company will continue to increase the efficiency of its business processes in order to improve profitability. The fuel market is not expected to see significant growth due to the low volume of electricity production from solid fuels.

In the new financial year, the Kekkilä-BVB Group will invest in developing its product selection and the profitable growth of its international sales in the professional, consumer grower and landscaping businesses.

Vapo will continue the commercialisation of new business operations in the Vapo Carbons business as well as the researching of further new business initiatives in the Vapo Refinery business area. The construction of Vapo Carbons' first production facility for manufacturing technical carbons is progressing as planned in Ilomantsi. However, the new businesses will not yet generate turnover during the abbreviated financial year 2019.

Consolidated key figures

MEUR	1–4/2019	1–4/2018	5/2018–4/2019	5/2017–4/2018	5/2016–4/2017
Turnover	235.9	191.9	460.8	419.8	392.1
Operating profit (EBIT)	29.2	26.8	33.3	26.3	20.0
% of turnover	12.4	14.0	7.2	6.3	5.1
Operating profit (EBIT) before impairments	29.4	27.8	33.5	27.2	22.4
% of turnover	12.5	14.5	7.3	6.5	5.7
Profit/loss for the reporting period	20.9	20.4	25.2	17.6	8.1
Operating margin (EBITDA)	41.9	36.8	74.1	61.1	56.9
+/- Change in working capital	4.0	30.0	-45.7	37.6	14.7
- Net investments	-32.6	-6.2	50.7	-25.0	1.6
Free cash flow before taxes	-11.1	60.6	-22.3	73.6	57.1
Gross investments	-37.0	-9.5	-62.7	-31.3	-39.6
Return on invested capital % *			5.4	4.3	3.0
Return on invested capital % before impairments *			5.4	4.4	3.4
Return on equity % *			7.0	5.2	2.6
Balance sheet total			805.8	697.5	812.4
Shareholders' equity			404.0	347.9	339.7
Interest-bearing net debt			265.6	206.2	269.6
Equity ratio %			51.3	51.2	43.0
Interest-bearing net debt/operating margin			3.6	3.4	4.7
Gearing %			65.8	59.3	79.4
Average number of employees			869	758	773

*) Previous 12 months

**) In calculating the equity ratio, the capital loan on the balance sheet was calculated as shareholders' equity

Key figures for parent company Vapo Oy

MEUR	5/2018–4/2019	5/2017–4/2018	5/2016–4/2017
Turnover	246.3	263.3	241.9
Operating profit (EBIT)	23.4	14.6	11.8
% of turnover	9.5%	5.6%	4.9%
Operating profit (EBIT) before impairments	23.6	15.5	13.6
% of turnover	9.6%	5.9%	5.6%
Profit/loss for the reporting period	35.2	3.3	5.7
Operating margin (EBITDA)	49.6	37.1	33.4
Return on invested capital % *	1.5%	2.4%	2.0%
Return on invested capital % before impairments *	1.4%	2.5%	2.3%
Return on equity % *	12,6%	1.2%	2.2%
Balance sheet total	662.7	665.6	777.0
Shareholders' equity	278.4	252.2	252.9
Equity ratio %	42.5%	38.2%	32.9%

Consolidated Financial Statements, IFRS

Consolidated statement of comprehensive

EUR 1,000	Note	5/2018–4/2019	5/2017–4/2018
TURNOVER	2	460,827	419,804
Change in stock levels of finished and unfinished products		35,552	-23,534
Production for own use		23	4
Other operating income	5	7,547	7,657
Share of results of companies consolidated using the equity method		888	1,882
Materials and services	6	-239,689	-162,372
Expenses arising from staff benefits	7	-55,507	-50,350
Depreciation	8	-41,494	-35,740
Impairment	8	-194	-914
Other operating expenses	9	-134,626	-130,156
OPERATING PROFIT		33,327	26,281
Financial income	10	4,226	2,393
Financial expenses	10	-7,070	-8,391
PROFIT/LOSS BEFORE TAXES		30,483	20,284
Income taxes	11	-5,328	-2,664
PROFIT/LOSS FOR THE PERIOD		25,155	17,620
OTHER COMPREHENSIVE INCOME ITEMS			
(items that may not be reclassified subsequently to profit or loss):			
Remeasurement of defined benefit plans		42	-251
Items that may be reclassified subsequently to profit or loss:			
Translation differences from foreign units		638	-2,058
Other comprehensive income items, after taxes		680	-2,309
TOTAL COMPREHENSIVE INCOME		25,835	15,311
PROFIT/LOSS FOR THE PERIOD			
Distribution of profit for the period:			
To parent company shareholders		25,208	17,576
To non-controlling shareholders		-53	44
		25,155	17,620
Distribution of comprehensive income for the period:			
To parent company shareholders		25,896	15,267
To non-controlling shareholders		-61	44
		25,835	15,311

Earnings per share calculated from profits due to parent company shareholders

Earnings/share, EUR	840	586
Average number of shares	30,000	30,000

Consolidated balance sheet

EUR 1,000	Note	30 Apr. 2019	30 Apr. 2018
ASSETS			
Long-term assets			
Intangible assets	12	37,343	12,854
Goodwill	12	26,562	5,399
Land and water areas	13	37,061	40,821
Buildings and structures	13	39,507	37,875
Machinery and equipment	13	135,097	123,886
Other tangible assets	13	221,013	225,992
Prepayments and unfinished acquisitions	13	23,618	24,297
Shares in entities consolidated using the equity method	14	19,946	19,844
Other long-term financial assets	15	808	709
Long-term sales and other receivables	16	3,225	3,258
Deferred tax asset	18	0	0
Long-term assets total		544,182	494,935
Current assets			
Inventories	19	145,994	91,407
Sales and other receivables	20	107,236	77,924
Income tax receivables		401	251
Cash and cash equivalents	21	7,962	32,999
Current assets total		261,593	202,581
ASSETS TOTAL		805,775	697,515
SHAREHOLDERS’ EQUITY AND LIABILITIES			
Shareholders’ equity			
Share capital		50,456	50,456
Fair value fund and other funds		30,481	30,479
Translation differences		-4,467	-5,077
Retained earnings		239,776	221,624
Hybrid bond	28	50,000	50,000
Parent company shareholders’ share of shareholders’ equity		366,246	347,482
Non-controlling shareholders		37,734	418
Shareholders’ equity total	22	403,980	347,900
Long-term liabilities			
Deferred tax liability	18	11,655	16,189
Long-term interest-bearing liabilities	23	198,820	230,407
Long-term non-interest-bearing liabilities	24	7,887	6,764
Long-term provisions	25	7,530	7,853
Pension liabilities	26	4,806	4,866
Long-term liabilities total		230,699	266,079

Current liabilities			
Current interest-bearing liabilities	23	78,161	12,213
Current non-interest-bearing liabilities	27	85,309	69,964
Current provisions		7,625	1,359
Current liabilities total		171,096	83,536
SHAREHOLDERS' EQUITY AND LIABILITIES		805,775	697,515

Consolidated cash flow statement

EUR 1,000	30 Apr. 2019	30 Apr. 2018
Cash flow from operating activities		
Profit/loss for the period	25,155	17,620
Adjustments to the result for the period		
Depreciation and impairment	41,688	36,654
Share of results of entities consolidated using the equity method	-888	-1,882
Financial income and expenses	5,788	1,400
Income taxes	5,328	2,664
Other adjustments	-5,509	1,992
Adjustments to the profit/loss for the period total	46,406	40,829
Change in working capital		
Increase/decrease in inventories	-40,528	30,188
Increase/decrease in sales receivables and other receivables	-10,506	586
Increase/decrease in accounts payable and other debts	7,932	5,200
Change in provisions	-327	451
Change in working capital total	-43,429	36,425
Interest paid	-5,899	-7,788
Interest received	110	120
Other financial items	84	5,735
Taxes paid	-6,225	32
Cash flow from operating activities	**16,202**	**92,972**
Cash flow from investing activities		
Investments in tangible and intangible assets	-37,816	-31,944
Proceeds from disposal of tangible and intangible assets	14,512	8,759
Acquisition of subsidiaries, net of cash	-21,377	
Disposal of subsidiaries, net of cash		
Associates’ shares bought	-1,791	
Associates’ shares sold		
Other investments	136	-181
Proceeds from disposal of other investments		77
Loans granted	-112	
Repayments of loans receivable	33	
Dividends received	2,410	1,020
Cash flow from investing activities	**-44,005**	**-22,269**
Cash flow from financing activities		
Share issue against consideration		
Proceeds from hybrid bond		
Increase (+)/decrease (-) in short-term loans	17,134	-125,234
Proceeds from long-term loans	306	1,497
Repayment of long-term loans		
Repayment of finance lease liabilities	-2,440	-2,186
Dividends paid	-9,018	-4,000
Dividends paid / hybrid loan	-3,250	-3,260
Cash flow from financing activities	**2,732**	**-133,183**
Change in cash and cash equivalents	**-25,072**	**-62,479**

Cash and cash equivalents opening balance	32,999	95,495
Change in cash and cash equivalents	-25,072	-62,479
Effect of changes in exchange rates	35	-17
Cash and cash equivalents at end of period	7,962	32,999
Cash and cash equivalents related to mergers and acquisitions	0	

Consolidated statement of changes in shareholders' equity

EUR 1,000	Share capital	Share premium reserve	Other funds	Translation differences	Retained earnings	Hybrid bond	Total	Non-controlling shareholders	Total
SHAREHOLDERS' EQUITY 1 MAY	50,456	2	30,477	-5,077	221,624	50,000	347,482	418	347,900
Changes in shareholders' equity									
Dividend distribution					-12,250		-12,250	-18	-12,268
Transfers between items		-5,425			-111		-5,536		-5,536
Total comprehensive income	0		0	610	25,278		25,888	-61	25,827
Other changes									
Imputed taxes									
Other changes			111		5,213		5,324	-23	5,302
Changes in holdings in subsidiaries	0	5,422	-107		22		5,337	37,419	42,756
SHAREHOLDERS' EQUITY 30 APR. 2019	**50,456**	**0**	**30,481**	**-4,467**	**239,776**	**50,000**	**366,246**	**37,734**	**403,980**

EUR 1,000	Share capital	Share premium reserve	Other funds	Translation differences	Retained earnings	Hybrid bond	Total	Non-controlling shareholders	Total
SHAREHOLDERS' EQUITY 1 MAY	50,456	2	30,234	-3,020	211,661	50,000	339,334	384	339,718
Changes in shareholders' equity									
Dividend distribution					-7,250		-7,250	-10	-7,260
Transfers between items			136		-136				
Total comprehensive income				-2,058	17,325		15,267	44	15,311
Other changes									
Imputed taxes									
Other changes			107		24		131		131
Changes in holdings in subsidiaries									
SHAREHOLDERS' EQUITY 30 APR. 2018	**50,456**	**2**	**30,477**	**-5,077**	**221,624**	**50,000**	**347,482**	**418**	**347,900**

Notes to the consolidated financial statements, IFRS

Company

Vapo is an international conglomerate whose businesses promote clean, local and water-conserving food production, supply local fuels and provide heating and steam production solutions. Vapo Group also develops new products for the purification of contaminated environments and creates well-being by providing jobs, recycling and by creating comfortable living environments.

Vapo is a leading bioenergy company in Finland, Sweden and Estonia. The product and service selection developed for Vapo’s energy customers consists of local fuels, such as peat, pellets and forest fuels as well as added value services related to energy production. The company also owns seven combined heat and power (CHP) plants and approximately 150 heating plants producing local energy. Vapo is an important part of the local energy infrastructure in all of its markets.

Vapo Group also includes the growing media group Kekkilä-BVB, which is the European market leader in growing media products. The company produces garden soils, mulches and fertilisers for professional growers, consumers and landscapers in Finland under the Kekkilä brand, in Sweden under the Hasselfors Garden brand and in the Netherlands under the BVB Substrates brand.

Vapo Group consist of three divisions — Energy, Grow&Care and New Businesses — and the Group’s other functions. Vapo has subsidiaries in Finland and other countries.

The parent company, Vapo Oy, is a Finnish company established in compliance with Finnish laws, domiciled in Jyväskylä at the registered address Vapo Oy, Yrjönkatu 42, PO Box 22, 40101 Jyväskylä, Finland. The company website is at www.vapo.com.

The Board of Directors of Vapo Oy approved these financial statements for publication at its meeting on 19 June 2019.
According to the Finnish Companies Act, shareholders are entitled to either approve or dismiss the financial statements at the General Meeting of Shareholders following their publication. The General Meeting is also entitled to vote on a revision of the financial statements.

A copy of the consolidated financial statements is available at www.vapo.com or from the head office of the parent company.

1. Accounting policies for the consolidated financial statements

1.1 General

Vapo Oy’s consolidated financial statements have been compiled in accordance with the International Financial Reporting Standards (IFRS), which have been approved for use in the EU, and in accordance with the IAS and IFRS standards in force on 30 April 2019 as well as the SIC and IFRIC standing interpretations. International accounting standards refer to standards and their interpretations approved to be used in the EU according to the Finnish Accounting Act and regulations based on it in accordance with the procedures set in EU regulation (EC) No. 1606/2002. Vapo Group adopted the IFRS accounting standards in its financial reporting in 2006. Previously, the Group complied with Finnish Accounting Standards (FAS).

The notes to the consolidated financial statements also comply with the requirements of the Finnish accounting and company acts which complement the IFRS regulations. The profit and loss statement figures are presented in thousands of euros and are based on the original acquisition costs, unless stated otherwise in the accounting policies. For presentation purposes, individual figures and totals have been rounded up to the nearest thousand, resulting in rounding differences in the totals.

New standards applied during the financial year

IFRS 15 *Revenue from Contracts with Customers* (applicable in financial periods starting on or after 1 January 2018) replaced the previous IAS 18 and IAS 11 standards and the related interpretations. IFRS 15 includes a five-step model for the recognition of revenue: to which amount and when it is recognised. Revenue is recognised as control is passed, either over time or at a point in time.

Vapo Group has analysed customer contracts with different types of revenue streams using the five-step model included in the standard.
For energy customers, the Group's identified performance obligations consist of the delivery of local fuels, such as peat, pellets and forest fuels, as well as added value services related to energy production. The Group also supplies heat and electricity and provides plant operation services for customers. For the customers of gardening products, the Group sells growing media, mulches and fertilisers.

The recognition of revenue from product sales is based on delivery and the transfer of control to the customer. Revenue from services is recognised over time as the customer receives the benefit from the service as it is produced. Revenue from short-term services is recognised when the service has been completed. The analysis did not recognise substantial discounts or return or repurchase obligations. The adoption of IFRS 15 did not lead to substantial changes in the determination of the Group's sales revenue or the timing of its recognition, but the amount of notes pertaining to revenue recognition has increased.

The standard was adopted using the practical expedients in the transition, meaning that the standard has been applied starting from the beginning of the reporting period. No adjustments to equity were made due to the adoption of the standard.

IFRS 9 *Financial Instruments* (applicable in financial periods starting on or after 1 January 2018) replaced the previous IAS 39 standard. The new standard includes revised guidance on the classification and measurement of financial instruments. It also includes a new expected credit loss model for determining impairment on financial assets. The standard's requirements concerning general hedge accounting have also been revised. The standard has had a minor effect on Vapo's consolidated financial statements with respect to the new classification of financial instruments and the adoption of a new model for expected credit losses.

Other new narrow-scope amendments to IFRS standards applicable from the start of the financial year have not had an impact on Vapo's consolidated financial statements.

1.2. Consolidation principles

The consolidated financial statements cover the parent company, Vapo Oy, and all subsidiaries in which the parent company holds over 50% of the votes carried by shares, or which are otherwise controlled by the parent company. Piipsan Turve Oy, in which Vapo's holding is 48%, has been consolidated as a subsidiary in the consolidated profit and loss statements. Associates in which Vapo controls 20–50% of the share votes, and in which Vapo has considerable influence but no absolute control, have been consolidated using the capital share method. When the Group's share of the associate's result exceeds the book value, the investment is recognised in the balance sheet at zero value and the exceeding losses are not recognised unless the Group has incurred obligations or made payments on behalf of the associate.

Acquired subsidiaries have been consolidated in the consolidated financial statements from the date on which the Group acquired control until this control ceases. Group companies' mutual share ownerships have been eliminated using the acquisition cost method. The acquisition cost has been allocated to the acquired company's assets and debts at their fair value at the time of the acquisition, where a reliable figure could be determined. For these allocations, imputed taxes have been estimated at the current tax rate and the remainder has been entered in the balance sheet as goodwill.

The Group's internal business transactions, receivables, debts, unrealised margins and internal distribution of profit are not included in the consolidated financial statements. Total comprehensive income is allocated to the owners of the parent company, even if this means that the non-controlling shareholders' share becomes negative. The share of non-controlling shareholders is also presented as a separate item as part of shareholders' equity. The changes in the share of ownership of the subsidiary by the parent company, which do not lead to loss of control, shall be treated as business operations regarding shareholders' equity.

1.3. Summary of key accounting principles

Compilation principles requiring management judgement and key uncertainties related to estimates

When compiling financial statements, it is necessary to make estimates and assumptions about the future. The actual outcome can be different from the estimates and assumptions made. In addition, it is necessary to exercise judgement when applying the financial statement compilation principles.

The Group management makes decisions based on discretion concerning the choice and application of the financial statement compilation principles. This particularly concerns cases where the IFRS norms have alternative entry, valuation and presentation methods. The estimates and assumptions are based on the previous experience of the Group's management and other factors. They also include reasonable expectations concerning future events. The estimates and assumptions used are continuously reviewed. The Group monitors changes in estimates and assumptions and the factors influencing estimates and assumptions by using several internal and external sources of information. Potential changes to estimates and assumptions are taken into account in the financial periods during which the estimate or assumption changes.

The most significant components for which management discretion has been applied concern the amounts of reserves, compiling the impairment testing and the assumptions used therein, as well as determining the fair values of the financial assets and debts.

Revenue recognition principles

Revenue is recognised in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group's performance obligations consist of the delivery of local fuels, such as peat, pellets and forest fuels, as well as added value services related to energy production. The Group also supplies heat and electricity and provides plant operation services for customers. For the customers of gardening products, the Group sells growing media, mulches and fertilisers.

The recognition of revenue from product sales is based on delivery and the transfer of control to the customer, i.e. when the customer has the ability to direct the use of the product and obtain the benefit associated with it. Revenue from services is recognised over time as the customer receives the benefit from the service as it is produced. Revenue from short-term services is recognised when the service has been completed. The amount of consideration recognised as revenue takes into account all variable consideration, such as discounts.

Interest income is entered according to the effective interest method and dividend income when there is a right to the dividend.

Transactions denominated in foreign currency
Figures concerning the result and financial status of the Group's units are defined in the currency that is the currency in each unit's main operational environment ('functional currency'). The consolidated financial statements are presented in euros, which is the parent company's functional and presentation currency.
Transactions in foreign currencies are translated into the functional currency using the foreign exchange rate prevailing on the transaction date. Monetary items are translated into functional currency using the exchange rates prevailing on the balance sheet date.

Profits and losses arising from transactions denominated in foreign currency and translation of monetary items have been treated through the profit and loss account. The exchange rate gains and losses of business operations are included in financial income and expenses.

Conversion of foreign Group company financial statements
The income and expense items on the comprehensive income statements and separate income statements of foreign subsidiaries are converted to euros using the average exchange rate for the period and the balance sheets are converted using the exchange rate on the closing date. The average exchange rate difference arising from the different exchange rates used for the income statement, comprehensive income statement and balance sheet creates a translation difference recognised in equity. The change in the translation difference is recognised in other comprehensive income. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries and the translation of equity items accrued after the acquisition are recognised in other comprehensive income. When a subsidiary is sold as a whole or in part, the conversion differences gained are transferred through profit and loss as a part of gains or losses on sale.

Research and development expenditure
Research expenses are entered as expenditure for the accounting period in which they are incurred. Development expenses from the design of new or significantly improved products are capitalised as intangible assets on the balance sheet once the expenses of the development phase can be calculated reliably, once the product can be utilised technically and commercially, once the Group expects the product to generate a likely future financial benefit, and once the Group has both the intention and resources to complete the development work.

Goodwill
Goodwill arising from the acquisition of a company is the difference between the acquisition cost and the acquired, individualised net assets measured at fair value. Goodwill is assigned to cash flow

generating units and is tested annually for impairment. In the case of associates, goodwill is incorporated into the value of the associate investment. If the said goodwill can be seen to be associated with the funds or other intangible rights of the acquired associate, it is depreciated over its useful life. Goodwill is valued at the original acquisition cost less impairment.

Other intangible assets
An intangible asset is entered on the balance sheet at the original acquisition cost if it can be reliably defined, and it is likely that the corresponding economic benefit expected will profit the Group. Other intangible assets include patents, copyright, trademarks, software licences and customer relationships. They are valued at the original acquisition cost and depreciated using straight line depreciation over their estimated economic life, which can vary from five to 25 years.

Tangible fixed assets
Tangible fixed assets acquired by Group companies are measured at the original acquisition cost. The tangible fixed assets of acquired subsidiaries are measured at the fair value at the time of acquisition. Tangible fixed assets are presented on the balance sheet at the acquisition cost less accumulated depreciation and impairment losses. If a fixed asset consists of a number of parts with differing economic lives, the parts are treated as separate assets.

Depreciation is based on the following expected economic lives:

Buildings and structures	15–40 years
Machinery and equipment	3–25 years
Other tangible assets	5–30 years

No depreciation is recorded on land areas; peat assets are depreciated by substance depreciation over their estimated economic life. Ordinary repair and maintenance expenses are entered as expenditure during the accounting period in which they are incurred. Expenses for significant renewal and improvement projects are entered on the balance sheet if it is likely that they will increase the economic benefit accrued by the company. Profits and losses arising from the sale and disposal of tangible fixed assets are calculated as the difference between the net income received and the carrying amounts. Gains and losses on sales are included in the profit and loss statement under operating profit. When a fixed asset is classified as held for sale according to *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*, depreciation is no longer recorded.

Peat assets
The peat assets relating to Vapo's peat division are included under tangible assets on the balance sheet. Depreciation of peat assets is applied according to use. With regard to the acquisition of new production areas, a portion of the total purchase price that corresponds to the estimated volume of the peat assets is entered as an increase in peat assets.

Costs arising from preparing peat production areas for production are treated as an addition to the acquisition cost of peat assets. The volume (m^3) of peat assets in the Group's production areas is monitored by measurement. Measurement results do not lead to changes in the carrying amounts, but the depreciation plan, which is based on volumes of planned use and remaining peat, is revised as necessary.

Subsidies received

Subsidies received from states or other organisations are entered as income in the profit and loss statement. Entries are made systematically, which means that subsidies are entered under the expenses which they are intended to cover. Subsidies granted for the acquisition of fixed assets are entered as deductions to the book values of fixed assets when it is reasonably certain that the subsidies will be received and the Group satisfies the conditions for eligibility for the subsidy. Subsidies are recognised as income according to the economic life of the asset.

Impairments

Carrying amounts of assets are assessed at the end of each reporting period in order to determine impairment. Key financial figures, official decisions, energy market changes and regulations as well as the actions of competitors are monitored as factors which may suggest a need to adjust the value of assets. The impairment is examined at the level of cash flow generating units, i.e. at the lowest unit level, since this is largely independent of other units and the cash flows can be separated. The impairment is calculated by comparing the carrying amount of the item with the recoverable value of the corresponding assets. As a rule, the recoverable value is based on the future discounted net cash flow obtainable with the aid of the corresponding asset.

In order to determine a possible impairment of peat production areas, Vapo Group monitors factors affecting the income-generating capacity of these areas. These include the volume of peat and its thermal content, the logistical location of the peatland, its geographical conditions, the environmental permit process, the acquisition price, the preparation cost and the stage of the life cycle.

Pension liabilities

Pension plans are classified as defined benefit and defined contribution plans. Contributions to defined contribution plans are recognised in the income statement in the financial period to which they relate to. The statutory pension security of the Group’s Finnish companies is arranged with Finnish pension insurance companies. The statutory employment security is a defined contribution plan.

Defined benefit plans are based on defining the pension benefit the employee will receive upon retirement. The size of the benefit depends on factors such as age, years of employment and pay. Current service cost is the present value of the post-employment benefit, which is earned by the employees during the financial year and recognised in personnel expenses. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The discount rate used in the calculation of the present value of the obligation is based on the average interest rates of long-term government bonds in the euro zone.

The Group’s Estonian subsidiary AS Tootsi Turvas has defined contribution pension plans as well as a defined benefit pension plan under which the company is obligated to pay a fixed pension to 17 employees under pre-specified conditions. The average gross monthly wage in Estonia in 2001 is the basis of the benefit. This sum is adjusted annually in accordance with the change in the cost-of-living index and factors related to the person’s employment relationship. The liability to pay the pension benefit arises when the employee entitled to the benefit turns 65. The liability is discounted on the basis of the estimate that the liability will continue until 2042, considering the statistical life expectancy.

Inventories
Inventories have been valued at the lower of acquisition cost and net realisable value. The net realisable value is the estimated selling price obtainable in ordinary business activities less estimated expenses arising from the preparation and implementation of the transaction. The value of inventories has been determined using the FIFO method and it includes all expenses arising from the acquisition as well as other indirect allocable expenses. The acquisition cost of manufactured inventories includes not only the cost of purchasing materials, direct labour and other direct costs, but also the share of general costs corresponding to the normal production level, excluding the costs of general administration, sales and financing. Peat production inventories include the sales stock of peat, i.e. the volume of peat extracted in the summer. The exception to the use of FIFO valuation is peat produced in stacks, which is valued at the average price per stack. The value of inventories has been depreciated with respect to non-marketable assets.

Cash assets
Cash assets consist of cash funds, short-term bank deposits and other short-term highly liquid money market investments which have a maximum maturity of three months.

Financial assets
Financial assets are classified in the following groups in accordance with IFRS 9: financial assets recognised at amortised cost and financial assets recognised at fair value through profit or loss. The classification is based on the target of the business model and the contractual cash flows of investments or by applying the fair value option at the time of initial acquisition.

Transaction expenses are included in the original book value of the financial assets for items that are not measured at fair value through profit or loss. All purchases and sales of financial assets are entered on the day of the sale, which is the day on which the Group commits to purchasing or selling the financial instrument. Derecognition of a financial asset from the balance sheet takes place when the Group has lost the contractual right to cash flow or when it has transferred a significant part of the risks and profits outside the Group.

Financial assets recognised at amortised cost include financial assets for which the target of the business model is to hold the financial assets until maturity to collect contractual cash flows. The cash flows of such assets consist solely of the principal and the interest on the remaining principal. The Group’s financial assets recognised at amortised cost include trade receivables and other receivables that are assets not classified as derivatives. The carrying amount of current trade receivables and other receivables is considered to be equal to their fair value. Trade receivables and other receivables are presented on the balance sheet as current assets if they are expected to be realised within 12 months of the end of the reporting period. After initial measurement, the value of these financial assets is measured at amortised cost using the effective interest method and deducting impairment, if any.

The Group recognises a loss allowance for expected credit losses on financial assets recognised at amortised cost. Expected credit losses are presented in the income statement under other expenses. Impairment losses are also recognised in other expenses in the income statement. For trade receivables, expected credit losses are estimated using the simplified approach described in IFRS 9, which means that the credit losses are recognised at an amount equal to lifetime expected credit losses. Expected credit losses are estimated based on historical data on previous credit losses and the model also takes into account the information on future economic circumstances available at the time of assessment.

The Group records a credit loss on trade receivables when there is objective evidence that the receivable will not be collected in full. A debtor being in significant financial difficulties, probable bankruptcy, delinquent payments, or payments that are more than 90 days overdue constitute evidence of probable credit loss.

Financial assets measured at fair value through profit or loss consist of financial assets acquired to be held for trading or classified upon initial recognition as being measured at fair value through profit or loss. Financial assets held for trading are acquired primarily for the purpose of earning a profit in the short or long term and they are presented in either long-term financial assets or current financial assets.

Realised and unrealised gains and losses from fair value changes are recognised through profit or loss. If there are no quoted prices for the investments, the Group applies various valuation methods in their measurement. On the financial statements date, the Group had no financial assets measured at fair value through profit or loss.

Financial liabilities
Financial liabilities are initially recorded at fair value. Transaction costs related to financial liabilities are recorded as expenses. Financial liabilities, excluding derivative liabilities, are subsequently measured at amortised cost. Financial liabilities are included in non-current and current liabilities. Financial liabilities are classified as current if the Group does not have an absolute right to postpone the repayment of the debt at a minimum of 12 months after the closing date of the reporting period.

Derivative instruments and hedge accounting
All derivatives are measured and recorded at fair value on the transaction and closing date. Fair value measurement is based on quoted market prices. The Group does not apply hedge accounting. Realised and unrealised gains and losses from derivative instruments are recorded in the financial items of the statement of income.

Emission rights
The principles of emission right calculation are based on valid IFRS standards. Emission rights are intangible rights measured at cost. Emission rights received without consideration are measured at nominal value, meaning that their value is nil. A provision for fulfilling the obligation to return the emission rights is recorded if the emission rights received without consideration are not sufficient to cover the actual amount of emissions. Therefore, the possible impact on the result is the difference between actual emissions and emission rights received.

Provisions and contingent liabilities
A provision is entered on the balance sheet if the Group has a legal or factual obligation as a result of a previous event and it is probable that fulfilling the obligation requires payment or results in an economic loss and the amount of the liability can be reliably estimated. The amount of provisions is adjusted at each closing date, and their amounts are adjusted to reflect the best estimate at the time of review. Adjustments to provisions are recognised in the same item of the income statement in which they were initially recognised. Provisions may be related to restructuring of functions, loss-making agreements as well as environmental and pension liabilities.

Provision for environmental liabilities
A provision for environmental liabilities is recognised whenever the Group has an obligation based on environmental legislation and the Group's principles of environmental liability that is related to the decommissioning of a production plant, clean-up of environmental damage or transfer of equipment from one place to another. Starting peat production in a mire area requires an environmental permit. The permit specifies, among other things, the clean-up measures in the area after the end of peat production. In order to prepare for the clean-up measures, Vapo Group accumulates provisions varying annually on the basis of the production volume; for leased land areas it is recognised in the income statement as an expense, and the amount of the provision on the balance sheet is accumulated at the same time. The corresponding provision for company-owned land is recognised in fixed assets as an acquisition cost of other tangible assets. For leased land areas, the provision is cancelled by recognising it as an expense in the income statement annually on the basis of the actual costs incurred from clean-up measures and, for company-owned land, the cancellation of the provision is recorded as depreciation.

Other provisions
Other provisions include the liability to compensate for permanent health damage recognised in AS Tootsi Turvas as well as the provision recognised in AS Tootsi Turvas for the costs of closing down the briquette plant.

Lease agreements
Lease agreements concerning property, plant and equipment in which an essential part of the risks and benefits of ownership is transferred to the Group are classified as financial leases. An asset obtained through a financial lease is recognised as an asset on the balance sheet at the beginning of the lease period at the lower of the fair value of the object of the lease or current value of minimum rents. Assets leased through financial leases are amortised over the shorter of economic useful life or duration of the lease. Paid leasing rents are divided into financial expenses and repayment of debt. The corresponding leasing rent liabilities are recognised in interest-bearing liabilities as current and non-current liabilities. Lease agreements concerning property, plant and equipment in which an essential part of the risks and benefits of ownership remain with the lessor are classified as other leases. Rents determined on the basis of other leases are recognised as expenses in the income statement.

Taxes and deferred taxes based on the taxable income for the period
Tax expenses comprise taxes based on the taxable income for the period and deferred tax. Taxes are recognised through profit or loss, except if they are related to items recognised in shareholders' equity or other items of comprehensive income. In this case, the tax is also recognised under these items. The tax based on the taxable income for the period is calculated on the basis of taxable income in accordance with the tax rate valid in each country.

Deferred taxes are calculated on all temporary differences between accounting and taxation using the tax rates in force at the closing date. Deferred tax is recognised in the case of investments in subsidiaries or associates, except if the Group is able to determine the time the temporary difference will be eliminated and the temporary difference will probably not be eliminated during the foreseeable future. The most substantial temporary differences arise from appropriations, measurement of the net assets of acquisitions at fair value, measurement of financial assets held for sale at fair value, unused tax losses and internal margins. Deferred tax receivables are recognised up to the probable amount of taxable income in the future against which the temporary difference can be utilised. The conditions for recognising a deferred tax liability are estimated in this respect on each closing date of a reporting period.

The Group offsets deferred tax assets and liabilities if they are related to the same taxpayer and the same tax collector and the deferred tax liabilities are higher than the deferred tax assets.

Non-current assets held for sale and discontinued operations
A non-current asset (or a disposal group) as well as assets and liabilities associated with a discontinued operation are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The recognition criteria are regarded to be met when: a sale is highly probable, the asset (or a disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary, the management is committed to the plan to sell the asset and the sale is expected to take place within one year from the date of classification. Immediately before the initial classification of the asset or disposal group as held for sale, the assets and liabilities will be measured in accordance with applicable IFRS standards. After classification as held for sale, assets (or disposal groups) are measured at the lower of the carrying amount or fair value less selling costs. Depreciation of these assets will be discontinued upon classification. Assets included in disposal groups that do not fall within the scope of application of the measurement rules of IFRS 5 and liabilities are measured in accordance with the applicable IFRSs also after classification.

Operating profit
IAS 1 Presentation of Financial Statements does not give a definition for operating profit. The Group has specified it as follows: operating profit is the net of turnover and other operating income, acquisition costs adjusted for change in inventories of finished goods and work in progress and costs of production for own use, employee benefit expense, depreciation and any impairment losses and other operating expenses. All income statement items other than the above are presented below operating profit.

Application of upcoming IFRS standards and IFRIC interpretations

IFRS 16 *Leases* is effective for financial years beginning on or after 1 January 2019. The new standard replaces the IAS 17 standard. From a lessee’s perspective, the division between operating leases and financial leases will no longer apply. IFRS 16 requires lessees to recognise leases on the balance sheet as a lease liability and a related asset. Recognition on the balance sheet is highly similar to the accounting for financial leasing under IAS 17. There are two exemptions to recognition on the balance sheet, applicable to short-term leases with a lease term of 12 months or less and leases where the underlying asset has a low value. For lessors, the accounting will largely remain as defined in the current IAS 17.

The Group has assessed the impacts of the new standard on the consolidated financial statements and key figures. Recognising leases on the balance sheet will increase the balance sheet total. The leases to be recognised on the balance sheet comprise leases for machinery and equipment and, most significantly, leases for peatlands and real estate. The Group will apply the practical exemptions allowed by IFRS 16 by not recognising on the balance sheet short-term assets (lease term ≤ 12 months) and assets of low value.

The standard will be adopted using the simplified transition method, meaning that leases will be recognised on the opening balance sheet of the reporting period and the comparison figures will not be adjusted. The Group estimates that the adoption of the standard on 1 May 2019 will increase assets and liabilities by approximately EUR 42 million. The adoption of IFRS 16 will not have a significant impact on the consolidated statement of comprehensive income.

IFRIC 23 *Uncertainty over Income Tax Treatments* (effective for financial periods beginning on or after 1 January 2019).

The interpretation clarifies accounting practices when there is uncertainty regarding the tax authority's acceptance of the reporting entity's tax treatment. The key issue is whether the tax authority will accept the tax treatment chosen by the entity. The entity is to assume that the tax authority will have full knowledge of all relevant information when assessing the tax treatment. This interpretation is not expected to have a significant impact on the Group.

Other new or revised standards are not estimated to have an impact on Vapo Group's financial statements.

Updating the calculation practices concerning substance depreciation in peat production

The Group depreciates the acquisition cost of peatland peat mass and production preparations using the substance depreciation method. The Group updated its calculation practices concerning substance depreciation effective from 1 May 2019 to better take into account the amount of commercially available peat. The adoption of the new calculation practices is estimated to increase annual depreciation by approximately EUR 3–3.5 million.

2. Segment information

The reporting segments comprise the Group's divisions in accordance with the new management model. Effective from 1 May 2018, Vapo Group's reporting segments are Energy, Grow&Care, New Businesses and other activities. The comparison figures in segment reporting have been adjusted to reflect the new segment structure.

Energy

The Energy division is responsible for the energy and fuel solutions provided by the Group in Finland, Sweden and Estonia. The Group provides energy producers with peat, wood and pellet fuels as well as the most advanced remote operation services in the industry. For industrial and municipal customers, the Group produces heat and steam as a service at six power plants and approximately 150 heating plants. Consumer customers are supplied with with district heating in more than 35 district heating networks. Pellets are also sold via an online shop. Approximately half of the division's turnover came from renewable biofuels and energy solutions.

Grow&Care

The Grow&Care division comprises all of the Group’s businesses in the horticultural sector. We provide solutions for professional growers, consumers and landscapers as well as for the processing and recycling of biomass. We also supply agricultural peat for further processing around the world as well as bedding peat to horse farms, cattle farms, pig houses and poultry producers.

The division’s well-known brands, Kekkilä Garden and Hasselfors Garden, offer products to home gardeners and landscapers in Finland, Estonia and Sweden. Kekkilä Professional focuses on the professional grower business in Vapo Group’s home markets as well as the global markets. The Netherlands-based BVB Substrates Group became part of the division from the start of the 2019 calendar year. Vapo merged Kekkilä Group and BVB Substrates Group to establish a joint venture in which Vapo Group holds a 70% stake.

New Businesses

The New Businesses division creates new products and innovations based on the Group’s competencies and raw material resources. The division’s Vapo Ventures unit is also responsible for developing and managing the Group’s shared innovation activities and managing the company’s IPR assets.

Other activities

The other activities segment consists of costs that are not allocated to the business units. These costs are related to Vapo Group’s M&A activities as well as administrative and other support functions.

Segment information 5/2018–4/2019

MEUR	Energy	Grow&Care	New Businesses	Other	Eliminations	Group total
External turnover	281.7	178.9		0.2	0.0	460.8
Internal turnover	7.6	0.1		0.0	-7.8	
Turnover	**289.4**	**179.0**		**0.2**	**-7.8**	**460.8**
Segment operating profit/loss	33.2	13.0	-2.2	-4.2	-6.5	33.3
Financial income and expenses				-2.8		-2.8
Appropriations and income taxes				-5.3		-5.3
Result for the period	**33.2**	**13.0**	**-2.2**	**-12.4**	**-6.5**	**25.1**
Segment assets	526.7	257.4	6.1	142.3	-164.5	768.1
Shares in associates	19.5	0.4			-0.1	19.8
Unallocated assets				47.9	-30.0	17.9
Assets total	**546.2**	**257.8**	**6.1**	**190.2**	**-194.6**	**805.8**
Segment debt	41.0	28.7	1.7	2.2	-1.4	72.2
Unallocated debt				371.1	-41.7	329.4
Debt total	**41.0**	**28.7**	**1.7**	**373.3**	**-43.0**	**401.6**
Investments	27.3	4.8	3.1	129.4	-101.9	62.7
Depreciation	31.8	8.9	0.0	0.6	-0.0	41.4

Segment information 5/2017–4/2018

MEUR	Energy	Grow&Care	New Businesses	Other	Eliminations	Group total
External turnover	298.2	121.1		0.5	-0.0	419.8
Internal turnover	0.7	0.1		0.0	-0.8	
Turnover	**298.9**	**121.2**		**0.5**	**-0.8**	**419.8**
Segment operating profit/loss	32.7	7.4	-1.1	-13.4	0.8	26.3
Financial income and expenses				-6.0		-6.0
Appropriations and income taxes				-2.7		-2.7
Result for the period	**32.7**	**7.4**	**-1.1**	**-22.1**	**0.8**	**17.6**
Segment assets	524.8	112.9	3.0	125.6	-126.7	639.6
Shares in associates	19.4	0.4			-1.3	18.5
Unallocated assets				100.4	-61.1	39.3
Assets total	**544.2**	**113.3**	**3.0**	**226.0**	**-189.1**	**697.5**
Segment debt	41.5	14.2	0.3	2.6	-1.1	57.4
Unallocated debt				362.0	-70.3	291.7
Debt total	**41.5**	**14.2**	**0.3**	**364.6**	**-71.4**	**349.1**
Investments	23.6	3.1	2.1	3.2	-0.5	31.5
Depreciation	27.5	7.0	0.0	1.3		35.7

Geographical information

EUR 1,000	Turnover by country	Long-term assets	Investments
Finland	282 390	424 557	51 835
Sweden	70 317	82 160	7 052
The Netherlands	34 717	8 777	1 847
Germany	14 822	102	-
Estonia	11 081	27 984	1 927
Other Nordic countries	8 021	-	-
Other European countries	22 199	603	-
North and South America	5 118	-	-
Other countries	12 162	-	-
Group total	460 827	544 182	62 660

3. Acquisitions

The transaction announced in October with the Netherlands-based BVB Substrates was finalised in January. The company created by the merger, Kekkilä-BVB Oy, is the European leader in professional growing media and amateur gardening products, and it exports products to more than 80 countries. As a result of the acquisition, the Grow&Care division's turnover will represent nearly half of Vapo Group's total turnover in the future.Kekkilä-BVB Oy is included in the consolidated financial statements effective from 1 January 2019.

Vapo Oy acquired 70% of Kekkilä-BVB Oy's shares and transferred as consideration a non-controlling interest of 30% to Nielson Belegging en Beheer B.V. The combination was carried out by establishing a new company, Kekkilä-BVB Oy, to which Vapo Oy transferred all Kekkilä Oy shares and the Dutch company Nielson Belegging en Beheer B.B. all BVB Substrates B.V. shares. Vapo has control over the joint venture through its direct 70% ownership and by holding the majority of the votes.

	Note	Recorded values	Recorded values
EUR 1,000		**2019**	**2018**
Tangible fixed assets		12,578	
Trademarks		6,036	
Customer contracts and related customer relationships		19,801	
Other intangible fixed assets		46	
Shares in entities consolidated using the equity method		30	
Other long-term financial assets		112	
Inventories		15,277	
Sales and other receivables		15,596	
Cash and cash equivalents		1,747	
Assets total		**71,223**	
Deferred tax liability		6,689	
Pension liabilities			
Financial liabilities		13,587	
Contingent liabilities		9,821	
Other liabilities		1,452	
Debt total		**31,549**	
Net assets		**39,674**	
Acquisition cost		42,711	
Attributable to non-controlling interests		18,034	
Net assets acquired		39,674	
Goodwill		**21,071**	

The acquisition price was EUR 42.1 million and it was paid by transferring Kekkilä Oy shares valued at EUR 18.7 million, a cash consideration of EUR 23.1 million and by writing off a mutual receivable of EUR 0.2 million.

Kekkilä BVB Oy's fair value was measured using revenue-based and market-based methods in accordance with IFRS 13 Fair Value Measurement. The measurement of fair value was largely based on inputs that are not available from observable markets (level 3).

The non-controlling interest is measured in accordance with IFRS at a market price (=NCI fair value) of EUR 18.0 million. This results in goodwill of EUR 21.1 million.

This choice of IFRS measurement will have an impact on the recognition of potential subsequent ownership arrangements.

The goodwill of EUR 21.1 million created by the acquisition consists of the combination of business operations, synergies and new market area opportunities. The goodwill recognised on the acquisition is not tax-deductible.

The costs associated with the acquisition totalled EUR 1.8 million and they are recognised as other expenses in the income statement.

The consolidated statement of comprehensive income includes turnover generated by BVB Substrates B.V. in the amount of EUR 57.5 million and the profit for the period includes profit generated by BVB Substrates B.V. in the amount of EUR 5.6 million starting from the beginning of January 2019. If BVB Substrates B.V. had been included in the consolidated statement of comprehensive income from the beginning of the financial year (= pro forma), the effect on turnover would have been EUR 134 million and the effect on the profit for the financial year would have been EUR 6.9 million.

4. Other operating income

EUR 1,000	2019	2018
Rental revenue	396	371
Grants and public subsidies	135	398
Other non-recurring income	3	
Other operating income	2,140	2,308
Gains on the sale of tangible assets	4,872	4,579
Other operating income	7,547	7,657

5. Materials and services

EUR 1,000	2019	2018
Purchases during the period	-145,618	-91,744
Increase/decrease in inventories	5,083	-6,482
External services	-99,154	-64,146
Materials and services	-239,689	-162,372

6. Expenses arising from staff benefits

EUR 1,000	2019	2018
Salaries and fees	-42,954	-39,109
Pension expenses, defined contribution	-6,471	-5,909
Voluntary pensions	-632	-761
Pension expenses, defined benefit	0	-93
Pension expenses	-7,103	-6,763
Other fixed personnel expenses	-5,449	-4,479
Expenses arising from staff benefits	-55,507	-50,350
Management salaries and fees		
Salaries and other short-term employment benefits	1,392	1,425
Total	1,392	1,425
Salaries and fees		
CEO and the Managing Directors of subsidiaries	414	865
Members of the Board of Directors	250	523
Members of the Supervisory Board	19	37
Management salaries, fees and fringe benefits total	683	1,425

The company publishes a separate corporate governance statement and remuneration statement annually. The reports are available on the company's website at www.vapo.com.

Employees, average

	2019	2018
Energy	370	374
Grow&Care	380	268
New Businesses	16	18
Other	103	98
Total	**869**	**758**

7. Depreciation and impairment

EUR 1,000	2019	2018
Depreciation		
Intangible rights	-3,263	-2,758
Buildings and structures	-4,036	-3,397

Machinery and equipment	-18,677	-18,390
Other tangible assets	-15,519	-11,195
Total	-41,494	-35,740

Impairment		
Goodwill		
Land areas		
Buildings		-383
Machinery and equipment	-18	-493
Other tangible assets	-175	-38
Inventories		
Total	-193	-914
Depreciation and impairment total	-41,687	-36,654

8. Other operating expenses and auditor’s fees

EUR 1,000	**2019**	**2018**
Rents	-10,421	-9,839
Cost of sales freight	-53,807	-55,770
Losses on the sale and scrapping of tangible assets	-1,175	-1,383
Change in credit loss provision	-208	
Auditor’s fees: actual audit	-225	-213
Auditor’s fees: attestations and statements	-9	-19
Auditor’s fees: other expert services	-80	-126
Auditor’s fees: tax advice	-15	-9
Audit costs	-328	-367
External services	-18,137	-17,380
Other expenses	-50,550	-45,416
Other operating expenses	-134,626	-130,156

9. Financial income and expenses

EUR 1,000	**2019**	**2018**
Dividend income from available-for-sale investments	1	1
Changes in the value of financial assets measured at fair value through profit or loss		
- interest derivatives, no hedge accounting	539	1,102
- currency derivatives, no hedge accounting	361	197
- commodity derivatives, no hedge accounting	3,287	789

Interest income	93	106
Other foreign exchange gains and losses	-55	18
Other financial income	1	180
Financial income total	4,226	2,393
Interest expenses	-5,973	-7,241
Changes in the value of financial assets measured at fair value through profit or loss		
- interest derivatives, no hedge accounting		
- currency derivatives, no hedge accounting	-274	-195
- commodity derivatives, no hedge accounting		
Foreign exchange losses from financial loans measured at amortised cost		
Other foreign exchange losses	-209	-250
Other financial expenses	-614	-704
Financial expenses total	-7,070	-8,391
Financial income and expenses total	-2,845	-5,997

10. Income taxes

EUR 1,000	**2019**	**2018**
Income taxes from actual operations	-10,870	-1,781
Taxes for previous financial periods	-13	19
Deferred taxes	5,555	-903
Income taxes	-5,328	-2,664

Reconciliation of taxes

EUR 1,000	**2019**	**2018**
Profit/loss before taxes	30,483	20,284
Deferred tax, parent company rate of 20%	-6,097	-4,057
Effect of the different tax rates used in foreign subsidiaries	1,009	289
Effect of non-deductible items with the unit’s tax rate	2,039	2,469
Effect of non-deductible items with the unit’s tax rate	-2,255	-1,359
Taxes for previous financial periods	-13	13
Unbooked deferred tax for losses of the financial period	-11	-18
Effect of change in tax rate on taxes for the financial period	0	0
Tax effect of the profit or loss of associates	0	0
Tax expense in the income statement	**-5,328**	**-2,664**

On 30 April 2019, Vapo A/S had confirmed losses totalling EUR 7.2 million that have not been taken into account in these financial statements.

11. Intangible assets

EUR 1,000	Goodwill	Intellectual property rights	Other intangible assets	Prepayments	Total
Cost 1 May 2018	9,564	31,630	8,264	2,698	52,156
Translation differences (+/-)	-5	-7	-0		-12
Increase	24,972	28,263	89	1,517	54,842
Divestment of subsidiaries					
Decrease	-3,204	-2,163			-5,367
Transfers between items		542		-542	
Cost 30 April 2019	31,326	58,265	8,353	3,674	101,618
Accumulated depreciation and impairment 1 May 2018	-4,165	-25,086	-4,652		-33,903
Translation differences (+/-)	0	6	0		6
Accumulated depreciation on acquisitions	-925	-132			-1,057
Accumulated depreciation on decrease and transfers	493				493
Depreciation for the financial period	-168	-2,746	-337		-3,252
Accumulated depreciation and impairment 30 April 2019	-4,764	-27,959	-4,989		-37,713
Book value 30 April 2019	**26,562**	**30,306**	**3,364**	**3,674**	**63,905**

EUR 1,000	Goodwill	Intellectual property rights	Other intangible assets	Prepayments	Total
Cost 1 May 2017	9,501	30,663	8,235	1,051	49,450
Translation differences (+/-)	-37	-45	-2		-85
Increase		-165		3,041	2,876
Divestment of subsidiaries					
Decrease	100	-2		-184	-86
Transfers between items		1,179	31	-1,210	
Cost 30 April 2018	9,564	31,630	8,264	2,698	52,156
Accumulated depreciation and impairment 1 May 2017	-4,065	-22,687	-4,322		-31,074
Translation differences (+/-)	0	29	0		29
Accumulated depreciation on acquisitions					
Accumulated depreciation on decrease and transfers	-100	0			-100
Depreciation for the financial period	0	-2,428	-330		-2,758
Accumulated depreciation and impairment 30 April 2018	-4,165	-25,086	-4,652		-33,903
Book value 30 April 2018	**5,399**	**6,544**	**3,612**	**2,698**	**18,253**

Impairment testing of cash-generating units with goodwill

Goodwill and intangible assets that are not yet ready to use are tested for impairment annually and when necessary if there are indications of impairment. Impairment losses are recognised on the income statement to the extent that the carrying amount exceeds the asset's recoverable amount. The recoverable amount of an asset is the higher of the net sales price and service value. The basis for impairment for non-financial assets, except goodwill, is reviewed on the financial statements date to determine whether impairment should be reversed.

Goodwill is allocated for the purposes of impairment testing to cash-generating units defined by the Group. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The service value is determined by discounting the estimated future net cash flows of the asset or cash-generating unit at the present value. The anticipated cash flows in the calculations are based on financial plans approved by the management that cover the cash flow forecasts for the next few years. Forecasts are based on the various businesses' historical data, order backlog, current market situation and information on the industry's future growth prospects. The cash flows of the explicit forecast period correspond with the management's views of the development of the profitability of different businesses and the effect of inflation on cash flows. Cash flows are expected to continue to follow the same trend after the explicit forecast period. As a rule, the calculation period for anticipated cash flow is five years. Cash flows after the calculation period are estimated according to a growth forecast of no more than 1.0 per cent, taking into account the country-specific differences of the business functions.

The terminal growth rate applied for all cash-generating units is a maximum of one (1) per cent. The discount rate used by the Group is the business-specific weighted average cost of capital (WACC) after taxes, adjusted by the tax effect in connection with testing. The calculation components for the weighted average cost of capital are the risk-free return, market risk premium, industry-specific beta, the target capital structure, the cost of borrowed capital and other risks.

Key assumptions applied in impairment testing and sensitivity analysis

Preparing cash flow forecasts requires management estimates of future cash flows. Estimates, assumptions and judgements are based on the Group management's historical experience and other factors, including expectations of future events. The nature of the estimates depends on the business area the assets being tested are part of. The Group follows the changes in estimates, assumptions and the factors affecting them by using multiple internal and external sources of information. Possible changes in estimates and assumptions are recognized in the financial period the estimate or assumption is changed.

In addition to goodwill testing based on basic assumptions, separate sensitivity analyses were conducted for each cash-generating unit. The key variables in impairment testing are change in cash flow (+/- 5%), change in sales (+/- 5%) and change in discount rate (+/- 1 percentage points).

Goodwill impairment testing

Goodwill is allocated to the Group's following cash-generating units. Neova AB and Tootsi Turvas AS as part of the Energy reporting segment and the Kekkilä-BVB subgroup as part of the Grow&Care reporting segment.

No impairment was allocated to goodwill or intangible rights during the financial year 1 May 2018–30 April 2019. In estimating the cash-generating units, according to the management's estimates, no foreseen change in any of the variables used in sensitivity analyses would lead to a situation where a unit's recoverable amount would be lower than its carrying amount.

Allocation of goodwill to cash-generating units:

EUR 1,000	WACC	30 Apr. 2019	30 Apr. 2018
Energy	5.7%	1,665	1,669
Grow&Care	5.5%	24,897	3,730
Other	4.3%	0	0
Total		26,562	5,399

12. Tangible fixed assets

EUR 1,000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and unfinished acquisitions	Total
Cost 1 May 2018	41,340	87,160	363,016	417,406	24,297	933,220
Translation differences	-27	-189	-792	-816	-32	-1,856
Acquisition of subsidiaries	467	238	30,652	9,461		40,818
Increase	125	4,832	8,690	1,053	25,085	39,785
Divestment of subsidiaries						
Decrease	-3,871	-3,302	-2,368	-4,286	-1,067	-14,895
Transfers between items		1,106	10,364	11,939	-24,665	-1,257
Cost 30 April 2019	38,034	89,845	409,562	434,756	23,618	995,816
Accumulated depreciation and impairment 1 May 2018	-520	-49,169	-239,130	-191,415		-480,233
Translation differences (+/-)		102	503	414		1,018
Accumulated depreciation on decrease and transfers		2,134	3,432	787		6,353
Accumulated depreciation on acquisitions	-453	-228	-19,775	-7,785		-28,241
Depreciation for the financial period		-3,177	-19,494	-15,745		-38,416
Impairment*						
Accumulated depreciation and impairment 30 April 2019	-972	-50,339	-274,464	-213,743		-539,518
Book value 30 April 2019	**37,061**	**39,507**	**135,097**	**221,013**	**23,618**	**456,297**

EUR 1,000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and unfinished acquisitions	Total
Cost 1 May 2017	43,689	85,245	346,464	404,928	43,849	924,175
Translation differences	-212	-1,326	-4,858	-5,342	-380	-12,118
Acquisition of subsidiaries						
Increase	235	28	2,760	523	24,928	28,474
Divestment of subsidiaries						
Decrease	-2,372	-765	-1,054	-2,073	-1,049	-7,312
Transfers between items		3,979	19,703	19,369	-43,051	
Cost 30 April 2018	41,340	87,160	363,016	417,406	24,297	933,220
Accumulated depreciation 1 May 2017	-520	-46,562	-224,509	-183,345		-454,935
Translation differences (+/-)		618	3,355	2,593		6,566
Accumulated depreciation on decrease and transfers		438	906	570		1,915
Accumulated depreciation on acquisitions						
Depreciation for the financial period		-3,397	-18,390	-11,195		-32,982
Impairment*		-383	-493	-39		-914
Accumulated depreciation 30 April 2018	-520	-49,286	-239,130	-191,415		-480,350
Book value 30 April 2018	**40,821**	**37,875**	**123,886**	**225,992**	**24,297**	**452,870**

* Any depreciation of land and water areas is included in impairment.

The cost of property, plant and equipment includes assets leased through financial leases as follows:

EUR 1,000	Machinery and equipment	Other tangible assets	Total
Cost 1 May 2018	26,413	16,295	42,708
Increase	1,602		1,602
Decrease			
Accumulated depreciation	-6,890	-2,606	-9,495
Accumulated depreciation on decreases			
Book value 30 April 2019	**21,126**	**13,690**	**34,815**

EUR 1,000	Machinery and equipment	Other tangible assets	Total
Cost 1 May 2017	26,413	16,295	42,708
Increase			
Decrease			
Accumulated depreciation	-5,252	-1,791	-7,043
Accumulated depreciation on decreases			
Book value 30 April 2018	**21,161**	**14,504**	**35,665**

13. *Shares in associates and joint ventures*

EUR 1,000	30 Apr. 2019	30 Apr. 2018
Shares in associates	3,508	519
Shares in joint ventures	16,438	19,640
Non-depreciated goodwill included in joint ventures	3,296	3,561

Shares in associates and joint ventures

Information on the Group's significant associates and joint ventures:

Name	Primary industry	Domicile	Holding (%)	
			30.4.2019	30.4.2018
Scandbio AB, joint venture	Manufacture and sale of solid wood fuels	Jönköping	50	50

Financial information on associates and joint ventures

The Group's significant associates and joint ventures listed in the table are accounted for in the consolidated financial statements using the equity method. The companies' income statements have been converted to correspond with the financial year of the Group's parent company.

	Scandbio AB		Other	
EUR 1,000	30.4.2019	30.4.2018	30.4.2019	30.4.2018
Current assets	24,116	25,838	8,579	1,144
Long-term assets	19,145	20,543	812	277
Short-term liabilities	14,259	13,022	191	57
Long-term liabilities	0	0	338	112
Turnover	93,091	101,641	943	528
Profit/loss for the reporting period	1,857	4,282	-285	29
Dividends received during the period	2,409	1,019		
Net assets	29,002	33,359	8,862	1,252
Group's holding	50	50		

Group's share of net assets	14,501	16,679
Goodwill	3,296	3,561
Translation difference	-1,359	-600
The associate's/joint venture's carrying amount in the consolidated balance sheet	16,438	19,640

14. Other long-term financial assets

Other long-term financial assets include listed and unlisted shares measured at fair value through profit or loss.

EUR 1,000	30 Apr. 2019	30 Apr. 2018
Cost 1 January	709	756
Increase	131	10
Decrease	-33	-57
Cost 30 April	808	709
Book value 30 April	808	709

15. Long-term receivables

EUR 1,000	30 Apr. 2019	30 Apr. 2018
Long-term interest-bearing receivables		
Loan receivables from others	3,183	3,183
Total	3,183	3,183
Long-term non-interest-bearing receivables		
From others	42	75
Long-term sales and other receivables total	**3,225**	**3,258**

16. Other long-term investments

The Group has no other long-term investments.

17. Deferred taxes

EUR 1,000	1 May 2018	Translation difference	Recognised in the income statement	Recognised in shareholders' equity	Acquired/divested companies	30 Apr. 2019
Itemisation of deferred tax assets						

Losses	167					167
Provisions	628		-65			563
Other items	705		-462			243
Total	**1,500**		**-527**			**974**

EUR 1,000	**1 May 2018**	**Translation difference**	**Recognised in the income statement**	**Recognised in shareholders’ equity**	**Acquired/divested companies**	**30 Apr. 2019**
Itemisation of deferred tax liabilities						
Depreciation difference and provisions	14,973		-5,730			9,243
Capitalisation of intangible assets						
Fair value measurement of intangible and tangible assets in business combinations	2,716				6,674	9,390
Other items	0		-4,982	-1,021		-6,003
Total	**17,688**		**-10,712**	**-1,021**	**6,674**	**12,629**

Deferred taxes on the balance sheet	
Deferred tax assets	974
Deferred tax liability	12,629
Net tax liability	11,655

EUR 1,000	**1 May 2017**	**Translation difference**	**Recognised in the income statement**	**Other changes**	**Acquired/divested companies**	**30 Apr. 2018**
Itemisation of deferred tax assets						
Losses	181		-14			167
Provisions	634		-6			628
Other items	888	-3	-313	133		705
Total	**1,704**	**-3**	**-333**	**133**		**1,500**

EUR 1,000	**1 May 2017**	**Translation difference**	**Recognised in the income statement**	**Other changes**	**Acquired/divested companies**	**30 Apr. 2018**
Itemisation of deferred tax liabilities						
Depreciation difference and provisions	14,582	-19	410			14,973
Capitalisation of intangible assets						
Fair value measurement of intangible and tangible assets in business combinations	2,840	-283	159			2,716
Other accrual differences	0					0
Total	**17,421**	**-302**	**569**			**17,688**

Deferred taxes on the balance sheet	
Deferred tax assets	1,500
Deferred tax liability	17,689
Net tax liability	16,189

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes related to the same fiscal authority.

On 30 April 2019, the Group had EUR 8.3 million (30 April 2018: EUR 7.3 million) in confirmed losses for which deferred tax assets were not recognised because the Group is unlikely to accrue taxable income against which the losses could be offset. The losses in question will not expire.

Deferred tax assets on losses not recognised in the balance sheet amounted to EUR 1.6 million (30 April 2018: EUR 1.3 million).

18. Inventories

EUR 1,000	2019	2018
Materials and supplies	46,968	31,490
Unfinished products	10,992	10,712
Finished products	87,678	48,910
Prepayments from inventories	356	294
Inventories total	145,994	91,407

19. Sales and other receivables

EUR 1,000	2019	2018
Sales receivables		
Sales receivables	94,344	68,213
Credit loss provision	-208	0
Associates’ sales receivables	374	35
	94,510	68,249
Short-term other receivables and accrued income		
Loan receivables	200	200
Other short-term receivables	4,427	2,787
Short-term accrued income (from others)	3,981	5,938
Other accrued income of associates	0	0
	8,608	8,925
Financial assets measured at fair value through profit or loss		
Derivative instruments, no hedge accounting	4,118	750

Sales and other receivables total	107,236	77,924

The short-term sales receivables are divided by currency as follows:

EUR 1,000	**2019**	**2018**
EUR	75,214	50,584
USD	1,165	1,308
SEK	18,115	16,373
Other currencies	16	-16
Total	94,510	68,249

Age distribution of sales receivables and items recognised as credit losses

Credit loss history

Financial year (EUR 1,000)	**Turnover**	**Receivables**	**Credit losses**	**% of receivables**
FY2014	511,332	55,422	**89**	0.16%
FY2015	345,931	53,460	**96**	0.18%
FY2016	359,027	63,674	**34**	0.05%
FY2017	348,922	62,354	**66**	0.11%
FY2018	419,803	68,213	**93**	0.14%
FY2019	460,286	94,343	**96**	0.10%
Average			**79**	

Age distribution of due receivables

Sales receivables	**Carrying amount**	**Expected credit loss**	**EUR**
Not yet due	83,405	0.02%	17
Due under 30 days	7,846	0.07%	5
Due 31–60 days	843	1.00%	8
Due 61–91 days	724	3.00%	22
Due over 90 days	1,526	10.20%	156
Total	**94,344**		**208**

Credit loss provision FY2019 / IFRS 9	**208**

EUR 1,000	**2019**	**2018**
Not yet due	83,571	62,709
Due under 30 days	7,846	4,533
Due 31–60 days	843	247
Due 61–91 days	724	251
Due over 90 days	1,526	509
Total	94,510	68,249

Credit losses	**96**	**93**

20. Cash assets

EUR 1,000	2019	2018
Cash and cash equivalents	7,962	32,999

21. Notes to equity

Shareholders’ equity

Vapo Oy has one class of shares. The total number of shares is 30,000. Vapo’s share capital on 30 April 2019 amounted to EUR 50,456,377.90. The nominal value of the share has not been defined. There are 30,000 shares outstanding.

Descriptions of the equity funds are presented below:

The invested unrestricted equity fund consists of other equity-type investments and the subscription price of shares to the extent that it is not recognised in share capital according to a case-specific decision.

The reserve fund is a fund pursuant to the Estonian Commercial Code, equal in size to 10% of the separate company’s share capital. The company must transfer 10% of its annual earnings to the fund until the required amount is reached.

Translation differences comprise foreign exchange-denominated changes in foreign subsidiaries’ equity and post-acquisition retained earnings.

22. Financial liabilities

EUR 1,000	2019	2018
Long-term financial liabilities measured at amortised cost		
Bonds	79,109	79,039
Subordinated loans	5,000	5,000
Loans from financial institutions	82,378	112,314
Financial leasing liabilities	32,334	34,054
Total	198,821	230,406
Short-term financial liabilities measured at amortised cost		
Bonds	0	10,000
Loans from financial institutions	48,301	0
Overdraft facility	2,231	0
Commercial papers	17,998	0
Financial leasing liabilities	9,370	2,213
Other liabilities to associates	262	
Total	78,161	12,213

Long-term debt repayment schedule (per calendar year/nominal values)

EUR 1,000	2019	2020	2021	2022	2023	2024 ->	Total
Bonds	0	0	0	0	0	80,000	80,000
Subordinated loans	0	5,000	0	0	0	0	5,000
Loans from financial institutions	48,301	50,000	514	30,578	578	708	130,679
Financial leasing liabilities	8,447	4,333	2,698	2,966	2,837	20,426	41,707
Total	56,748	59,333	3,212	33,544	3,415	101,134	257,387

The interest-bearing liabilities are measured at nominal values in the financial statements as they are equal to the fair values. The interest-bearing liabilities are euro-denominated.

Financial leasing liabilities

EUR 1,000	2019	2018
Total amount of minimum rents		
In less than one year	9,540	2,525
In more than one year and not more than 5 years	13,555	15,294
Later than in five years	20,168	20,168
Minimum rents total	43,263	37,988
Residual value liability of financial leases	0	0

Current value of minimum rents		
In less than one year	9,208	2,213
In more than one year and not more than five years	12,696	14,251
Later than in five years	19,803	19,803
Current value of minimum rents total	41,707	36,267

23. Long-term non-interest-bearing debt

EUR 1,000	**2019**	**2018**
Connection fee debt	6,193	4,966
Accounts payable	160	
Advances received	583	714
Other liabilities	951	1,084
Total	7,887	6,764

24. Provisions

EUR 1,000	**Environmental expense provisions**	**Other provisions**	**Total**
Provisions 1 May 2018	7,588	265	7,853
Translation difference	-56		-56
Increases in provisions	532	17	549
Used provisions	-795	-22	-817
Acquisition/divestment of subsidiaries			
Provisions 30 April 2019	7,269	260	7,530

EUR 1,000	**Environmental expense provisions**	**Other provisions**	**Total**
Provisions 1 May 2017	7,501	249	7,750
Translation difference	-347		-347
Increases in provisions	991	37	1,028
Used provisions	-558	-20	-578
Acquisition/divestment of subsidiaries			
Provisions 30 April 2018	7,588	265	7,853

25. Pension liabilities

The statutory pension security of the Group's Finnish companies is arranged with a Finnish pension insurance company. The statutory employment security is a defined contribution plan.

The Group's Estonian subsidiary AS Tootsi Turvas has defined contribution pension plans as well as a defined benefit pension plan under which the company is obligated to pay a fixed pension to 17 employees under pre-specified conditions. The average gross monthly wage in Estonia in 2001 is the basis of the benefit. This sum is adjusted annually in accordance with the change in the cost-of-living index and factors related to the person's employment relationship. The liability to pay the pension benefit arises when the employee entitled to the benefit turns 65. The liability is discounted on the basis of the estimate that the liability will continue until 2042, considering the statistical life expectancy. The statistical life expectancy was updated to correspond to the latest statistics in Estonia.

EUR 1,000	**30 Apr. 2019**	**30 Apr. 2018**
Liability shown in the balance sheet at the start of the period	184	185
Expenses in the income statement	-202	-199
Contributions made to the plan	-42	251
Reclassification of items into other comprehensive income	4,806	4,866
Liability shown in the balance sheet on 30 April	4,746	5,103
Actuarial assumptions		
Discount rate, %	0.00%	0.00%

26. Accounts payable and other short-term debt

EUR 1,000	**2019**	**2018**
Short-term financial liabilities measured at amortised cost		
Advances received	7,816	7,511
Accounts payable	38,672	27,830
Accounts payable to associates	232	125
	46,720	35,465
Other liabilities	14,894	12,872
Interest liabilities and other financial liabilities	2,988	2,914
Salary and social expense allocations	10,385	9,907
Other accrued expenses	9,861	7,593
Financial liabilities measured at fair value through profit or loss		
Derivative instruments, no hedge accounting	460	1,212
Accounts payable and other short-term debt	85,309	69,964

The short-term accounts payable are divided by currency as follows

EUR 1,000	**2019**	**2018**
EUR	31,679	20,122

USD	5	8
GBP	6	0
SEK	7,407	7,815
Other currencies	19	10
Accounts payable, external, other currencies	39,116	27,955

27. Financial and commodity risk management

The company's operations are exposed to diverse financial risks. The primary aim of financial risk management is to minimise the negative effects of market prices of currencies and interest rates related to operation on the Group's profit and cash flow as well as ensure the liquidity of the Group. The main financial risks are currency risk, interest rate risk and liquidity risk. The Group treasury is responsible for identifying and managing financial risks. Financial risk management is guided by the financial policy ratified by the Board of Directors.

The Group treasury acts as a counterparty for the Group's subsidiaries and takes care of external fundraising centrally. It is also responsible for the administration of cash assets and cash flows as well as hedging measures according to the financial policy. The Group's risk management tools include currency derivatives and options, currency swaps, foreign currency loans, interest rate swaps and diverse commodity derivatives.

Currency risk
The Group operates internationally and is therefore exposed to currency risks. Currency risks arise from exports and imports, the Group's internal trade, the Group's currency-denominated internal financing (transaction risk) and currency-denominated net investment in foreign subsidiaries (translation risk). The majority of the turnover is generated in the euro area. The Group's most significant internal financing currency is the Swedish krona.

The hedging policy is to hedge essential currency exposures in full. The currency exposures comprise currency-denominated receivables, liabilities and order backlogs. In addition, the Group hedges its internal SEK-denominated financing items. The hedging complies with the Group's financing policy, but hedge accounting is not applied to these items. The Group treasury makes currency forwards in the market mainly in the name of the subsidiary. Foreign exchange-denominated loans are always in the name of the Group's parent company. At the end of the year, Vapo's transaction risk, translated into euros at the exchange rate of the closing date, was:

MEUR	**2019**				**2018**			
	Position	Hedging	**Net**	**Hedging %**	Position	Hedging	**Net**	**Hedging %**
DKK	7.1	0.0	**7.1**	**0%**	6.2	0.0	**6.2**	**0%**
EUR	3.4	3.4	**0.0**	**100%**	4.5	4.4	**0.1**	**98%**
SEK	82.4	82.4	**0.0**	**100%**	76.1	76.0	**0.1**	**100%**
USD	1.0	1.0	**0.0**	**100%**	1.3	1.3	**0.0**	**101%**
Total	**93.9**	**86.8**	**7.1**	**92%**	**88.1**	**81.7**	**6.4**	**93%**

The Group has foreign net investments and it is, therefore, exposed to risks emerging from the translation of currency-denominated investments into the parent company's operating currency (translation risk). Currency-denominated net investments in subsidiaries are not hedged. The most significant translation risks are in the Swedish krona.

At the closing date, the Group's net investments in euros were:

MEUR	**2019**	**2018**
DKK	0	14.7
SEK	36.7	36.7
Total	**36.7**	**51.4**

The table below indicates the strengthening or weakening of the euro against the Group's main currencies: Net investments in subsidiaries are not included in the sensitivity analysis. The currency risk sensitivity analysis is based on the Group-level total currency exposure, taking into account the currency hedging made. The total combined effect of a change of +/- 10 per cent of the exchange rate of the euro against other currencies is presented below.

MEUR		2019	2018
Euro strengthens by 10%	+/-	**-0.7**	**-0.6**
Euro weakens by 10%	+/-	**0.7**	**0.6**

Liquidity and refinancing risk

The Group's liquidity remained good during the financial year. Interest-bearing liabilities increased during the financial year by approximately EUR 59 million, mainly due to the BVB acquisition and investments in working capital (peat stockpiles). In addition, part of the Group's operating leases were recognised on the balance sheet during the financial year, which had an effect of approximately EUR 6 million on interest-bearing liabilities. Other leases will be recognised on the balance sheet in accordance with IFRS 16 starting from 1 May 2019. Of the EUR 150 million commercial paper programme, EUR 18 million had been issued at the end of the financial period. Standby credit facilities, totalling EUR 100 million, were fully unused during the financial period. The Group does not foresee significant needs for financing arrangements during the recently started financial year, aside from the potential refinancing of maturing loans.

The Group actively monitors the amount of financing required by the business operations so that the Group's liquidity is sufficient for financing the operations and the Group is able to cover also other financing obligations. Liquidity is managed by balancing the proportional share of short-term and long-term loans and the repayment schedules of long-term loans. In addition, the risk related to the availability and price of financing is managed by distributing fundraising among different banks and capital markets.

During the financial period, Vapo met the covenants and other terms and conditions related to its financing agreements. The Group's equity ratio at the closing date was 51.3 per cent. Bilateral loan agreements include a 35 per cent equity covenant and a change-of-control clause, according to which the combined holding of the current owners (the Finnish State and Suomen Energiavarat Oy) must remain above 50%. There are no financial covenants in the bonds, but only a change of control clause.

The cash flows of the repayments and financial expenses related to Vapo's interest-bearing debt and cash flows of derivatives were as follows:

MEUR	< 1 year	1–5 years	> 5 years
Long-term loans			
Repayments	57.4	148.8	101.1
Financial expenses	2.6	15.5	17.0
Short-term loans			
Repayments	20.2	-	-
Financial expenses	0.0	-	-
Derivative liabilities			
Income	92.2	2.1	0.0
Expenses	90.9	2.9	0.0
Total	**263.3**	**169.3**	**118.1**

Interest rate risk

The Group's interest-bearing net debt stood at EUR 265.6 million (EUR 206.2 million) on the balance sheet date. The Group aims to hedge against the essential impacts on the interest-bearing liabilities and receivables on the balance sheet caused by changes in interest rates. Interest rate swaps are primarily used as hedging instruments. Interest rate risk is measured with the average interest rate tying period of the debt portfolio (gap). The average interest rate tying period of the debt portfolio on 30 April 2019, including derivative instruments, was 4.4 (4.5) years. The weighted average interest rate of long-term loans including hedging was 2.6 (2.7) per cent.

The interest rate risk sensitivity analysis is based on the combined company-level interest rate risk comprised of interest-bearing liabilities and derivatives, such as interest rate swaps that hedge against interest rate risk. An increase of interest rates by one percentage point, with the other factors remaining unchanged, would increase the interest expenses of Vapo's interest-bearing liabilities and receivables that will be repriced within the next 12 months by EUR +0.9 million excluding tax effects.

Interest rate derivatives are measured at full market value and the effect of changes is recognised in the income statement.

Market risk of investing activity
The Group is exposed to price risk due to fluctuation in the market prices of publicly quoted shares in its operations. The Group does not have publicly listed shares or other securities.

Counterparty and credit risk
Counterparty risks related to depositing cash assets and financing and commodity derivative instruments are managed by only making agreements and transactions with creditworthy parties that operate actively in the market.

The business units are liable for credit risks related to commercial receivables. Business-related credit risk is decreased through credit insurance and customer-specific credit limits, among other measures.

The Group does not have any significant concentrations of credit risk.

Price risk of emission rights
Some of the Group's power plants are included in the sphere of the EU emissions trading system. During the current emissions trading period, 2013–2020, the Group will not receive all of the emission rights it needs in the national allocation plan and will therefore acquire emission rights (EUA) from the market. The price risk of emission rights is actively hedged by emission rights derivatives.

Price risk of electric energy
The Group's Finnish companies purchase electric energy from the market, and correspondingly the electricity generated by the power plants is sold to the market. The price risk of physical electricity is hedged using derivative instruments in accordance with the electricity trading policy. An electricity broker chosen as the partner is responsible for the practical hedging measures related to electricity trading and related investigations. The maturity of the hedges made ranges from 1 month to 5 years. The amount of energy covered by hedging is 167 GWh.

Capital management
The aim of the Group's capital management is to facilitate growth according to the strategy of the business operations while optimising the total costs of capital.

Hybrid bond
Equity includes EUR 50 million in a hybrid bond withdrawn in 2016. The hybrid bond carries a fixed annual coupon of 6.5% for the first five years and at least 11.5% thereafter. The hybrid bond does not have a maturity date, but the company has the right to redeem it five years after its issuance. The hybrid bond is subordinated to the company's other debt instruments. It is, however, senior to other equity instruments. The interest on the hybrid loan is paid if the Annual General Meeting decides to distribute a dividend. If dividend is not distributed, the company will decide separately on whether to pay the interest. Hybrid loan holders have no control over the company and no right to vote at shareholders' meetings.

In accordance with the dividend policy, Vapo Oy aims to annually distribute 50 per cent of the annual profit shown in the parent company's financial statements on average, unless this compromises the preconditions for financing.

Net gearing was as follows:

EUR 1,000	2019	2018
Interest-bearing debt	276,982	242,620
Interest-bearing receivables	-3,383	-3,383
Cash and cash equivalents	-7,962	-32,999
Net debt	265,636	206,238
Shareholders' equity total	403,980	347,900
Net gearing	65.8%	59.3%

28. Fair values of financial assets and liabilities

EUR 1,000	30 Apr. 2019			30 Apr. 2018		
	Positive	Negative	Net	Positive	Negative	Net
Agreement	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value
Interest rate derivatives, no hedge accounting		-36	-36		-574	-574
Currency derivatives, no hedge accounting	465	-36	430	236	-201	35
Electricity derivatives, no hedge accounting	830	-394	436	423	-445	-23
Emission right derivatives, no hedge accounting	2,828		2,828	1,442		1,442
Short-term derivative agreements	**4,124**	**-465**	**3,658**	**2,101**	**-1,221**	**880**

EUR 1,000	2019	2018
Nominal value of interest rate derivatives	10,000	40,000
Nominal value of currency derivatives	89,934	81,963
Nominal value of electricity derivatives	5,430	5,338
Nominal value of emission rights	1,660	1,491
Short-term	**107,024**	**128,793**

Fair value hierarchy

Vapo determines and presents the fair value classification of financial instruments according to the following hierarchy:
- Level 1. Financial instruments for which there is a publicly quoted market price
- Level 2. Instruments whose measurement uses directly observable market prices
- Level 3. Instruments with no direct market prices available for measurement.

Level 1 includes stock exchange-listed shares, level 2 derivatives and level 3 investments in unquoted shares.

	2019				2018			
EUR 1,000	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
ASSETS MEASURED AT FAIR VALUE								

Financial assets measured at fair value through profit or loss - held for trading								
Derivatives - no hedge accounting	4,124	0	4,124	0	2,101	0	2,101	0
Total	**4,124**	**0**	**4,124**	**0**	**2,101**	**0**	**2,101**	**0**
LIABILITIES MEASURED AT FAIR VALUE								
Financial liabilities measured at fair value through profit or loss - held for trading								
Derivatives - no hedge accounting	-465	0	-465	0	-1,221	0	-1,221	0
Total	**-465**	**0**	**-465**	**0**	**-1,221**	**0**	**-1,221**	**0**

29. Subsidiaries and significant non-controlling interests

The following table presents information on the Group’s structure on the financial statements date

		Number of wholly-owned subsidiaries	
Primary industry	Country	2019	2018
Energy business	Finland	4	4
Energy business	Sweden	1	1
Energy business	Estonia	1	1
Energy business	Denmark	0	1
Agricultural peat business	Finland	2	1
Agricultural peat business	Sweden	1	1
Agricultural peat business	Estonia	1	1
Agricultural peat business	Spain	1	1
Agricultural peat business	The Netherlands	8	0
Agricultural peat business	Belgium	1	0
Agricultural peat business	Germany	1	0
Research and development	The Netherlands	1	0
Water protection	Finland	1	1

		Number of partly-owned subsidiaries	
Primary industry	Country	2019	2018
Energy business	Finland	1	1

As the Group has de facto control over Piipsan Turve Oy based on a shareholders’ agreement, the company is consolidated as a subsidiary.

Vapo A/S was merged with Vapo Oy on 30 April 2018.

A full list of the Group's subsidiaries is provided in Note 31 "Transactions with related parties"

Itemisation of significant non-controlling interests in the Group

EUR 1,000	Share of profit/loss attributable to non-controlling interests		Share of equity attributable to non-controlling interests	
	2019	2018	2019	2018
Subsidiaries in which there are non-controlling interests, but which are not significant individually	53	-44	37,734	418
	0.3%	0.2%	9.3%	0.1%

30. Contingent commitments

EUR 1,000	**2019**	**2018**
Guarantees given on behalf of own commitments		
Mortgages given (as collateral for loans)	0	0
Guarantees	14,438	19,741
Assets pledged	0	0
Total	14,438	19,741
Contingent commitments on behalf of Group companies		
Guarantees	9,676	10,013
Total	9,676	10,013
Other rental liabilities		
Due within the next one-year period	1,524	2,867
Due later, within the next 1–5 years	3,112	4,606
Due later, after more than 5 years	1,233	1,232
Total	5,869	8,705

The Group has land lease agreements for peat production. At the end of the financial year, annual and land area-based lease liabilities totalled EUR 15.9 million.

Year of payment	**Lease amount (based on 2018)**	**Number of agreements**	**Year of payment**	**Lease amount (based on 2018)**	**Number of agreements**	**Year of payment**	**Lease amount (based on 2018)**	**Number of agreements**
2019	1,625,623	1,068	2033	389,025	289	2047	23,529	22
2020	1,493,032	1,017	2034	359,759	270	2048	22,485	18
2021	1,452,195	978	2035	277,996	185	2049	21,244	17
2022	1,307,547	957	2036	223,292	146	2050	19,977	16
2023	1,129,313	721	2037	206,267	137	2051	19,529	15

2024	992,555	704	2038	185,943	121	2052	15,169	7
2025	917,600	672	2039	176,473	115	2053	14,960	6
2026	811,802	577	2040	167,481	108	2054	14,960	6
2027	748,052	553	2041	91,214	55	2055	5,414	5
2028	678,042	491	2042	66,514	45	2056	5,414	5
2029	630,077	480	2043	57,171	38	2057	702	4
2030	601,534	461	2044	55,710	36	2058	702	4
2031	521,123	410	2045	49,740	32	2059	702	4
2032	465,507	373	2046	30,846	27	2060	702	4

Other financial liabilities

Companies are obligated to revise their value added tax deductions for completed property investments if the taxable use of the property decreases during the period under review.

	Maximum liability EUR 1,000	Last review year
Investment completed in 2010	25	2019
Investment completed in 2011	471	2020
Investment completed in 2012	62	2021
Investment completed 012013–042014	58	2023
Investment completed 052014–042015	185	2024
Investment completed 052015-042016	420	2025
Investment completed 052016-042017	752	2026
Investment completed 052017-042018	3,706	2027
Investment completed 052018-042019	1,100	2028
Total	**6,778**	

31. Transactions with related parties

Business transactions and open balances with related parties

Vapo complies with the provisions of the Finnish Limited Liability Companies Act and IAS24 with regard to monitoring transactions with related parties. The Group’s related parties include its subsidiaries and associates as well as the Board of Directors and CEO of the Group’s parent company. The spouses and other family members living in the same household of the aforementioned individuals are also considered related parties. The related parties can also include entities under the control or influence of the aforementioned individuals.

In order to reliably monitor transactions with related parties, Vapo maintains a Group register of related parties. The information in the register is obtained from the related parties themselves annually. The register is not public and the information it contains are not disclosed to third parties with the exception of the authorities and the auditor.

The Group's parent and subsidiary relationships are as follows:

	Country	Holding, %	Share of votes, %
Parent company Vapo Oy			
Kekkilä-BVB Oy	Finland	75	75
Suo Oy	Finland	100	100
Piipsan Turve Oy	Finland	48	48
Forest BtL Oy	Finland	100	100
Salon Energiantuotanto Oy	Finland	100	100
Vapo Clean Waters Oy	Finland	100	100
Neova AB	Sweden	100	100
AS Tootsi Turvas	Estonia	100	100
Subsidiary shares held by Kekkilä-BVB Oy:			
BVB Substrates B.V.	The Netherlands	100	100
Kekkilä Oy	Finland	100	100
Subsidiary shares held by Kekkilä Oy:			
Hasselfors Garden AB	Sweden	100	100
Kekkilä Eesti Oü	Estonia	100	100
Kekkilä Iberia S.L.	Spain	100	100
Grow & Care Materials Oy	Finland	100	100
Subsidiary shares held by BVB Substrates B.V.			
Bas van Buuren B.V.	The Netherlands	100	100
BVB Research B.V.	The Netherlands	100	100
BVB Gardening B.V.	The Netherlands	100	100
Euroveen B.V.	The Netherlands	100	100
Geluc B.V.	The Netherlands	100	100
BVB Landscaping B.V.	The Netherlands	100	100
Haasnot BVBA	Belgium	100	100
Euroveen Logistics B.V.	The Netherlands	100	100
Veenbas Potgrond B.V.	The Netherlands	100	100
BVB Substrates AB	Sweden	100	100
Bas van Buuren B.V.			
BVB Australia Pty Ltd	Australia	75	75
Euroveen B.V.			

BVB Gardening GmbH	German	100	100
Geluc B.V.			
Bogro B.V.	The Netherlands	100	100

A list of the Group's significant associates and joint ventures is provided in Note 14 "Shares in associates and joint ventures".

Transactions with, receivables from and liabilities to related parties

EUR 1,000	2019	2018
Associates		
Sales	1109	439
Purchases		-13
Receivables	374	33
Liabilities	262	238
Joint ventures		
Sales	15	79
Purchases	-721	-826
Receivables	1	18
Liabilities	232	125

Management salaries and fees are itemised in Note 7 "Expenses arising from staff benefits".

Senior management's employment benefits and loan receivables

The senior management comprises the Board of Directors, CEO and the rest of the Management Team.

The CEO and members of the Group Management Team have an incentive bonus linked to financial targets amounting to, at a maximum, 20–40% of the annual salary. In accordance with the decision of the Board of Directors, the main principles used to determine this incentive bonus are linked to Vapo Group's profit and cash flow.

The CEO's period of notice is six months if he is dismissed by the Board of Directors, in addition to which he is entitled to compensation corresponding to 6 months' salary. If the CEO resigns, the period of notice is six months.

The company does not have share option plans.

The CEO's retirement age is the lower limit for old-age pension pursuant to the Employees Pensions Act in effect at the time.

Members of the Group Management Team, including the CEO, are covered by the pension scheme pursuant to the Employees' Pensions Act. In addition, they are entitled to a defined contribution collective supplementary pension insurance to which Vapo contributes an amount equivalent to 10 per cent of their total annual salary (12 x monthly salary), excluding bonuses, every year. The company has an agreement with a pension insurance company on said supplementary pension rights of the members of the Group Management Team. The supplementary pension programme for senior management was closed on 23 November 2017. Members of the Management Team appointed after the aforementioned date will no longer have the right to a supplementary pension as part of their contract terms.

There were no loan receivables from the senior management on 30 April 2019 and 30 April 2018.

Parent company's financial statements, FAS

Parent company's income statement

EUR 1,000	Note	5/2018–4/2019	5/2017–4/2018
TURNOVER	2	246,345	263,271
Change in stock levels of finished and unfinished products		32,250	-21,611
Production for own use		20	3
Other operating income	3	11,259	5,079
Materials and services	4	-129,549	-94,469
Expenses arising from staff benefits	5	-26,540	-25,209
Depreciation and impairment	6	-26,145	-22,441
Other operating expenses	7	-84,217	-90,004
OPERATING PROFIT		23,423	14,620
Financial income	8	3,095	3,836
Financial expenses	8	-9,878	-11,362
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES		16,639	7,094
Appropriations	9	26,145	-2,803
Direct taxes	10	-7,579	-1,024
PROFIT/LOSS FOR THE PERIOD		35,205	3,267

Parent company's balance sheet

EUR 1,000	Note	30 Apr. 2019	30 Apr. 2018
ASSETS			
Non-current assets			
Intangible assets	11	9,395	10,195
Tangible assets	12	284,884	295,432
Investments	13	156,032	117,987
		450,312	423,614

Current assets			
Inventories	14	88,304	54,957
Long-term receivables	15	79,621	110,550
Short-term receivables	16	40,676	43,891
Cash on hand and in the bank		3,826	32,573
		212,427	241,970
ASSETS		662,739	665,584
LIABILITIES			
Shareholders' equity			
Share capital		50,456	50,456
Other funds		30,096	30,096
Retained earnings		166,652	172,385
Profit/loss for the period		35,205	3,267
Dividend distribution		-4,000	-4,000
Shareholders' equity total	17	278,409	252,204
Accrual of appropriations		35,317	61,461
Mandatory provisions	18	2,816	3,271
Liabilities			
Long-term interest-bearing liabilities	19	211,487	257,683
Long-term non-interest-bearing liabilities	19	6,899	5,680
Current interest-bearing liabilities	20	78,588	43,176
Current non-interest-bearing liabilities	20	49,223	42,109
Liabilities total		346,197	348,648
LIABILITIES		662,739	665,584

Parent company's cash flow statement

EUR 1,000	**30 Apr. 2019**	**30 Apr. 2018**
Cash flow from operating activities		
Profit/loss for the period	35,205	3,267
Adjustments to the result for the period		
Depreciation and impairment	26,145	22,441
Financial income and expenses	6,784	7,526
Income taxes	7,579	1,024
Other adjustments	-34,956	1,575
Adjustments to the profit/loss for the period total	5,552	32,567

Change in working capital		
Increase (-)/decrease (+) in inventories	-33,348	28,391
Increase (-)/decrease (+) in short-term non-interest-bearing business receivables	7,560	-56
Increase (+)/decrease (-) in short-term non-interest bearing debt	4,695	295
Change in provisions	-454	301
Change in working capital total	-21,548	28,931
Interest paid	-9,031	-10,783
Interest received	3,187	3,610
Other financial items	494	6,011
Taxes paid	-3,040	146
Cash flow from operating activities	**10,819**	**63,748**
Cash flow from investing activities		
Investments in tangible and intangible assets	-24,769	-21,478
Proceeds from disposal of tangible and intangible assets	11,893	5,940
Subsidiary shares bought	-23,129	0
Subsidiary shares sold	0	0
Proceeds from investments consolidated using the equity method	0	0
Other investments	-1,791	-10
Proceeds from disposal of other investments	0	7
Increase (-)/decrease (+) in long-term loan receivables	-50	4,289
Increase (-)/decrease (+) in short-term loan receivables	-5,157	3,840
Dividends received from operating activities	18	10
Cash flow from investing activities	**-42,985**	**-7,402**
Cash flow from financing activities		
Loans taken out	0	0
Increase (+)/decrease (-) in short-term loans	12,581	-115,283
Proceeds from long-term loans	134	1,497
Repayment of long-term loans	-331	0
Dividends paid	-9,000	-4,000
Group contributions paid	0	-604
Cash flow from financing activities	**3,384**	**-118,389**
Change in cash and cash equivalents	**-28,782**	**-62,033**
Cash and cash equivalents opening balance	32,573	94,212
Change in cash and cash equivalents	-28,782	-62,033
Cash and cash equivalents at end of period	3,826	32,573
Cash and cash equivalents, other arrangements	-35	-395

In the change in cash and cash equivalents, the cash and cash equivalents of EUR 35,000 associated with a merger are presented as a separate item.

Parent company’s notes

1. Accounting principles applied in the financial statements

Vapo Oy’s financial statements have been prepared in accordance with the Finnish Accounting Act. The Group has adopted the international financial reporting standards (IFRS) as of 1 January 2006.

Currency-denominated items and derivative agreements
Foreign exchange-denominated business transactions are recognised at the exchange rate of the transaction date and assets and liabilities on the balance sheet at the closing date are translated at the exchange rate on the closing date. Exchange rate differences are recognised in exchange rate differences in financing.
Derivative agreements made to cover currency risks are measured at the exchange rate at the closing date. The interest factor included in derivatives is allocated to the agreement period, and exchange rate differences of agreements hedging liabilities or receivables on the balance sheet are recorded as exchange rate differences in financial income and expenses.

Turnover and principles of revenue recognition
Revenue recognition takes place when the output is handed over. In calculating turnover, the indirect taxes, discounts granted and complaint-related reimbursement is deducted from the proceeds of sale.

Other operating income and expenses
Other operating income includes capital gains from property, plant and equipment, rental revenue, gains from emission rights sold and received subsidies. Other operating expenses include capital losses from property, plant and equipment, actual expenses of emission rights and sale freight expenses, credit losses, sales provisions and other operating expenses.

Research and development expenditure
Research and development expenditure is recognised through profit or loss for the year during which they are incurred.

Property, plant and equipment and depreciation
The balance sheet values of property, plant and equipment is based on initial cost less annual depreciation and impairment. Property, plant and equipment is depreciated according to plan based on the financial useful life using the straight-line method or based on use. Economic lifetimes are 5–10 years for intangible assets and 3–40 years for tangible assets.

Emission rights
Emission rights are handled as intangible rights measured at cost. The measurement value of emission rights received without consideration is nil. A provision for fulfilling the obligation to return the emission rights is recorded if the emission rights received without consideration are not sufficient to cover the actual amount of emissions. Therefore, the possible impact on the result is the difference between actual emissions and emission rights received.

Leasing
In the parent company’s financial statements, leasing fees are recognised as an annual expense.

Inventories
Inventories are measured at the less of cost or probably replacement value or sales price. The value of inventories is determined using the FIFO method.
The cost of inventories also includes the allocated part of fixed procurement and manufacturing expenses, which as allocated to products according to the normal utilised capacity of the production unit. The inventories of peat production include peat reserved processed ready for sale, i.e. the peat sales inventory. Peat reserves not processed ready for sale are handled as peat substance in fixed assets and depreciated according to use.

Taxes
Income taxes are recognised in accordance with Finnish tax legislation. Deferred tax assets are presented in the notes.

2. Turnover

EUR 1,000	2019	2018
Finland	242,086	260,638
Other countries	4,259	2,633
Total	246,345	263,271

3. Other operating income

EUR 1,000	2019	2018
Rental revenue	250	325
Grants and public subsidies	77	213
Gain on merger, internal	19	0
Capital gains from equity	9,855	2,840
Other income	1,058	1,700
Total	11,259	5,078

4. Materials and services

EUR 1,000	2019	2018
Purchases during the period	-61,521	-47,633
Change in inventories	1,005	-6,849
External services	-69,033	-39,987
Total	-129,549	-94,469

5. Notes concerning personnel and members of administrative bodies

EUR 1,000	2019	2018
Personnel expenses		
Salaries and fees	-21,772	-20,631
Pension expenses	-3,883	-3,545
Other personnel expenses	-885	-1,033
Total	-26,540	-25,209
Management salaries, fees and fringe benefits total		
CEO and CEO’s deputy	415	307
Members of the Board of Directors	189	229
Members of the Supervisory Board	18	37
Other Management Team members	1,392	1,411
Total	2,014	1,984
Number of personnel		
Average during the financial period	387	368

6. Depreciation and impairment

EUR 1,000	2019	2018
Intangible rights	-2,193	-2,306

Buildings and structures	-1,458	-1,424
Machinery and equipment	-11,457	-10,763
Other tangible assets	-10,842	-7,034
Planned depreciation	-25,951	-21,527
Impairment of equity assets	-193	-914
Planned depreciation and impairment total	-26,144	-22,441

7. Other operating expenses

EUR 1,000	2019	2018
Rents	-7,068	-6,102
Cost of sales freight	-35,206	-37,994
ICT and other services	-14,499	-14,118
External transport	-7,495	-8,862
Capital losses from equity	-1,063	-1,344
Audit costs, actual audit	-112	-112
Audit costs, attestations and statements	-1	-4
Audit costs, other expert services	-46	-48
Audit costs total	-159	-164
Other expenses	-18,727	-21,420
Other operating expenses total	-84,217	-90,004

8. Financial income and expenses

EUR 1,000	2019	2018
Dividend income from Group companies	17	10
Dividend income from others	1	0
Income from shares	18	10
Interest income from Group companies	3,093	3,505
Interest income from others	78	91
Other financial income from others	0	179
Other interest and financial income	3,171	3,775
Interest expenses to Group companies	-168	-324
Interest expenses to others	-8,426	-10,159
Other financial expenses to others	-526	-618
Other interest and financial income	-9,120	-11,102
Financial income and expenses total	-5,932	-7,317
Foreign exchange gains	-94	51
Foreign exchange losses	-9	-10

Exchange rate differences in financing	-103	41

9. Appropriations

EUR 1,000	2019	2018
Change in depreciation difference		
Intangible assets	2,189	75
Buildings and structures	971	283
Machinery and equipment	11,490	-257
Other tangible assets	11,495	-2,300
Total	26,145	-2,199
Group contributions paid	0	-604

10. Direct taxes

EUR 1,000	2019	2018
Income taxes from actual operations	-7,579	-1,040
Taxes for previous financial periods	0	16
Total	-7,579	-1,024

11. Intangible assets

EUR 1,000	Intangible rights	Other intangible assets	Prepayments	Total
Cost 1 May 2018	30,197	1,788	2,148	34,134
Increase	2,187	89	1,268	3,544
Decrease	-2,151			-2,151
Transfers between items	502		-502	0
Cost 30 April 2019	30,735	1,878	2,914	35,527
Accumulated depreciation 1 May 2018	-23,643	-295		-23,939
Accumulated depreciation on decrease and transfers				0
Depreciation for the financial period	-2,119	-74		-2,193
Accumulated depreciation 30 April 2019	-25,762	-369	0	-26,132
Book value 30 April 2019	**4,973**	**1,508**	**2,914**	**9,395**

EUR 1,000	Intangible rights	Other intangible assets	Prepayments	Total
Cost 1 May 2017	28,894	1,788	721	31,403
Increase	246		2,659	2,905
Decrease			-174	-174
Transfers between items	1,058		-1,058	0
Cost 30 April 2018	30,197	1,788	2,148	34,134

Accumulated depreciation 1 May 2017	-21,409	-224		-21,633
Accumulated depreciation on decrease and transfers				0
Depreciation for the financial period	-2,235	-71		-2,306
Accumulated depreciation 30 April 2018	-23,643	-295	0	-23,939
Book value 30 April 2018	**6,554**	**1,493**	**2,148**	**10,195**

12. Tangible assets

EUR 1,000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and unfinished acquisitions	Total
Cost 1 May 2018	36,243	46,734	233,352	300,033	16,492	632,853
Increase	117	450	4,599	106	15,953	21,224
Decrease	-3,809	-16	-58	-3,489	-449	-7,820
Transfers between items		609	4,956	8,380	-13,944	0
Cost 30 April 2019	32,551	47,777	242,849	305,030	18,051	646,257
Accumulated depreciation 1 May 2018	-520	-27,687	-162,924	-146,291		-337,422
Accumulated depreciation on decrease and transfers						0
Depreciation for the financial period		-1,458	-11,476	-11,017		-23,952
Impairment						0
Accumulated depreciation 30 April 2019	-520	-29,145	-174,400	-157,308		-361,373
Book value 30 April 2019	**32,031**	**18,631**	**68,449**	**147,721**	**18,051**	**284,884**

EUR 1,000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and unfinished acquisitions	Total
Cost 1 May 2017	37,515	43,655	213,509	283,562	41,418	619,658
Increase	231		1,126	33	17,183	18,573
Decrease	-1,503	-757	-166	-1,996	-956	-5,378
Transfers between items		3,836	18,884	18,434	-41,154	0
Cost 30 April 2018	36,243	46,734	233,352	300,033	16,492	632,853
Accumulated depreciation 1 May 2017	-520	-26,313	-151,792	-139,788		-318,413
Accumulated depreciation on decrease and transfers		433	123	570		1,126
Depreciation for the financial period		-1,806	-11,255	-7,073		-20,135
Impairment						0
Accumulated depreciation 30 April 2018	-520	-27,687	-162,924	-146,291		-337,422

Book value 30 April 2018	**35,723**	**19,047**	**70,428**	**153,742**	**16,492**	**295,432**

13. Investments

EUR 1,000	**Shares in Group companies**	**Shares in associates**	**Other shares and participations**	**Total**
Cost 1 May 2018	116,643	648	696	117,987
Increase	117,989	22,500	1,791	142,280
Increase, intra-Group mergers and acquisitions				0
Decrease	-57,832	-22,500		-80,332
Decrease conversions, intra-Group mergers and acquisitions	-16,000			-16,000
Decrease, intra-Group mergers and acquisitions	-7,155			-7,155
Impairment	-749			-749
Book value 30 April 2019	**152,897**	**648**	**2,487**	**156,032**

EUR 1,000	**Shares in Group companies**	**Shares in associates**	**Other shares and participations**	**Total**
Cost 1 May 2017	117,307	898	711	118,915
Increase			10	10
Increase, intra-Group mergers and acquisitions				0
Decrease	-663	-250	-25	-939
Decrease, mergers and acquisitions				0
Decrease, intra-Group mergers and acquisitions				0
Impairment				0
Book value 30 April 2018	**116,643**	**648**	**696**	**117,987**

14. Inventories

EUR 1,000	**2019**	**2018**
Materials and supplies	17,591	16,586
Work-in-progress	7,498	7,958
Finished products	62,925	30,207
Prepayments from inventories	290	205
Inventories total	**88,304**	**54,957**

15. Long-term receivables

EUR 1,000	**2019**	**2018**
Receivables from Group companies		
Loan receivables	76,438	107,367
Loan receivables from others	3,183	3,183
Total	**79,621**	**110,550**

16. Short-term receivables

EUR 1,000	2019	2018
Receivables from Group companies		
Sales receivables	1,865	1,076
Loan receivables	12,388	7,231
Accrued income	-61	33
Receivables from associates		
Sales receivables	374	34
Receivables from others		
Sales receivables	22,154	28,771
Loan receivables	200	200
Accrued income	2,786	4,334
Other receivables	970	2,211
Total	**40,676**	**43,891**

Essential accrued income items		
Allocated taxes	0	0
Other accrued income from sales	1,502	2,184
Other accrued income from expenses	1,284	2,150
Total	**2,786**	**4,334**

17. Shareholders' equity

Restricted equity

EUR 1,000	2019	2018
Share capital	50,456	50,456
TOTAL RESTRICTED EQUITY ON 30 APRIL	50,456	50,456

Unrestricted equity

EUR 1,000	2019	2018
Other funds	30,096	30,096
Retained earnings at the start of the financial period	171,652	172,385
Dividend distribution	-9,000	-4,000
Profit for the period	35,205	3,267
TOTAL UNRESTRICTED EQUITY ON 30 APRIL	227,953	201,748

Account of funds available for the distribution of profit		
Retained earnings	162,652	168,385
Profit/loss for the period	35,205	3,267
- capitalised development expenditure for unfinished	-2,071	-1,595
DISTRIBUTABLE FUNDS	195,785	170,056

18. Mandatory provisions

EUR 1,000	2019	2018
Provision due to environmental obligations	2,816	3,271
Total	**2,816**	**3,271**

19. Long-term liabilities

EUR 1,000	2019	2018
Bonds	79,109	79,039
Hybrid bond	50,000	50,000
Loans from financial institutions	82,378	112,314
Loans from Group companies	0	16,331
Connection fees	6,156	4,966
Long-term accounts payable	160	
Advances received	583	714
Total	**218,386**	**263,363**

Repayment schedule of long-term interest-bearing debt (per calendar year)

EUR 1,000	2019	2020	2021	2022	2023	2024 ->	Total
Bonds	0	0	50,000	0	0	80,000	130,000
Subordinated loans	0	5,000	0	0	0	0	5,000
Loans from financial institutions	30,000	50,000	514	30,578	578	708	112,378
Financial leasing liabilities	2,864	3,667	2,205	2,570	2,814	20,426	34,546
Total	**32,864**	**58,667**	**52,719**	**33,148**	**3,392**	**101,134**	**281,924**

20. Current liabilities

EUR 1,000	2019	2018
Convertible bonds	0	10,000
Loans from financial institutions	30,000	0
Advances received	7,544	4,830
Accounts payable	14,135	14,016
Liabilities to Group companies:		
Accounts payable	741	735
Other liabilities	28,098	33,176
Accrued expenses	366	467
Liabilities to joint ventures:		
Accounts payable	0	0
Advances received	0	0
Other liabilities	262	238
Other liabilities	26,878	9,482
Accrued expenses	19,789	12,341
Total	**127,812**	**85,285**

21. Contingent commitments

EUR 1,000	2019	2018
Other guarantees given on behalf of own commitments		
Guarantees	10,090	15,128
Assets pledged	0	0

Total	10,090	15,128
Contingent commitments on behalf of Group companies		
Guarantees	9,676	10,013
Other contingent commitments	0	0
Total	9,676	10,013
Other contingent commitments		
Derivative agreements	99,845	123,090
Contingent commitments on behalf of associates		
Guarantees	0	0
Other rental liabilities		
Rental liabilities maturing in less than one year	818	2,136
Rental liabilities maturing within 1–5 years	2,432	3,544
Rental liabilities maturing later	1,233	1,695
Total	**4,483**	**7,374**

The parent company has land lease agreements for peat production. At the end of the financial year, annual and land area-based lease liabilities totalled EUR 10.1 million.

Year of payment	Lease amount (based on 2018)	Number of agreements	Year of payment	Lease amount (based on 2018)	Number of agreements	Year of payment	Lease amount (based on 2018)	Number of agreements
2020	932,078	912	2034	260,724	199	2048	22,485	18
2021	917,924	876	2035	191,912	141	2049	21,244	17
2022	908,003	860	2036	137,207	102	2050	19,977	16
2023	777,826	626	2037	120,182	93	2051	19,529	15
2024	729,881	610	2038	99,858	77	2052	15,169	7
2025	701,537	580	2039	90,388	71	2053	14,960	6
2026	619,099	490	2040	83,352	65	2054	14,960	6
2027	568,424	466	2041	68,892	50	2055	5,414	5
2028	523,660	406	2042	46,431	42	2056	5,414	5
2029	503,496	397	2043	40,175	37	2057	702	4
2030	477,123	379	2044	38,714	35	2058	702	4
2031	414,387	336	2045	32,744	31	2059	702	4
2032	360,804	300	2046	30,846	27	2060	702	4
2033	287,800	217	2047	23,529	22	2061	0	0

Other financial liabilities

The company is obligated to revise its value added tax deductions for completed property investments if the taxable use of the property decreases during the period under review.

	Maximum liability EUR 1,000	Last review year
Investment completed in 2010	15	2019
Investment completed in 2011	97	2020
Investment completed in 2012	62	2021
Investment completed 012013–042014	54	2023
Investment completed 052014–042015	153	2024
Investment completed 052015-042016	413	2025
Investment completed 052016-042017	684	2026
Investment completed 052017-042018	3,704	2027
Investment completed 052018-042019	1,100	2028
Total	**6,281**	

Principles for calculating key figures

EBITDA
Operating profit + Depreciations and impairment +/- Shares of associates' results

Working capital
Inventories + Non-interest-bearing receivables of businesses - Non-interest-bearing debt

Restricted capital
Fixed assets of businesses + Working capital

Turnover of restricted capital
$$\frac{\text{Turnover rolling 12 months}}{\text{Restricted capital (on average)}}$$

Return on invested capital % (ROIC)
$$\frac{\text{Operating profit rolling 12 months}}{\text{Restricted capital (on average)}} \times 100$$

Return on equity %
$$\frac{\text{Profit before taxes rolling 12 months - income tax}}{\text{(Shareholders' equity + minority interest) on average}} \times 100$$

Liquidity
$$\frac{\text{Short-term on-interest bearing receivables}}{\text{Short-term non-interest-bearing liabilities}}$$

Equity ratio %
$$\frac{\text{Shareholders' equity + minority interest + capital loan}}{\text{Balance sheet total – advances received}} \times 100$$

Interest-bearing net debt
Interest-bearing debt - Interest-bearing loans receivable - Cash and cash equivalents

Gearing %
$$\frac{\text{Interest-bearing net debt}}{\text{Shareholders' equity + minority interest}} \times 100$$

Free cash flow before taxes

EBITDA +/- Change in working capital – net investments

Earnings/share
Profit attributable to owners of the parent company/Number of shares

Shareholders' equity/share
Parent company's shareholders' equity/Number of shares

Dividend/share
Distribution of dividend for the financial period/Number of shares

Dividend/profit %
100 * dividend/share / earnings/share

Group key figures 2014–2019

EUR million	04/2015	04/2016	04/2017	04/2018	04/2019
Turnover	486.9	459.8	392.1	419.8	460.8
Growth %	0.0	-5.6	-5.0	7.1	9.8
Operating margin (EBITDA)	74.7	43.1	56.9	61.1	74.1
% of turnover	15.3	9.4	14.5	14.5	16.1
Depreciation	-39.3	-35.0	-35.6	-35.7	-41.5
Impairment	-0.7	-0.8	-2.4	-0.9	-0.2
Operating profit (EBIT)	36.9	8.6	20.0	26.3	33.3
% of turnover	7.6	1.9	5.1	6.3	7.2
Operating profit before impairment	37.6	9.4	22.4	27.2	33.5
% of turnover	7.7	2.1	5.7	6.5	7.3
Net financial items	-13.5	-9.7	-9.8	-6.0	-2.8
Profit/loss before taxes	23.3	-1.1	10.2	20.3	30.5
Taxes	-3.6	-3.4	-2.0	-2.7	-5.3
Profit/loss for the reporting period	19.8	-4.4	8.1	17.6	25.2
Return on invested capital %	5.4	1.2	3.0	4.3	5.4
Return on invested capital before impairment %	5.5	1.4	3.4	4.4	5.4
Restricted capital on average	687.0	695.8	656.9	613.2	620.8
Turnover of restricted capital (turnover/restricted capital on average)	0.7	0.7	0.6	0.7	0.7
Average working capital	164.3	163.4	138.1	112.6	122.8
Average working capital % of turnover	33.7	35.5	35.2	26.8	26.7
Restricted capital at the end of the year	713.2	669.8	633.9	578.9	691.8
Working capital at the end of the year	176.9	140.2	125.6	88.0	133.7
Gross investments	88.4	38.5	39.6	31.3	62.7
% of turnover	18.1	8.4	10.1	7.5	13.6
Gross investments/depreciation	2.3	1.1	1.1	0.9	1.5
Operating margin	74.7	43.1	56.9	61.1	74.1
+/- Change in working capital	-32.7	39.6	14.7	37.6	-45.7
- Net investments	-67.1	-21.9	1.6	-25.0	-50.7
Free cash flow before taxes	-25.1	60.7	73.2	73.6	-22.3
Balance sheet total	838.2	795.0	812.4	697.5	805.8
Shareholders' equity	304.4	288.2	339.7	347.9	404.0
Shareholders' equity (average)	297.4	296.1	313.0	341.8	360.8

Interest-bearing debt	408.1	384.5	368.5	242.6	277.0
Interest-bearing net debt	393.1	366.6	269.6	206.2	265.6
Equity ratio %	37.8	37.6	43.0	51.2	51.3
Gearing %	128.7	127.2	79.4	59.3	65.8
Interest-bearing net debt/operating margin	5.3	8.5	4.7	3.4	3.6
Liquidity	3.2	2.9	4.4	2.8	2.8
Return on equity %	6.6	-1.5	2.6	5.2	7.0
Dividend distribution	12.0	4.0	4.0	7.3	12.3
Dividend % of profit *	60.7	-90.0	49.3	41.4	48.7
Average number of employees	961	914	773	758	869
Key figures per share					
Number of shares	30,000	30,000	30,000	30,000	30,000
Earnings/share, EUR *	617	-146	271	586	840
Shareholders’ equity/share, EUR	10,106	9,571	11,311	11,583	12,208
Dividend/share, EUR	400	133	133	243	408

* = profit attributable to owners of the parent company
Note! The financial year 1 January 2013–30 April 2014 was

Signatures to the financial statements and the report of the Board of Directors

Vantaa, 19 June 2019, Board of Directors of Vapo Oy

Jan Lång
Chair

Markus Tykkyläinen
Vice Chair

Risto Kantola

Tuomas Hyyryläinen

Kirsi Puntila

Minna Pajumaa

Minna Smedsten

Juhani Järvelä

Vesa Tempakka
CEO

Auditor's note

A report on the audit has been issued today.

Helsinki,   June 2019

KPMG Oy Ab

Ari Eskelinen, APA