Financial Statements
and
Board of Directors' Report

1.5.-31.12.2019

VAPO GROUP 1 MAY–31 DECEMBER 2019
INTERIM REPORT AND FULL-YEAR FINANCIAL STATEMENTS

September–December 2019

– Group turnover in September–December 2019 was EUR 163.6 million (EUR 134.1 million in September–December 2018)
– The operating margin (EBITDA) was EUR 18.6 million (EUR 24.9 million), or 11.4% (18.5%) of turnover
– The operating result (EBIT) was EUR -35.1 million (EUR 14.7 million), or -21.5% (11%) of turnover, including EUR -41 million (EUR 0.2 million) in non-recurring items related mainly to write-downs
– Earnings per share were EUR -1,074 (EUR 424)
– Free cash flow before taxes was EUR 10.4 million (EUR -9.9 million).
– Investments amounted to EUR 31.5 million (EUR 15.1 million).
– The comparison figures for the previous year are significantly affected by the acquisition of the Dutch company BVB Substrates effective from the beginning of 2019.

The financial year was exceptionally only 8 months long (the comparison figures are for the corresponding 8-month period in the previous financial year)

May–December 2019

– Group turnover in May–December 2019 was EUR 297.7 million (EUR 224.9 million in May–December 2018)
– The operating margin (EBITDA) was EUR 37.0 million (EUR 32.1 million), or 12.4% (14.3%) of turnover
– The operating result (EBIT) was EUR -40.4 million (EUR 4.1 million), or -13.6% (1.8%) of turnover, including EUR -36.7 million (EUR 1.5 million) in non-recurring items related mainly to write-downs
– Earnings per share were EUR -1,320 (EUR 138)
– The pre-tax return on invested capital (pre-tax ROIC) was -1.7% (5.1%)
– Free cash flow before taxes was EUR 21 million (EUR -12.4 million).
– Investments amounted to EUR 42.8 million (EUR 27.5 million).
– The equity ratio on 31 December 2019 was 42.9% (49.5%)
– Interest-bearing net debt on 31 December 2019 was EUR 315.2 million (EUR 260.9 million)
– The ratio of interest-bearing net debt to operating margin (net debt/EBITDA) on 31 December 2019 was 4.0 (3.8)

The financial year in figures:	1 May 2019–31 December 2019	1 May 2018–31 December 2018
Turnover, EUR million	297.7	224.9
Operating margin/EBITDA, EUR million	37.0	32.1
Operating result/EBIT, EUR million)	-40.4	4.1
Comparable operating profit excluding non-recurring items and the effect of divested businesses, EUR million	-2.5	2.6
Profit/loss for the period, EUR million	-40.2	4.2
Earnings per share	-1,320	138
Pre-tax return on invested capital	-1.7	5.1
Free cash flow before taxes, EUR million	21.0	-12.4
Equity ratio	42.9	49.5
Ratio of interest-bearing net debt to operating margin	4.0	3.8
Energy peat deliveries (TWh)	4.4	5.0
Wood fuel deliveries (TWh)	2.1	2.0
Heating deliveries (TWh)	0.7	0.6
Accident frequency*	6.7	6.9

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

*The figures in the Interim Report for the period 1 May–31 December 2018 are unaudited

EUR million	Comparable 2019	Effect of acquisitions	Items affecting comparability	Total
Items affecting comparability				
Gains/losses on disposals			0.1	
Impairment			-40.5	
Restructuring			-0.1	
Other items*		-1.2	3.7	
Operating profit	**-2.5**	**-1.2**	**-36.7**	**-40.4**
Financial income and expenses	-7.8	0.0		**-7.8**
Profit/loss before taxes	**-10.3**	**-1.2**	**-36.7**	**-48.2**
Income taxes	8.0	0.0		**8.0**
Profit/loss for the period	**-2.3**	**-1.2**	**-36.7**	**-40.2**

*Other items mainly consist of revenue recognised from previously discontinued business operations in items affecting comparability as well as a PPA depreciation of intangible assets recognised on the BVB Substrates acquisition.

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 strengths of the Group companies. The Group's latest higher added value business is Active 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 1,050 employees during the financial year. At the end of the financial year, Vapo Group had 1,009 employees. The company also employs hundreds of local contractors in the fuel production and supply chain. As part of the acquisition of the Dutch company BVB Substrates, the Group welcomed 310 new employees at the beginning of the calendar year 2019.

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

Vesa Tempakka

A strategically positive but financially challenging year

Vapo is in the midst of the biggest and fastest change in its entire history. During the past eight-month financial year, the company began implementing three very significant changes. In October 2018, Vapo Oy subsidiary Kekkilä Oy and the Netherlands-based BVB Substrates B.V. announced a transaction that led to the formation of Europe's leading growing media company Kekkilä-BVB Oy. Tens of integration projects were carried out during the year and the company is now ready to seek growth in the expanding global growing media market. The harmonisation of the companies' operations took up a lot of resources from the operational management and the organisation as a whole, which is why the financial targets set for Kekkilä-BVB were not fully achieved in its first financial year after the merger. Nevertheless, the integration process itself has gone even better than expected. Kekkilä-BVB's goal for the new financial year is profitable growth.

Energy peat now represents less than a quarter of the Group's total turnover, while the volumes of the wood and pellet business are growing and Kekkilä-BVB accounts for approximately half of the Group's turnover. Kekkilä-BVB's business is less cyclical than the energy peat business. Under these circumstances, it makes sense to change the Group's financial year to be the calendar year. Due to this transition, the recently concluded financial year exceptionally covers only the period from 1 May 2019 to 31 December 2019.

For several years now, Vapo has engaged in research and product development to produce activated carbon from peat. Vapo made a decision regarding this second project of high strategic significance in December 2018. The Group decided to build the first activated carbon production facility in Ilomantsi. The facility will be modern and very eco-friendly. Construction of the production facility began with earth-moving operations in June, the foundation stone was laid in October and the aim is to have the facility ready for the start of production in autumn 2020, with full capacity to be reached at the beginning of 2021.

This investment also supports Vapo's strategy of reducing its dependence on energy peat. The project to build the production facility in Ilomantsi will tie up approximately EUR 20 million in investments during the current financial year without contributing to any increase in sales.

In our communications regarding the Ilomantsi production facility, we have earlier referred to it as our first such facility. However it may well be the first of many. Once the plant meets our quality expectations and barring any significant changes in the market, we are prepared to start planning the expansion of the Ilomantsi production facility immediately as well as begin preparations for at least one new production facility either elsewhere in Finland or in Estonia or Sweden.

The third significant strategic renewal measure we took during the financial year was to bring our energy infrastructure under the newly established company Nevel in Finland, Sweden and Estonia. Our goal in this business area is to achieve growth in the Finnish market as well as Sweden, in particular. Nevel generates its turnover of approximately EUR 100 million by operating some 150 boiler plants of various sizes as well as district heating networks. Nevel's growth strategy is based on taking advantage of the digital transformation and modern technology, scalable international operations based on the company's special expertise and a cost-effective operating model.

We are committed to ensuring the reliable availability of fuel for our energy peat customers far into the future and, at the same time, we seek growth in wood-based fuels.

A year ago, we estimated that the demand for energy peat would be halved over a time horizon of about ten years. We are now prepared for demand to be reduced by half in just five years. In light of this assessment, we decided in December 2019 to discontinue energy peat production at about 90 production sites. This also meant a write-down of approximately EUR 28 million on our peat assets.

While the write-down meant that our result showed a loss for the financial year, it did not significantly endanger our solvency or influence our future investment plans.

Overall, the year was financially satisfactory. Our businesses did not quite reach the overall targets set for them, but efficiency improvement measures taken in the Group's shared functions improved the comparable operating margin already in the abbreviated financial year.

The current situation is nevertheless challenging, as the new year has been exceptionally warm, which has reduced the sales of energy and fuels during the season that is usually the coldest period of the year.

Board of Directors' report 1 May–31 December 2019

Operating environment

The carbon dioxide emissions from the energy use of fuels declined compared to the previous year. The consumption of all fuels used in heating and electricity production declined from the previous year. The decline in CO_2 emissions from the energy use of fuels was mainly attributable to the lower consumption of peat and coal. The decline was the sharpest for energy peat at 20 per cent. After increasing in the previous year, the consumption of energy peat began to decrease again and fell to the level seen in 2017. The use of energy peat was reduced by tax decisions as well as the increased price of emission rights, which have led to higher operating costs for energy peat at heat and power plants.

The share of renewables in energy production continues to grow and is now approaching 50 per cent of the end consumption of energy. Challenges related to the sourcing of solid wood fuels are limiting growth. At the same time, the use of fossil fuels and energy peat is declining, and the CO_2 emissions of energy production are decreasing as a result.

The Finnish government has set a goal of making Finland carbon neutral by 2035. 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. The use of coal will be phased out by 2029 and the use of energy peat will be halved by 2030.

According to the current forecasts, the use of peat primarily as an energy source will be discontinued during the 2030s as the cost of emission allowances increases, although it will remain in use to ensure the security of supply. The overhaul of energy taxation will include an assessment of the necessary changes to the taxation of energy peat to enable the achievement of the energy peat target set for 2030. It is important to ensure that timber material does not end up incinerated.

The government will establish a broad-based peat industry working group to explore ways to direct the use of peat away from incineration and increase its use in innovative, high added-value products. The working group will present means to ensure that the change occurs in a way that is fair at the regional and social levels and that does not jeopardise the security of electricity and heat in Finland.

The annual growth of the European growing media industry is currently in the range of 2–3 per cent. The successful peat production summers in 2018 and 2019 have ensured the good availability of peat and kept market prices stable.

Especially in Europe, the signs suggest that there is a need for more renewable and recyclable raw materials alongside peat. Moss has been well received by the markets and the growth in the use of wood fibres and coconut fibres is currently faster than the market's overall growth. The demand for raw materials that are complementary to peat is particularly influenced by the retail trade, which creates pressure on farmers to use more renewable growing media. While it has been scientifically proven that using peat in farming provides the best crop yields and strengthens plants against diseases, the market needs for other alternatives cannot be ignored.

Outside Europe, cultivation is moving from open fields to growing media, and peat enjoys continuously growing demand in China, for example. The market growth outside Europe is substantially faster than in Europe.

To ensure a favourable operating environment, it is essential to provide transparent information on the environmental impacts of the use of peat and for the industry to actively produce and share objective information and emphasise peat's significance in greenhouse farming and global food production. The active promotion of recycling solutions and responsible peat production methods as well as the restoration of peat production areas play a very important role in the general acceptability of the use of peat.

Vapo Group's financial result

Turnover grew by 32% year-on-year to EUR 297.7 million (EUR 224.9 million). The increase in turnover was mainly due to the acquisition of BVB Substrates into the Grow&Care business effective from the beginning of 2019.

The Group's operating result was EUR -40.4 million. The comparable operating result declined to EUR -2.6 million. The previous financial year's comparable operating result excluding non-recurring items was EUR 2.6 million. The weaker comparable result was mainly attributable to the warm weather conditions in the early part of the winter, which reduced heating and fuel deliveries, and Kekkilä-BVB's peak sales season falling in the previous financial year in spring 2019.

The Group's result for the financial year 1 May–31 December 2019 declined substantially year-on-year and amounted to EUR -40.2 million (EUR 4.2 million). The result for the financial year was weighed down by significant non-recurring items consisting mainly of write-downs related to the energy peat business (approx. EUR 30 million) and energy infrastructure (approx. EUR 10 million). The primary reasons for the write-downs were the declining demand for energy peat, the anticipated future decrease in energy peat production volumes, related decisions to discontinue production activities at certain sites ahead of schedule and the expiration of an individual energy delivery agreement.

The measures taken to increase the efficiency of working capital were reflected in a substantial improvement in operating cash flow (free cash flow before financial items and taxes), which amounted to EUR 21.0 million (EUR -12.4 million) for the financial year.

The Group's key financial figures weakened during the financial year due to write-downs recognised on significant energy peat assets and other assets primarily related to the energy segment as well as lease liabilities arising from the adoption of IFRS 16. The Group’s equity ratio stood at 42.9 per cent (49.5%) at the end of the financial year, while the ratio of net debt to operating margin was 4.0 (3.8).

The comparison figures from the interim report for 5–12/2018 have not been audited.

Developments by business segment

The reporting segments comprise the Group’s divisions in accordance with Vapo’s management model. 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 December 2019 amounted to EUR 149.1 million, with renewable biofuels and energy solutions representing more than half of this total.

Turnover in the second third of the financial year (September–December) was EUR 103.9 million (EUR 102.6 million). The operating profit for the reporting period was EUR -28 million (EUR 17.3 million). Investments amounted to EUR 25.5 million (EUR 12.1 million).

Turnover for the financial year was EUR 149.1 million (EUR 147.3 million). The operating result was EUR -39.4 million (EUR 6.2 million). The operating result includes non-recurring items in the amount of EUR -40.3 million (EUR -0.5 million).

The significant non-recurring items mainly consisted of write-downs allocated to the energy peat business (totalling approximately EUR 30 million) and energy infrastructure (totalling approximately EUR 10 million). The main reasons for the write-downs were the declining demand for energy peat and the expiration of an individual energy delivery agreement.

The declining demand for energy peat was also reflected in peat deliveries in the second third of the financial year, which declined by 11 per cent year-on-year. The strong demand for biofuels continued in the second third of the financial year, with sales increasing by 8 per cent year-on-year. Heating deliveries increased by 5 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 an autumn that was slightly cooler than the year before. This was reflected in peat deliveries, which declined by 13 per cent year-on-year. Biofuels continued to see strong demand throughout the financial year, increasing by 9 per cent year-on-year. Heating sales also increased by 9 per cent year-on-year.

Energy	9–12/2019	9–12/2018	Change	5–12/2019	5–12/2018	Change	5/2018–4/2019
Turnover (EUR million)	103.9	102.6	1.3%	149.1	147.3	1.2%	289.4
Operating profit (EUR million)	-28.0	17.3	-262.3%	-39.4	6.2	-732.5%	33.2
Investments (EUR million)	25.5	12.1	110.5%	30.3	21.1	43.4%	27.3

Number of employees	**351**	**347**	**1.2%**	**366**	**375**	**-2.4%**	**370**
Energy sales, peat (GWh)	**3,098**	**3,478**	**-10.9%**	**4,360**	**4,987**	**-12.6%**	**9,708**
Energy sales, other fuels (GWh)	**1,472**	**1,360**	**8.2%**	**2,126**	**1,960**	**8.5%**	**3,691**
Heat and steam sales (GWh)	**459**	**439**	**4.6%**	**668**	**614**	**8.9%**	**1,187**

Grow&Care

The Grow&Care division's Kekkilä-BVB is Europe's leading and most versatile growing media operator in the professional grower, landscaping and consumer segments. We specialise in the development, production and marketing of high-quality growing media, mulches and fertilisers for landscapers, professional growers, distributors and home gardeners. Peat is also supplied as bedding peat to horse farms, cattle farms, pig farms and poultry producers. As the world's largest producer of agricultural peat, we supply agricultural peat as a raw material for further processing around the world, and responsibility is an integral part of everything we do.

The division's well-known brands, Kekkilä Garden and Hasselfors Garden, offer products to home gardeners and landscapers in the Nordic countries and Estonia. The merger with BVB Substrates has expanded the product range with private label products as well as the Jardino and Florentus brands sold in the Central European markets by significant retail and wholesale chains. In the professional growing media business, the BVB Substrates and Kekkilä Professional brands are focused not only on the home markets but also the global markets with exports to more than 100 countries.

Turnover in the second third of the financial year (September–December) was EUR 60.1 million (EUR 31.8 million). The significant year-on-year growth in turnover was mainly attributable to the Kekkilä-BVB merger. The operating result was EUR -4.7 million (EUR 0.6 million). The result for the reporting period included non-recurring costs in the amount of EUR -1.5 million (EUR -0.1 million) and IFRS acquisition cost amortisation on the BVB Substrates acquisition amounting to EUR -0.6 million (EUR 0 million). The operating result was also weighed down by additional costs arising from integration, higher logistics prices and the Swedish peat production season being less successful than in the previous year. The division's gross investments were EUR 8.5 million (EUR 1.1 million)

Turnover for the full financial year was EUR 150.1 million (EUR 78.6 million). The operating result was EUR -0.5 million (EUR 5.4 million). The result for the financial year included non-recurring costs in the amount of EUR -1.5 million (EUR 0 million) and IFRS acquisition cost amortisation on the BVB Substrates acquisition amounting to EUR -1.2 million (EUR 0 million). The division's investments totalled EUR 11.2 million (EUR 2.1 million)

The Grow&Care division's operating result declined year-on-year. At comparable figures, the growth of export sales slowed down, but the future sales outlook remained favourable. In the consumer business, the sales season falls on both sides of the turn of the financial year, which means that changes in weather patterns have a significant impact on sales in the different hirds of the year. At comparable figures, sales have increased and the outlook for the upcoming sales season remains positive. The negative profit performance was mainly attributable to higher logistics costs, integration efforts and peat production in Sweden falling short of production targets. The agricultural peat inventories are nevertheless sufficient before the new production year.

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

Grow&Care	9–12/2019	9–12/2018	Change	5–12/2019	5–12/2018	Change	5/2018–4/2019
Turnover (EUR million)	60.1	31.8	88.9%	150.1	78.6	91.1%	179.0
Operating profit (EUR million)	-4.7	0.6	-886.2%	-0.5	5.4	-109.2%	13.0
Investments (EUR million)	8.5	1.1	649.7%	11.2	2.1	437.8%	4.2
Number of employees	524	265	98.1%	547	279	95.9%	380

New Businesses

The New Businesses division creates new products and innovations based on the Group's competencies and raw material resources as well as emerging customer needs. The goal is to produce sustainable new business that will increase our shareholder value in the long run. Vapo Ventures also coordinates the Group's innovation and IPR activities.

In the Carbons business, construction began in spring 2019 in Ilomantsi on a strategically significant production facility to process activated carbon. The production facility, which will cost approximately EUR 30 million, is scheduled 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 second third of the financial year was EUR -0.9 million (EUR -0.7 million). Investments amounted to EUR 5.4 million (EUR 0.6 million).

The operating loss for the full financial year was EUR -1.6 million (EUR -1.4 million). Investments amounted to EUR 7.1 million (EUR 0.9 million).

New Businesses	9–12/2019	9–12/2018	Change	5–12/2019	5–12/2018	Change	5/2018–4/2019
Turnover (EUR million)	0.0	0.0	-	0.0	0.0	-	0.0
Operating profit (EUR million)	-0.9	-0.7	-24.7%	-1.6	-1.4	-16.7%	-2.2
Investments (EUR million)	5.4	0.6	872.2%	7.1	0.9	728.9%	3.1
Number of employees	20	15	29.5%	19	17	15.8%	16

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 result in September–December was EUR -1.8 million (EUR -2.6 million).

The other activities segment’s effect on the operating result for the full financial year was EUR 0.9 million (EUR -6.2 million). This was significantly affected by the recognition of non-recurring revenue of EUR 4.9 million in August 2019 related to discontinued business operations.

Other	9–12/2019	9–12/2018	Change	5–12/2019	5–12/2018	Change	5/2018–4/2019
Turnover (EUR million)	0.0	0.1	-67.2%	0.1	0.2	-57.3%	0.2
Operating profit (EUR million)	-1.8	-2.6	29.4%	0.9	-6.2	115.0%	-4.2
Number of employees	115	112	2.0%	117	102	15.1%	103

Geographical information

EUR 1,000	Turnover by country	Long-term assets	Investments
Finland	156,877	422,713	27,550
The Netherlands	42,064	43,315	7,187
Sweden	39,963	44,990	5,207
Germany	11,367	-	44
Estonia	6,799	29,165	2,774
Other Nordic countries	2,972	-	-
Other European countries	23,710	678	-
North and South America	5,641	-	-
Other countries	8,356	-	-
Group total	297,748	540,860	42,761

Cash flow, investments and financing

The Group’s free cash flow before taxes for the financial year 1 May–31 December 2019 was EUR 21 million (May 2018–April 2019: EUR -22.3 million). Free cash flow was significantly improved by measures to increase the efficiency of working capital as well as lower investments. The change in working capital affected cash flow by EUR 10.3 million (EUR -45.7 million).

Gross investments in the financial year were EUR 42.8 million (EUR 62.7 million), or 111 per cent of the amount of depreciation (151.0%). Investments in the Carbons business began to a significant degree during the financial year. 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 and field maintenance in the peat production business. Net investments (gross investments – asset sales) totalled EUR 26.3 million (EUR 50.7 million).

On 30 September 2019, Vapo Oy issued a senior unsecured bond in the aggregate nominal amount of EUR 100 million. The bond matures in October 2024 and it bears interest at a fixed rate of 2.125 per cent per annum. The net proceeds of the issuance will be used for growth investments, refinancing and the Group's general financing needs.

Interest-bearing net debt at the end of the financial year amounted to EUR 315.2 million (EUR 265.6 million). The ratio of interest-bearing net debt to operating margin (net debt/EBITDA) on 31 December 2019 was 4.0 (3.6). Excluding the debt arising from the adoption of IFRS 16, net debt/EBITDA was 3.5 (3.6).

Short-term interest-bearing debt amounted to EUR 45.7 million (EUR 78.2 million). Of Vapo's long-term interest-bearing debt, 13 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. Bonds include a change of control clause but they do not include a financial covenant. The equity ratio at the end of the financial year was 42.9 per cent (51.3%) and the gearing ratio was 90.4 per cent (65.8%). The consolidated balance sheet total was EUR 828.5 million (EUR 805.8 million). The Group's net financing items were EUR -7.8 million (EUR -2.8 million). Net financing items were -2.6 per cent (-0.6%) 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 temperatures during the September–December 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.

The Grow&Care division's growing media business is also sensitive to seasonal fluctuations, with demand peaking from late spring to early summer. Peat production plays a key role in the Grow&Care division in May–August, and the company achieved its production target during the past season, which enabled the improvement of profitability.

Notable risks and uncertainty factors

<u>Regulation</u>

The government programme of Prime Minister Marin's government states the following with regard to energy peat (p. 37): *"According to the current forecasts, the use of peat primarily as an energy source will be discontinued during the 2030s as the cost of the emissions allowance rises, although it will remain in use to ensure the security of supply. We will decrease the use of peat for energy by at least half by 2030. As part of the overhaul of energy taxation, we will assess the necessary changes to the* *taxation of peat so that we can achieve our 2030 peat targets. We must ensure that timber material does not end up incinerated.”*

According to the consumption forecasts of Vapo’s fuel customers, the demand for energy peat will fall to half of the current level by 2025. The reasons for this are the price of emission rights and the current energy tax of EUR 3 applied to peat (in heating). Accordingly, in reference to the government programme, Vapo has proposed that the use of energy peat should not be further impeded by tax increases.

Without energy peat, Vapo’s customers would have to rely on commercial timber and 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 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 energy peat. The computational tax subsidies for energy peat have been used as the justification for these views. The fact of the matter is that the state does not subsidise energy peat and the tax structure of energy peat as an output of domestic primary production — with the related wage taxes, value added taxes and taxes on liquid fuels used in production activities — differs significantly from the tax structure of imported fuels, which practically consists only of energy tax.

The price of emission rights, EUR 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 wood energy 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.

The energy tax refund for energy-intensive industry is likely to be gradually eliminated. This will reduce the use of energy peat in the forest industry. Depending on the schedule of discontinuing the energy tax refund, the forest industry’s use of energy peat will be reduced by 1–2 TWh.

In the 2020s, the need to replace coal and the sharp decline in the use of energy peat will lead to rapid growth in the demand for wood energy. The heating up of the energy wood market, combined with wetter winters that hinder wood harvesting, will lead to fluctuating raw material prices for wood fuels as well as problems associated with the quality and delivery of fuels.

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.

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 market availability of forest energy falls short of growth targets.

Risks related to horticultural peat

With respect to horticultural peat, there are signs of political moves in Europe towards tighter regulation. The most significant threats to the horticultural peat business include restrictions on the use of peat, unexpected changes in legislation concerning peat and more negative attitudes towards the use of peat in the retail sector.

To manage these risks, t is essential to provide transparent information on the environmental impacts of the use of peat and for the industry to actively produce and share objective information and emphasise peat's role in greenhouse farming and global food production. The active promotion of recycling solutions and responsible peat production methods as well as the restoration of peat production areas play a very important role in the general acceptability of the use of peat.

Risks related to new businesses

New businesses like Carbons include also the risk for restrictions on the use of peat for higher value adding products. To mitigate the risk Vapo aims to act as described in the chapter above.

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.

In the international market, the demand for wood fuels has increased as energy companies seek 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 pellet market may be affected by Brexit and the potential subsequent reshaping of the UK's energy and climate policy as well as changes and disturbances in international trade.

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. Competing energy solutions based on new technology constitute a growing threat to energy produced from domestic fuels. New forms of heating, combinations of different forms of heating, and energy conservation are key considerations in the development of the district heating business.

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, which 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 2019, peat production went as planned in Finland, Sweden and Estonia.

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 minor share of Vapo's business.

Research and development

The Group's research and development investments during the financial year 1 May–31 December 2019 amounted to EUR 10.7 million (EUR 6.4 million), which corresponds to 3.5 per cent of turnover (1.4%). 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. One example is Vapo Carbons, an initiative focused on activated carbon products that has already progressed to the business stage. The division is also responsible for the Group's innovation and IPR management.

The **Vapo Refinery 2030 vision** launched during the financial year aims to accumulate international turnover through the use of peatland biomass. High value-added products made of peat and moss carry enormous future potential because of the worldwide need for new ways to promote sustainable food production and water and air purification as well as to replace harmful chemicals, oil-based products and plastics. In the Vapo Refinery vision, raw materials and side stream products are comprehensively utilised in accordance with the circular economy principle.

The Group's innovation and IPR strategy was revised during the financial year and it supports Vapo's objective of creating new business as well as managing and protecting the tangible assets and intellectual property developed by the company. The key elements are developing the competence of the personnel, fostering a culture of innovation and taking proactive measures to protect intellectual property. The goal is to identify intellectual property rights at the early stages of projects and customer relationships and protect them using either the company's internal operating models or international patents.

Environmental responsibility

Vapo is committed to continuously improving its operations and developing its environmental efforts. We want to be recognised as a responsible and sustainable company wherever we operate. **Vapo Group's long-term sustainability targets and environmental strategy** were updated and approved in 2019: we will reduce our emissions to waterways as well as our climate emissions, use natural resources sustainably, improve material efficiency, reduce waste and ensure that our offices are environmentally friendly. Each of Vapo's businesses has an environmental programme in accordance with the environmental strategy. The environmental programmes specify the most significant aspects of environmental responsibility along with annual environmental targets. We offered an online course on the management of environmental matters to all employees. Last year, we developed a responsibility concept for peat, especially aimed at new businesses, and agreed on a plan for the certification of responsibly produced peat to meet the needs of Kekkilä-BVB. We created a net impact assessment model for the Group's businesses and will use the results of the model in the sustainability work carried out at Kekkilä-BVB, Nevel and Carbons in 2020.

We continued to carry out self-initiated environmental impact inspections at peat production areas. Contractors in Vapo's Finnish peat production operations inspected water treatment structures in four-week intervals during the production season. In addition, 17 environmental inspectors recruited for the summer season inspected water treatment methods and other aspects related to environmental permit conditions at all production areas. In 2019, Centres for Economic Development, Transport and the Environment made 120 inspection visits to Vapo's peat production sites in Finland.

Vapo decided to discontinue the Clean Water project in 2019 after several years of substantial research investments. To verify the Clean Water commitment, Vapo engaged in preliminary monitoring activities at more than 100 areas assigned for potential peat production to determine their initial environmental discharge levels. The commitment also included a strong focus on the development of water treatment methods in peat production. Nearly all new methods that had even theoretical potential were investigated and piloted in internal and external research projects. In addition, the water treatment methods used in peat production have been continuously developed. Nevertheless, a feasible solution for fulfilling the commitment was not identified for water treatment in peat production or the purification of waters discharged from other forms of land use. In natural conditions, hydrological fluctuations, geographical distances and the adequate availability of electricity from the grid pose substantial challenges to the use of new and more advanced water treatment methods. Overland flow areas still represent the best available technique for water treatment in peat production. Under the prevailing conditions, achieving the commitment's goal of reducing the load to a level below the initial level identified in advance monitoring proved to be uncertain and challenging under all conditions. As one of the goals of our updated environmental strategy is to reduce the load on watercourses, Vapo will continue to take a responsible approach to waterways by developing and improving water treatment structures and their effectiveness.

Vapo Group's (Finland, Sweden, Estonia) environmental investments in peat production areas during the financial year amounted to EUR 0.6 million (EUR 3.0 million) and were primarily related to improving and building water treatment structures at peat production sites. Excluding Vapo's own personnel's input, environmental protection costs for the financial year amounted to EUR 11.9 million (EUR 19.2 million). The costs primarily consisted of the maintenance of water treatment structures in peat production and impact monitoring. In accordance with its environmental permit application principles, Vapo only applies for new production permits for ditched peatlands. In 2019, 89 (305) 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 916 (485) hectares.

Vapo Group's **active peat production areas** (Finland, Sweden, Estonia) in summer 2019 totalled approximately 40,600 (42,300) hectares, with Finland accounting for 33,500 (35,400) hectares of the total. A total of 454 (139) hectares of new peatlands became ready for production in Finland and 5,289 (2,001) hectares were released from production by the end of the financial year. In Sweden, 76 hectares of peat production areas were released from production.

A total of 453 (1,086) hectares were transferred to **other land use methods** from peat production operations in Finland during the financial year. A total of 356 (339) hectares were assigned for forestation and 97 (195) hectares for building wetlands. In addition, a significant amount of land was sold, with the new owner deciding on the subsequent use. Areas released from peat production and returned to land owners totalled 1,145 (551) 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. During the financial year, Vapo continued negotiations on the sale of peatlands with significant nature value for protection purposes.

In 2019, Vapo Group **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 more than half of all fuels used: 46% in Finland, 95% in Sweden and 7% in Estonia. Nevel Oy is committed to increasing the share of renewable fuels to more than 75% by the end of 2021. The use of domestic fuels remained unchanged from the previous year at Nevel Oy's energy production plants in Finland. Fuel oil is used primarily as a reserve fuel and its use declined to approximately 3% thanks to the reduced duration of service shutdowns. The coefficient of efficiency of the plants was improved thanks to the enhanced control of the residual oxygen levels of boilers. During the reporting period, the company invested in energy efficiency and increasing its capacity of using biofuels in all of its operating countries.

General Meetings

Vapo Oy's Annual General Meeting was held in Helsinki on 5 September 2019. The AGM adopted the financial statements and consolidated financial statements for the financial year 1 May 2018–30 April 2019 and discharged the members of the Supervisory Board, the Board of Directors and the CEO from liability. The AGM resolved to distribute a dividend for the financial year ended 30 April 2019 amounting to EUR 410 per share, or EUR 12.3 million in total. The dividend payment date was 9 September 2019.

The AGM of 5 September 2019 confirmed that the Supervisory Board will continue with its composition unchanged. Tuomas Hyyryläinen, M.Sc. (Econ.); Juhani Järvelä, M.Sc. (Eng.); Risto Kantola, M.Sc. (Eng.); Jan Lång, M.Sc. (Econ.); Kirsi Puntila, M.Sc. (Econ.); Minna Smedsten, M.Sc. (Econ.); and Markus Tykkyläinen, M.Sc. (Econ.) were re-elected to Vapo Oy's Board of Directors. Senior Financial Counsellor Maija Strandberg, M.Sc. (Econ.), from the Government Ownership Steering Department of the Prime Minister's Office was elected to the Board of Directors as a new member. Jan Lång continues as Chairman of the Board of Directors, with Markus Tykkyläinen as Vice Chairman.

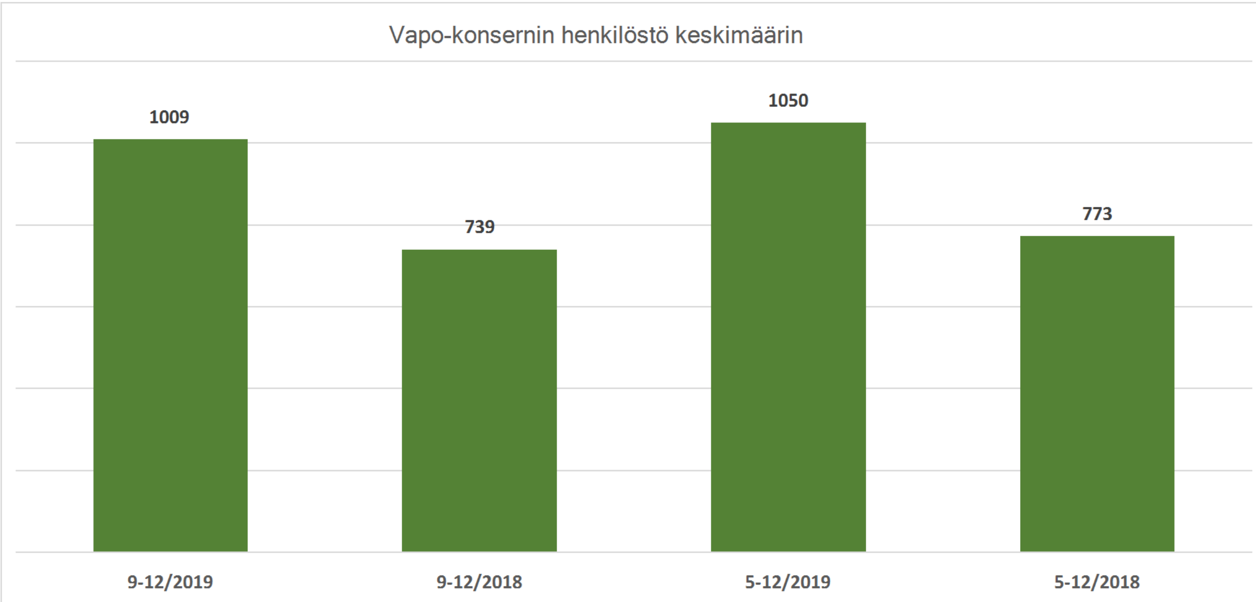
The audit firm KPMG Oy was elected as auditor, with Ari Eskelinen, M.Sc. (Econ.), Authorised Public Accountant, appointed the principal auditor.

In October, Vapo Oy's Extraordinary General Meeting appointed a new Supervisory Board. The following were appointed as members of the Supervisory Board: Antti Häkkänen, Heikki Miilumäki, Eero Kubin, Esko Kurvinen, Tommi Luntila, Mauri Peltokangas, Jenni Pitko, Antti Rantakangas, Piritta Rantanen and Tiina Snicker.

Antti Rantakangas, Member of Parliament, was appointed as the Chairman of the Supervisory Board and Heikki Miilumäki, D.Sc. (Tech.), as the Vice Chairman.

Number of employees

The Group employed an average of 1,009 (739) persons in the final third of the financial year. The average number of employees for the full financial year was 1,050 (869).



Employees by segment, average

	5–12/2019	5/2018–4/2019
Energy	366	370
Grow&Care	547	380
New Businesses	19	16
Other	117	103
Total	**1,050**	**869**

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 three times during the financial year.

Occupational safety

Vapo Group has a strong continuous focus on occupational safety and well-being and the starting point for all of our operations is workplace safety and developing a proactive and caring safety culture. In 2019, Vapo Group's accident frequency (LTA1f: lost-time accidents per million working hours) decreased slightly compared to the previous year and was 6.7 (6.9). A significant improvement was achieved in LTA1 accidents in Finland, with only one accident leading to lost time occurring in Finland (8). The accident frequency in 2019 was the highest in Kekkilä-BVB's units in the Netherlands, where 9 LTA1 accidents occurred. MTR accidents (requiring an evaluation visit to occupational health services) were more evenly spread in the Group.

In the field of safety, we created an online course for our personnel, which existing and new employees alike are required to complete. In 2019, we expanded our safety monitoring activities to also cover our subcontractors and the Group’s number of safety observations continued the significant rise it began in the previous year and amounted to 4,856 (4,058).

Vapo Group has zero tolerance for inappropriate conduct and discrimination, and all reported incidents were reviewed without delay.

Executive appointments in Vapo Group

Pasi Koivisto was appointed as the Director of the business consisting of the sale of renewable energy and fuels and a member of the Group Management Team effective from 1 November 2019.

Changes in organisational structure

The new company Neova Värme AB was established on 2 July 2019 and subsequently renamed as Nevel AB on 13 December 2019. Salon Energiantuotanto Oy owns 100% of the company.

The new company Vapo LS Oy was established on 3 July 2019 and subsequently renamed as Nevel Oy on 20 November 2019. Vapo Oy owns 100% of the company.

Nevel Eesti OÜ was established on 11 December 2019. Vapo Oy owns 100% of the company.

Forest BTL Oy was dissolved on 17 October 2019.

Board of Directors' proposal for the distribution of profits

The Board of Directors proposes to the General Meeting to be convened on 19 March 2020 that Vapo Oy's result for the financial year, EUR -39,188,539.78, be recorded as a change in retained earnings, after which the distributable funds available to the General Meeting amount to EUR 144,108,435.91.

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 3.99 million, or EUR 133.00 per share, be paid as dividend for the financial year 1 May–31 December 2019.

Events after the review period

Vapo Clean Waters Oy, a fully-owned subsidiary of Vapo Oy, the merge with the parent company was registered on 14 January 2020.

On 28 January 2020, Vapo Oy's Extraordinary General Meeting elected Member of Parliament Juha Sipilä as a new member of Vapo Oy's Supervisory Board and as Chairman of the Supervisory Board, replacing the previous Chairman Antti Rantakangas who passed away suddenly.

Future outlook

Vapo Group is one of the world's largest producers of energy peat and peat for growing media. 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 demand for fossil fuels is expected to continue to decline, while the demand for bioenergy is expected to grow.

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 Carbons business as well as the researching of further new business initiatives in the Vapo Refinery business area. The construction of Carbons' first production facility for manufacturing technical carbons is progressing as planned in Ilomantsi and it is expected to become operational in the final third of the current financial year.

Consolidated key figures

MEUR	9–12/2019	9–12/2018	5–12/2019	5/2018–4/2019	5/2017–4/2018
Turnover	163.6	134.1	297.7	460.8	419.8
Operating profit (EBIT)	-35.1	14.7	-40.4	33.3	26.3
% of turnover	-21.5	11.0	-13.6	7.2	6.3
Operating profit (EBIT) before impairments	3.8	14.7	-1.5	33.5	27.2
% of turnover	2.3	11.0	-0.5	7.3	6.5
Profit/loss for the reporting period	-32.2	12.7	-40.2	25.2	17.6
Operating margin (EBITDA)	18.6	24.9	37.0	74.1	61.1
+/- Change in working capital	10.3	-25.2	10.3	-45.7	37.6
- Net investments	-18.6	-9.5	-26.3	-50.7	-25.0
Free cash flow before taxes	10.4	-9.9	21.0	-22.3	73.6
Gross investments	-31.5	-15.1	-42.8	-62.7	-31.3
Return on invested capital % *			-1.7	5.4	4.3
Return on invested capital % before impairment *			4.1	5.4	4.4
Return on equity % *			-5.1	7.0	5.2
Balance sheet total			828.5	805.8	697.5
Shareholders' equity			348.5	404.0	347.9
Interest-bearing net debt			315.2	265.6	206.2
Equity ratio %**			42.9	51.3	51.2
Interest-bearing net debt/operating margin			4.0	3.6	3.4
Gearing %			90.4	65.8	59.3
Average number of employees			1,050	869	758

*) 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	5–12/2019	5/2018–4/2019	5/2017–4/2018
Turnover	114.7	246.3	263.3
Operating profit (EBIT)	-34.3	15.9	14.6
% of turnover	-29.9%	6.5%	5.6%
Operating profit (EBIT) before impairment	-9.1	23.6	15.5
% of turnover	-7.9%	9.6%	5.9%
Profit/loss for the reporting period	-39.2	27.7	3.3
Operating margin (EBITDA)	9.5	49.6	37.1
Return on invested capital % *	-5.9%	1.5%	2.4%
Return on invested capital % before impairment *	-1.6%	1.4%	2.5%
Return on equity % *	-14.4%	12.6%	1.2%
Balance sheet total	645.9	662.7	665.6
Shareholders’ equity	226.9	278.4	252.2
Equity ratio %	35.9%	42.5%	38.2%

*) Previous 12 months

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 31 December 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).

Consolidated Financial Statements, IFRS

Consolidated statement of comprehensive

EUR 1,000	Note	5–12/2019	5/2018–4/2019
TURNOVER	2	297,748	460,827
Change in stock levels of finished and unfinished products		35,843	35,552
Production for own use		74	23
Other operating income	4	12,680	7,547
Share of results of companies consolidated using the equity method		-5	888
Materials and services	5	-182,102	-239,689
Expenses arising from staff benefits	6	-44,740	-55,507
Depreciation	7	-38,528	-41,494
Impairment	7	-36,904	-194
Impairment of goodwill	7	-1,995	0
Other operating expenses	8	-82,509	-134,626
OPERATING PROFIT		-40,440	33,327
Financial income	9	347	4,226
Financial expenses	9	-8,107	-7,070
PROFIT/LOSS BEFORE TAXES		-48,200	30,483
Income taxes	10	8,041	-5,328
PROFIT/LOSS FOR THE PERIOD		**-40,159**	**25,155**
OTHER COMPREHENSIVE INCOME ITEMS			
(items that may not be reclassified subsequently to profit or loss):			
Remeasurement of defined benefit plans		332	42
Items that may be reclassified subsequently to profit or loss:			
Translation differences from foreign units		299	638
Other comprehensive income items, after taxes		630	680
TOTAL COMPREHENSIVE INCOME		-39,529	25,835
PROFIT/LOSS FOR THE PERIOD			
Distribution of profit for the period:			
To parent company shareholders		-39,600	23,822
To non-controlling shareholders *)		-559	-1,333
		-40,159	22,488
Distribution of comprehensive income for the period:			
To parent company shareholders		-38,994	24,510
To non-controlling shareholders *)		-534	1,325
		-39,529	25,835

Earnings per share calculated from profits due to parent company shareholders

Earnings/share, EUR	-1,320	794
Average number of shares	30,000	30,000

* the minority share of non-controlling shareholders has been
restated in the figures for the comparison period

Consolidated balance sheet

EUR 1,000	Note	31 Dec. 2019	30 Apr. 2019
ASSETS			
Long-term assets			
Intangible assets	11	35,912	37,343
Goodwill	11	24,323	26,562
Land and water areas	12	46,129	37,061
Buildings and structures	12	65,584	39,507
Machinery and equipment	12	129,561	135,097
Other tangible assets	12	188,616	221,013
Prepayments and unfinished acquisitions	12	24,743	23,618
Shares in entities consolidated using the equity method	13	21,637	19,946
Other long-term financial assets	14	726	808
Long-term sales and other receivables	15	3,321	3,225
Deferred tax asset	17	367	0
Long-term assets total		540,919	544,182
Current assets			
Inventories	18	190,291	145,994
Sales and other receivables	19	86,902	107,236
Income tax receivables		4,071	401
Cash and cash equivalents	20	6,326	7,962
Current assets total		287,590	261,593
ASSETS TOTAL		**828,509**	**805,775**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		50,456	50,456
Fair value fund and other funds		28,924	30,481
Translation differences		-4,215	-4,467
Retained earnings		182,676	236,696
Hybrid bond	27	50,000	50,000
Parent company shareholders' share of shareholders' equity		307,841	363,166
Non-controlling shareholders *)		40,640	40,815
Shareholders' equity total	21	348,481	403,980
Long-term liabilities			
Deferred tax liability	17	10,490	11,655
Long-term interest-bearing liabilities	22	278,429	198,820
Long-term non-interest-bearing liabilities	23	8,155	7,887
Long-term provisions	24	7,654	7,530
Pension liabilities	25	5,004	4,806
Long-term liabilities total		309,732	230,699

Current liabilities			
Current interest-bearing liabilities	22	46,453	78,161
Current non-interest-bearing liabilities	26	122,011	85,309
Current provisions		1,831	7,625
Current liabilities total		170,296	171,096
SHAREHOLDERS' EQUITY AND LIABILITIES		**828,509**	**805,775**

* the minority share of non-controlling shareholders has been restated
in the figures for the comparison period

Consolidated cash flow statement

EUR 1,000	5-12/2019	5/2018-5/2019
Cash flow from operating activities		
Profit/loss for the period	-40,159	25,155
Adjustments to the result for the period		
Depreciation and impairment	77,428	41,688
Share of results of entities consolidated using the equity method	5	-888
Financial income and expenses	11,758	5,788
Income taxes	-8,041	5,328
Other adjustments	-15,695	-5,509
Adjustments to the profit/loss for the period total	65,454	46,406
Change in working capital		
Increase/decrease in inventories	-39,945	-40,528
Increase/decrease in sales receivables and other receivables	22,997	-10,506
Increase/decrease in accounts payable and other debts	20,718	7,932
Change in provisions	245	-327
Change in working capital total	4,014	-43,429
Interest paid	-3,837	-5,899
Interest received	54	110
Other financial items	-758	84
Taxes paid	-2,980	-6,225
Cash flow from operating activities	**21,788**	**16,202**
Cash flow from investing activities		
Investments in tangible and intangible assets	-48,878	-37,816
Proceeds from disposal of tangible and intangible assets	16,423	14,512
Acquisition of subsidiaries, net of cash	3	-21,377
Disposal of subsidiaries, net of cash	-	
Associates’ shares bought	-1,741	-1,791
Associates’ shares sold		
Other investments	1,742	136
Proceeds from disposal of other investments		
Loans granted		-112
Repayments of loans receivable	79	33
Dividends received	1	2,410
Cash flow from investing activities	**-32,272**	**-44,005**
Cash flow from financing activities		
Share issue against consideration	5	
Proceeds from hybrid bond		
Increase (+)/decrease (-) in short-term loans	-51,467	17,134
Proceeds from long-term loans	100,000	306
Repayment of long-term loans	-10,899	
Repayments of lease liabilities *)	-13,018	-2,440
Dividends paid	-12,430	-9,018
Dividends paid/hybrid loan	-3,250	-3,250
Cash flow from financing activities	**8,950**	**2,732**
Change in cash and cash equivalents	**-1,634**	**-25,072**

Cash and cash equivalents opening balance	7,962	32,999
Change in cash and cash equivalents	-1,634	-25,072
Effect of changes in exchange rates	-2	35
Cash and cash equivalents at end of period	6,326	7,962

*)repayments of financial leases in year of comparison

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	0	30,481	-4,467	236,696	50,000	363,166	40,814	403,980
Changes in shareholders' equity									
Dividend distribution					-15,550		-15,550	-130	-15,680
Transfers between items			-1,550		989		-561	181	-380
Total comprehensive income				252	-39,600		-39,349	-559	-39,907
Other changes									
Other changes			-7		450		443	25	468
Changes in holdings in subsidiaries					-308		-308	308	0
SHAREHOLDERS' EQUITY 31 DEC. 2019	**50,456**	**0**	**28,924**	**-4,215**	**182,676**	**50,000**	**307,841**	**40,640**	**348,481**

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	610	23,822		24,432	1,325	25,757
Other changes									
Other changes			111		5,284		5,395	-24	5,371
Changes in holdings in subsidiaries		5,422	-107		-1,673		3,643	39,113	42,756
SHAREHOLDERS' EQUITY 30 APR. 2019	**50,456**	**0**	**30,481**	**-4,467**	**236,696**	**50,000**	**363,166**	**40,814**	**403,980**

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 27 February 2020.
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 31 December 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.

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.

The figures for the period presented in the financial statements are not comparable because the comparison period was longer than the reporting period. The reporting period is 8 months, while the comparison period was 12 months. This is due to a change in Vapo's financial year. Going forward, Vapo's financial year is the calendar year, 1 January–31 December.

Two of the Group's financial years ended during the same calendar year, 2019, which is why the maximum amortisation for the tax year (20 months) has been accounted for in these financial statements.

New standards applied during the financial year

According to IFRS 16 *Leases*, all leases are presented in the lessee's balance sheet.
The lessee recognises a right-of-use asset in the balance sheet based on the lessee's right to use the asset in question and a lease liability based on the obligation to make lease payments. As a rule, the right-of-use asset is depreciated over the lease term or over its useful life, depending on which is shorter. The interest expense on the lease liability is presented in financial expenses.

Vapo adopted the new IFRS 16 standard effective from 1 May 2019 using the retrospective transition method, which means that the comparison figures for the financial year 2018 have not been adjusted. Accordingly, the classification changes and adjustments arising from the new accounting standard have been recognised in the opening balance sheet of 1 May 2019.

IFRS 16 permits two recognition exemptions concerning short-term leases and leases for which the underlying asset is of low value. Short-term leases are leases with a term of 12 months at most. Assets of low value are defined as assets whose value is not significant to the Group. Vapo applies these two recognition exemptions and therefore does not apply IFRS 16 to short-term leases and leases for which the underlying asset is of low value.

In connection with the adoption of IFRS 16, the Group recognised lease liabilities on leases classified as "operating leases" in accordance with IAS 17. The liabilities were measured at the present value of the remaining lease payments. The discount rate applied in the calculation was the lessee's incremental borrowing rate on 1 May 2019. The lessee's weighted average incremental borrowing rate applied to the lease liabilities on 1 May 2019 was 3.5%.

Reconciliation of the lease obligations on 30 April 2019 and the lease liabilities in the opening balance sheet of 1 May 2019:

Liabilities related to lease obligations on 30 April 2019	21,746
Leases added during the financial year	36,867
Total lease obligations on 30 April 2019	**58,613**
Finance leases treated in accordance with IAS 17	41,704
Leases for which the underlying asset is of low value, not recognised as liabilities	-458
Adjustments arising from the different treatment of extension or termination options on leases for land	-6,638
Undiscounted lease liability on 1 May 2019	**93,221**
Effect of discounting	-6,790
Lease liability recognised on 1 May 2019	**86,431**

Other new narrow-scope amendments to IFRS standards applicable from the start of the financial year and the IFRIC 23 *Uncertainty over Income Tax Treatments* interpretation 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, determining the terms of leases 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 (hereinafter referred to as the "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 5 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. Of the provision, EUR 0.3 million has been transferred to Nevel OÜ.

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 the 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

Accounting policy applied to leases during the reporting period
The Group leases land and buildings as well as machinery and equipment. At the commencement date, the Group assesses whether a contract is, or contains, a lease. A lease is a contract, or a component of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. At the commencement date, the Group separates a contract's lease component and non-lease component.

The lessee recognises the lease on the balance sheet at the commencement date as a right-of-use asset and a corresponding lease liability. The right-of-use asset is initially measured at cost. The cost comprises the amount of the initial measurement of the lease liability adjusted by any lease payments made at or before the commencement date, any lease incentives received, any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee from restoring the underlying asset to the condition required by the terms and conditions of the lease. The right-of-use asset is depreciated over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using the lessee's incremental borrowing rate. The lease liability is measured at amortised cost using the effective interest method. The lease payments included in the lease liability are fixed or variable payments that depend on an index or rate. Options to extend leases are included in the lease term if it is reasonably certain that they will be exercised.

The Group applies two recognition exemptions permitted by the standard: leases with a lease term of 12 months or less and leases for which the underlying asset is of low value are not recognised in the balance sheet. The lease payments associated with such leases are recognised as an expense on a straight-line basis over the lease term.

Accounting policy applied to leases during the comparison period
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 in 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 through profit or loss, measurement of financial assets at fair value through profit or loss, 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

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. The estimated effect of change to this accounting period 1.5.-31.12.2019 is EUR 3.8 million.The change has not been retrospectively applied to the comparison period because the change in the calculation practices represents a change in estimates.

Measurement of the non-controlling interest

Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The measurement principle is determined separately for each acquisition.

2. Segment information

The Group's operating segments consist of the business divisions in accordance with Vapo's management model.

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 farms 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 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 5–12/2019

MEUR	Energy	Grow&Care	New Businesses	Other	Eliminations	Group total
External turnover	147.6	150.1		0.1	0.0	297.7
Internal turnover	1.5	0.0		0.0	-1.6	
Turnover	**149.1**	**150.1**		**0.1**	**-1.6**	**297.7**
Segment operating profit/loss	-39.3	-0.5	-1.6	0.9	0.0	-40.5
Financial income and expenses					-7.8	-7.8
Appropriations and income taxes					8.0	8.0
Result for the period	**-39.3**	**-0.5**	**-1.6**	**0.9**	**0.3**	**-40.2**
Segment assets	518.7	234.3	13.2	165.4	-147.9	783.6
Shares in associates	21.6					21.6
Unallocated assets				131.6	-108.5	23.1
Assets total	**540.3**	**234.3**	**13.2**	**277.1**	**-262.5**	**828.3**
Segment debt	82.4	21.3	6.9	3.6	-3.5	110.7
Unallocated debt				475.9	-106.7	369.2
Debt total	**81.6**	**22.1**	**6.9**	**479.5**	**-110.2**	**479.9**

Investments	25.2	11.3	7.1	1.7	-2.5	42.8
Depreciation	25.1	11.9	0.0	1.5	0.0	38.5

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**	**-4.2**	**-14.7**	**25.1**
Segment assets	526.7	257.4	6.1	142.3	-164.5	768.1
Shares in associates	19.4	0.4				19.8
Unallocated assets				47.9	-30.0	17.9
Assets total	**546.1**	**257.8**	**6.1**	**190.2**	**-194.5**	**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	31.7	8.9	0.0	0.6	-0.0	41.2

Geographical information

EUR 1,000	Turnover by country	Long-term assets	Investments
Finland	156,890	422,713	27,550
The Netherlands	42,064	43,315	7,187
Sweden	39,963	44,990	5,207
Germany	11,367	-	44
Estonia	6,799	29,165	2,774
Other Nordic countries	2,960	-	-
Other European countries	23,710	678	-

North and South America	5,641	-	-
Other countries	8,356	-	-
Group total	297,748	540,860	42,761

Turnover consists almost entirely of the sale of goods. Service sales are minor in amount.

3. Acquisitions

No acquisitions were made during the financial year 1 May 2019–31 December 2019.

The transaction announced in October 2018 with the Netherlands-based BVB Substrates was finalised during the comparison period 1 May 2018–30 April 2019. 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.

EUR 1,000	**Recorded values 5/2018–4/2019**
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 million. This resulted in goodwill of EUR 21.1 million. This choice of IFRS measurement will have an impact on the recognition of potential subsequent ownership arrangements related to the acquisition.

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.

4. Other operating income

EUR 1,000	5–12/2019	5/2018–4/2019
Rental revenue	388	396
Grants and public subsidies	-11	135
Other non-recurring income		3
Other operating income	8,582	2,140
Gains on the sale of tangible assets	3,720	4,872
Other operating income	**12,680**	**7,547**

5. Materials and services

EUR 1,000	5–12/2019	5/2018–4/2019
Purchases during the period	-106,287	-145,618
Increase/decrease in inventories	6,793	5,083
External services	-82,608	-99,154
Materials and services	-182,102	-239,689

6. Expenses arising from staff benefits

EUR 1,000	5–12/2019	5/2018–4/2019
Salaries and fees	-34,913	-42,954
Pension expenses, defined contribution	-5,244	-6,471
Voluntary pensions	-510	-632
Pension expenses	-5,754	-7,103
Other fixed personnel expenses	-4,074	-5,449
Expenses arising from staff benefits	**-44,740**	**-55,507**
Management salaries and fees		
Salaries and other short-term employment benefits	1,316	1,392
Total	1,316	1,392
Salaries and fees		
CEO	394	414
Members of the Board of Directors	167	250
Members of the Supervisory Board	12	19
Management salaries, fees and fringe benefits total	574	683

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

	5–12/2019	5/2018–4/2019
Energy	366	370
Grow&Care	547	380
New Businesses	19	16
Other	117	103
Total	**1,050**	**869**

7. Depreciation and impairment

Depreciation

EUR 1,000	5–12/2019	5/2018–4/2019
Intangible rights	-2,463	-2,746
Other intangible assets	-230	-350
Goodwill	0	0
Land areas	-999	0
Buildings and structures	-5,624	-4,036
Machinery and equipment	-21,438	-18,677
Other tangible assets	-7,775	-15,519
Total	-38,528	-41,327

Impairment

EUR 1,000	5–12/2019	5/2018–4/2019
Goodwill	-1,995	
Intangible rights	-75	
Other intangible assets	-33	
Buildings	-13	
Machinery and equipment	-4,816	-18
Other tangible assets	-29,972	-175
Total	-36,904	-193
Depreciation and impairment total	**-75,432**	**-41,687**

8. Other operating expenses and auditor’s fees

EUR 1,000	5–12/2019	5/2018–4/2019
Rents	-1,760	-10,421
Cost of sales freight	-38,253	-53,807
Losses on the sale and scrapping of tangible assets	-973	-1,175
Change in credit loss provision	-196	-208
Auditor’s fees: actual audit	-355	-225
Auditor’s fees: attestations and statements	-27	-9
Auditor’s fees: other expert services	-71	-80

Auditor's fees: tax advice	-74	-15
Audit costs	-527	-328
External services	-11,623	-18,137
Other expenses	-29,177	-50,550
Other operating expenses	**-82,509**	**-134,626**

9. Financial income and expenses

EUR 1,000	5–12/2019	5/2018–4/2019
Dividend income from investments measured at fair value through profit or loss	1	1
Changes in the value of financial assets measured at fair value through profit or loss		
- interest derivatives, no hedge accounting	36	539
- currency derivatives, no hedge accounting	47	361
- commodity derivatives, no hedge accounting		3,287
Interest income	58	93
Foreign exchange gains from financial loans measured at amortised cost	-5	
Other foreign exchange gains and losses	211	-55
Other financial income	0	1
Financial income total	**347**	**4,226**
Interest expenses	-4,683	-5,973
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	-278	-274
- commodity derivatives, no hedge accounting	-1,852	
Other foreign exchange losses	-78	-209
Write-downs on holdings in associates	-410	
Other financial expenses	-806	-614
Financial expenses total	**-8,107**	**-7,070**
Financial income and expenses total	**-7,760**	**-2,845**

10. Income taxes

EUR 1,000	5–12/2019	5/2018–4/2019
Income taxes from actual operations	6,487	-10,870
Taxes for previous financial periods	0	-13
Deferred taxes	1,554	5,555
Total	**8,041**	**-5,328**

Reconciliation of taxes

EUR 1,000	5–12/2019	5/2018–4/2019
Profit/loss before taxes	-48,283	30,483
Deferred tax, parent company rate of 20%	9,657	-6,097
Effect of the different tax rates used in foreign subsidiaries	657	1,009
Effect of non-deductible items with the unit’s tax rate	9,095	2,039
Effect of non-deductible items with the unit’s tax rate	-2,413	-2,255
Taxes for previous financial periods	-8,955	-13
Unbooked deferred tax for losses of the financial period	0	-11
Total tax expense in the income statement	**8,041**	**-5,328**

On 31 December 2019, Vapo A/S had confirmed losses totalling EUR 7.2 million that have not been taken into account in these financial statements. Vapo A/S was merged with Vapo Oy on 30 April 2019. The potential transfer of the losses to Vapo Oy is pending a decision by the Administrative Court.

11. Intangible assets

EUR 1,000	Goodwill	Intellectual property rights	Other intangible assets	Prepayments	Total
Cost 1 May 2019	31,326	58,265	8,353	3,674	101,618
Translation differences (+/-)	7	10	1	0	18
Acquisitions					
Increase		648	47	1,097	1,791
Decrease	-182	-252	-26	-334	-793
Transfers between items		1,049	-3	-1,037	8
Cost 31 December 2019	31,151	59,720	8,371	3,400	102,642
Accumulated depreciation and impairment 1 May 2019	-4,729	-27,959	-4,989		-37,677
Translation differences (+/-)	-0	-8	-0		-8
Accumulated depreciation on acquisitions					
Accumulated depreciation on decrease and transfers	62	11			73
Depreciation for the financial period		-2,462	-230		-2,692
Impairment	-1,995	-75	-33		-2,104
Accumulated depreciation and impairment 31 December 2019	-6,663	-30,493	-5,252		-42,408

Book value 31 December 2019	**24,489**	**29,227**	**3,119**	**3,400**	**60,235**

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
Acquisitions	24,972	26,016			50,988
Increase		2,248	89	1,517	3,854
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	-167	-2,746	-337		-3,251
Accumulated depreciation and impairment 30 April 2019	-4,764	-27,959	-4,989		-37,712
Book value 30 April 2019	**26,562**	**30,306**	**3,364**	**3,674**	**63,906**

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 in the income statement immediately 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 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. 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 nature of the estimates depends on the business area the assets being tested are part of. 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.

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 cash-generating units (CGU). In accordance with Vapo's management structure, the CGUs are the operating segments. Goodwill is allocated to the following cash-generating units: Neova AB and Tootsi Turvas AS as part of the Energy segment and the Kekkilä-BVB subgroup as part of the Grow&Care segment. A summary of the allocation of goodwill and the weighted averages of the discount rates used is presented in the table below.

During the financial year 1 May 2019–31 December 2019, impairment of EUR 1.2 million was recognised on the goodwill allocated to the Energy segment and impairment of EUR 0.8 million was recognised on the goodwill allocated to the Grow&Care 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 in the other segments where a unit's recoverable amount would be lower than its carrying amount.

Allocation of goodwill to cash-generating units:

EUR 1,000	WACC	31 Dec. 2019	WACC	30 Apr. 2019
Energy	6.7%	366	5.7%	1,665
Grow&Care	5.3%	24,109	5.5%	24,897
Other	4.3%	0	4.3%	0
Total		24,475		26,562

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 2019	**38,034**	**89,846**	**409,561**	**434,756**	**23,618**	**995,815**
IFRS 16 acquisition cost 1 May 2019	**10,422**	**30,316**	**4,534**			**45,272**
Translation differences	44	275	1,137	1,143	53	2,652
Acquisition of subsidiaries						
Increase	1,560	4,301	34,025	18,626	19,681	78,192
Decrease	-2,398	-3,694	-25,929	-19,392	-4,188	-55,600
Transfers between items	-13	512	8,300	3,819	-14,422	-1,804
Cost 31 December 2019	47,648	121,556	431,628	438,953	24,743	1,064,528
Accumulated depreciation and impairment 1 May 2019	-972	-50,339	-274,464	-213,743		-539,518
Translation differences (+/-)		-140	-825	-604		-1,570
Accumulated depreciation on decrease and transfers		144	-523	1,755		1,376
Transfer to long-term assets held for sale	453					453
Depreciation for the financial period	-999	-5,624	-21,438	-7,774		-35,835
Impairment*		-13	-4,817	-29,971		-34,801
Accumulated depreciation and impairment 31 December 2019	-1,519	-55,972	-302,067	-250,338		-609,895
Book value 31 December 2019	**46,129**	**65,584**	**129,561**	**188,616**	**24,743**	**454,633**

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
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**

IFRS 16 right-of-use assets included in property, plant and equipment

EUR 1,000	**Land and water areas**	**Buildings and structures**	**Machinery and equipment**	**Total**
Cost 1 May 2019	10,422	34.394	41,336	86,152
Increase	1,553	4,049	23,322	28,924
Decrease	-147	-3,280	-24,876	-28,303
Depreciation for the financial period	-999	-3,483	-9,072	-13,554
Translation difference	5	14	14	33
Acquisition cost 31 December 2019	**10,834**	**31,694**	**30,724**	**73,252**

Property, plant and equipment in the comparison year includes assets leased through financial leases as follows:

EUR 1,000	**Buildings and structures**	**Machinery and equipment**	**Other tangible assets**	**Total**
Cost 1 May 2018		28,198	16,295	44,493
Increase	4,298	2,114		6,412
Decrease				
Accumulated depreciation	-220	-7,201	-2,606	-10,026
Accumulated depreciation on decreases				
Cost 30 April 2019	**4,078**	**23,112**	**13,690**	**40,879**

Impairment

The carrying amounts of long-term tangible and intangible right-of-use assets are assessed for impairment on the balance sheet date and whenever there is any indication of impairment. In impairment testing, the recoverable amount of the right-of-use asset is estimated. The recoverable amount is the fair value of the right-of-use asset less the expenses arising from its disposal or its value in use, whichever is higher. An impairment loss is recognised in the income statement immediately if the carrying amount of the right-of-use asset exceeds its expected recoverable amount.

Impairment recognised on a right-of-use asset is cancelled in the event of a material change in the estimates used to determine the recoverable amount. The value of the right-of-use asset following such cancellation of impairment cannot exceed the value that the right-of-use asset would have had without the impairment recognised in the previous years, less accumulated depreciation.

During the financial year 1 May 2019–31 December 2019, the Group recognised impairment totalling EUR 36.9 million on tangible right-of-use assets. EUR 26 million of this impairment was allocated to the fuels business and EUR 10.8 million to the heating business.

13. Shares in associates and joint ventures

EUR 1,000	31 Dec. 2019	30 Apr. 2019
Shares in associates	4,902	3,508
Shares in joint ventures	16,735	16,438
Non-depreciated goodwill included in joint ventures	3,296	3,296

Shares in associates and joint ventures

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

Name	Primary industry	Domicile	Holding (%)	
			31 Dec. 2019	30 Apr. 2019
Scandbio AB, joint venture	Manufacture and sale of solid wood fuels	Jönköping	50	50
Vapo Lämpövoima Ky	Intermediation of securities and raw material agreements	Vantaa	19.9	19.9

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		Vapo Lämpövoima Ky		Others	
EUR 1,000	31 Dec. 2019	30 Apr. 2019	31.12.2019	30.4.2019	31 Dec. 2019	30 Apr. 2019
Current assets	40,314	24,116	7 625	8 259	538	8,579
Long-term assets	20,103	19,145	10 684	591	209	812
Short-term liabilities	29,610	14,259	1 041	141	26	191
Long-term liabilities			257		338	338
Turnover	48,439	93,091	751	474	525	943
Profit/loss for the reporting period	148	1,857	-568	-291	64	-285
Dividends received during the period		2,409				
Net assets	30,807	29,002	17 011	8 709	383	8,862
Group's holding	50	50	20	20		
Group's share of net assets	15,403	14,501	8 505	4 355		
Goodwill	3,296	3,296				
Translation difference	-1,964	-1,359				
The associate's/joint venture's carrying amount in the consolidated balance sheet	16,735	16,438	3 532	1 791	1370	648

14. Other long-term financial assets

EUR 1,000	**31 Dec. 2019**	**30 Apr. 2019**
Cost at the beginning of the period	808	709
Increase	-0	131
Decrease	-82	-33
Cost at the end of the period	726	808
Book value at the end of the period	726	808

15. Long-term receivables

EUR 1,000	31 Dec. 2019	30 Apr. 2019
Long-term interest-bearing receivables		
Loan receivables from others	3,183	3,183
Long-term non-interest-bearing receivables		
From others	138	42
Long-term sales and other receivables total	**3,321**	**3,225**

16. Other long-term investments

The Group has no other long-term investments.

17. Deferred taxes

EUR 1,000	1 May 2019	Translation difference	Recognised in the income statement	Recognised in shareholders' equity	Acquired/divested companies	31 Dec. 2019
Itemisation of deferred tax assets						
Losses	167					167
Provisions	563		968			1,531
Other items	243		-1,415		-160	-1,332
Total	**974**		**-447**		**-160**	**367**

EUR 1,000	1 May 2019	Translation difference	Recognised in the income statement	Recognised in shareholders' equity	Acquired/divested companies	31 Dec. 2019
Itemisation of deferred tax liabilities						
Depreciation difference and provisions	9,243		-231			9,012
Fair value measurement of intangible and tangible assets in business combinations	9,390					9,390
Other items	-6,003		-1,520	-389		-7,911
Total	**12,630**		**-1,751**	**-389**		**10,490**

Deferred taxes on the balance sheet	
Deferred tax assets	367
Deferred tax liability	10,490
Net tax liability	10,123

EUR 1,000	1 May 2018	Translation difference	Recognised in the income statement	Other changes	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	Other changes	Acquired/divested companies	30 Apr. 2019
Itemisation of deferred tax liabilities						
Depreciation difference and provisions	14,973		-5,730			9,243
Fair value measurement of intangible and tangible assets in business combinations	2,716				6,674	9,390
Other accrual differences	0		-4,982		-1,021	-6,003
Total	**17,689**		**-10,712**		**5,653**	**12,630**

Deferred taxes on the balance sheet

Deferred tax assets	974
Deferred tax liability	12,630
Net tax liability	11,656

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 31 December 2019, the Group had EUR 8.3 million (30 April 2019: EUR 8.3 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 2019: EUR 1.6 million).

18. Inventories

EUR 1,000	**31 Dec. 2019**	**30 Apr. 2019**
Materials and supplies	54,629	46,968
Unfinished products	29	10,992
Finished products	135,014	87,678
Prepayments from inventories	620	356
Inventories total	190,291	145,994

19. Sales and other receivables

EUR 1,000	**31 Dec. 2019**	**30 Apr. 2019**
Sales receivables		
Sales receivables	72,000	94,344
Credit loss provision	-299	-208
Associates’ sales receivables	183	374
Total	71,883	94,510
Short-term other receivables and accrued income		
Loan receivables	207	200
Other short-term receivables	7,000	4,427
Short-term accrued income (from others)	4,443	3,981
Total	11,650	8,608
Financial assets measured at fair value through profit or loss		
Derivative instruments, no hedge accounting	3,369	4,118

Sales and other receivables total	**86,902**	**107,236**

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

EUR 1,000	31 Dec. 2019	30 Apr. 2019
EUR	59,805	75,214
USD	1,219	1,165
SEK	10,606	18,115
Other currencies	253	16
Total	**71,883**	**94,510**

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
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	460,827	94,343	**96**	0.10%
FY20198 (1 May–31 December 2019)	297,748	72,000	**79**	0.11%
Average			**77**	

Age distribution of due receivables

Sales receivables	Carrying amount	Expected credit loss	EUR
Not yet due	60,879	0.02%	12
Due under 30 days	6,122	0.07%	4
Due 31–60 days	1,535	1.00%	15
Due 61–91 days	590	3.00%	18
Due over 90 days	2,874	8.66%	249
Total	**72,000**		**298**
Credit loss provision 31 December 2019 IFRS 9			**299**

EUR 1,000	31 Dec. 2019	30 Apr. 2019
Not yet due	60,762	83,571
Due under 30 days	6,122	7,846
Due 31–60 days	1,535	843
Due 61–91 days	590	724

Due over 90 days	2,874	1,526
Total	71,883	94,510
Credit losses	**79**	**96**

20. Cash assets

EUR 1,000	31 Dec. 2019	30 Apr. 2019
Cash and cash equivalents	6,326	7,962

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 31 December 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	31 Dec. 2019	30 Apr. 2019
Long-term financial liabilities measured at amortised cost		
Bonds	178,574	79,109
Loans from financial institutions	33,004	82,377
Subordinated loans		5,000
Lease liabilities	66,850	
Financial leasing liabilities		32,334
Total	278,429	198,820
Short-term financial liabilities measured at amortised cost		
Bonds		
Loans from financial institutions	31,494	48,301
Overdraft facility	3,912	2,231
Commercial papers		17,998
Lease liabilities	10,802	
Financial leasing liabilities		9,370
Other liabilities to associates	246	262
Total	46,453	78,161

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

EUR 1,000	2020	2021	2022	2023	2024	2025 ->	Total
Bonds	0	0	0	0	110,000	70,000	180,000
Loans from financial institutions	20,000	504	30,569	731	731	453	52,988
Lease liabilities	12,592	10,072	9,517	8,485	7,107	38,664	86,437
Total	32,592	10,576	40,086	9,216	117,838	109,117	319,425

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.

Following the Group’s adoption of IFRS 16 on 1 May 2019, financial leasing liabilities according to IAS 17 are no longer reported. Instead, lease liabilities are presented in accordance with IFRS 16.

Financial leasing liabilities (the previous financial year as the comparison data)

EUR 1,000	30 Apr. 2019
Total amount of minimum rents	
In less than one year	9,540
In more than one year and not more than 5 years	13,555
Later than in five years	20,168
Minimum rents total	43,263

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

Summary of the terms of the liabilities

EUR 1,000	Nominal interest rate, %	Maturing in	Carrying amount 31 Dec. 2019	Nominal value 31 Dec. 2019	Carrying amount 30 April 2019	Nominal value 30 April 2019
Bonds	2.7%	2022–2030	178,574	180,000	79,109	80,000
Loans from financial institutions	1.5%	2020–2026	64,482	64,482	130,679	130,679
Lease liabilities (30 April 2019 financial leasing)	0.9–3.5%	2020–2050	77,652	86,679	41,704	43,263
Subordinated loans	5.0%				5,000	5,000
Commercial paper debt					17,998	18,000
Other liabilities	0.1%	2020–2021	4,173	4,173	2,492	2,492
Total			324,881	335,334	276,982	279,434

The bonds are senior unsecured bonds. Part of the loans from financial institutions (EUR 11 million) are secured. On the financial statements date, the value of the pledged collateral was EUR 22.6 million. The collateral consisted of receivables and inventories. The financing terms and changes during the financial year are described in more detail in note 27.

23. Long-term non-interest-bearing debt

EUR 1,000	**31 Dec. 2019**	**30 Apr. 2019**
Connection fee debt	6,812	6,193
Accounts payable		160
Advances received	479	583
Other liabilities	863	951
Total	**8,155**	**7,887**

24. Provisions

EUR 1,000	**Environmental expense provisions**	**Other provisions**	**Total**
Provisions 1 May 2019	7,269	260	7,529
Translation difference	72		72
Increases in provisions	549		549
Used provisions	-481	-16	-496
Provisions 31 December 2019	7,409	245	7,653

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
Provisions 30 April 2019	7,269	260	7,529

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. Of the provision, EUR 331,752.85 has been transferred to Nevel OÜ.

EUR 1,000	**31 Dec. 2019**	**30 Apr. 2019**
Liability shown in the balance sheet at the start of the period	4,806	4,866
Expenses in the income statement	348	184
Contributions made to the plan	-150	-202
Reclassification of items into other comprehensive income	0	-42
Liability shown in the balance sheet at the end of the financial year	5,004	4,806
Actuarial assumptions		
Discount rate, %	1.00%	1.00%

26. Accounts payable and other short-term debt

EUR 1,000	**31 Dec. 2019**	**30 Apr. 2019**
Short-term financial liabilities measured at amortised cost		
Advances received	15,008	7,816
Accounts payable	65,029	38,672
Accounts payable to associates	736	232
Total	80,774	46,720
Other liabilities	11,618	14,894
Interest liabilities and other financial liabilities	3,834	2,988
Salary and social expense allocations	9,343	10,385
Other accrued expenses	14,826	9,861

Financial liabilities measured at fair value through profit or loss		
Derivative instruments, no hedge accounting	1,616	460
Accounts payable and other short-term debt	**122,011**	**85,309**

Material items included in other liabilities		
Value added tax liability	7,749	8,858
Other employee expense liabilities	3,869	6,036
Total	11,618	14,894

Material items included in accrued expenses		
Accrual of purchase invoices	13,807	9,656
Other accrued expenses	1,019	205
Total	14,826	9,861

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

EUR 1,000	**31 Dec. 2019**	**30 Apr. 2019**
EUR	57,607	31,235
USD	303	5
GBP	3	6
SEK	6,699	7,407
Other currencies	417	19
Accounts payable, external, other currencies	**65,029**	**38,672**

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	31 Dec. 2019				30 Apr. 2019			
	Position	Hedging	**Net**	**Hedging %**	Position	Hedging	**Net**	**Hedging %**
DKK	-	-	**-**	**-**	7.1	0.0	**7.1**	**0%**
EUR	5.0	4.7	**0.2**	**95%**	3.4	3.4	**0.0**	**100%**
SEK	81.4	81.4	**0.0**	**100%**	82.4	82.4	**0.0**	**100%**
USD	1.1	1.1	**0.1**	**94%**	1.0	1.0	**0.0**	**100%**
Total	**87.5**	**87.2**	**0.3**	**99%**	**93.9**	**86.8**	**7.1**	**92%**

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	31 Dec. 2019	30 Apr. 2019
SEK	36.7	36.7

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		31 Dec. 2019	30 Apr. 2019
Euro strengthens by 10%	+/-	**-0.03**	**-0.7**
Euro weakens by 10%	+/-	**0.03**	**0.7**

Liquidity and refinancing risk

The Group's liquidity remained good during the financial year. In October 2019, the Group's parent company Vapo Oy issued a EUR 100 million bond that was well received in the market. The bond bears interest at a fixed rate of 2.125% and it has a maturity of five years. Interest-bearing liabilities increased during the financial year by approximately EUR 50 million, mainly due to the impact of the Group adopting the IFRS 16 accounting standard. IFRS 16 requires lessees to recognise all leases in the balance sheet as liabilities and right-of-use assets. The EUR 150 million commercial paper programme was entirely unused at the end of the financial year. 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 43.1 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%. Bonds also include a change of control clause but they do not include a financial covenant.

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	4.5	153.1	89.0
Financial expenses	4.9	20.7	14.3
Short-term loans			
Repayments	20.0	-	-
Financial expenses	0.6	-	-
Derivative liabilities			
Income	83.5	1.7	0.0
Expenses	85.7	0.3	0.0
Total	**199.2**	**175.7**	**103.3**

Interest rate risk

The Group's interest-bearing net debt stood at EUR 315.2 million (EUR 265.6 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 31 December 2019, including derivative instruments, was 5.4 (4.5) years. The weighted average interest rate of long-term loans including hedging was 2.44 (2.6) 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 +0.3 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	**31 Dec. 2019**	**30 Apr. 2019**
Interest-bearing debt	324,882	276,982
Interest-bearing receivables	-3,390	-3,383
Cash and cash equivalents	-6,326	-7,962
Net debt	315,166	265,636
Shareholders’ equity total	348,481	403,980
Net gearing	90.4%	65.8%

28. Fair values of financial assets and liabilities

EUR 1,000	**31 Dec. 2019**			**30 Apr. 2019**		
Agreement	Positive Fair value	Negative Fair value	Net Fair value	Positive Fair value	Negative Fair value	Net Fair value
Interest rate derivatives, no hedge accounting					-36	-36
Currency derivatives, no hedge accounting	153		153	465	-36	430
Electricity derivatives, no hedge accounting	588	-91	498	830	-394	436
Emission right derivatives, no hedge accounting	915		915	2,828		2,828
Short-term derivative agreements	**1,656**	**-91**	**1,565**	**4,124**	**-465**	**3,658**

EUR 1,000	31 Dec. 2019	30 Apr. 2019
Nominal value of interest rate derivatives		10,000
Nominal value of currency derivatives	86,992	89,934
Nominal value of electricity derivatives	4,879	5,430
Nominal value of emission rights	2,218	1,660
Short-term	**94,089**	**107,024**

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. There were no transfers of instruments between the hierarchy levels.

	31 Dec. 2019				30 Apr. 2019			
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	1,656	0	1,656	0	4,124	0	4,124	0
Total	**1,656**	**0**	**1,656**	**0**	**4,124**	**0**	**4,124**	**0**
LIABILITIES MEASURED AT FAIR VALUE								
Financial liabilities measured at fair value through profit or loss -								
held for trading								
Derivatives - no hedge accounting	-91	0	-91	0	-465	0	-465	0
Total	**-91**	**0**	**-91**	**0**	**-465**	**0**	**-465**	**0**

29. Subsidiaries and significant non-controlling interests

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

		Holding, %	
Country	**Company**	Group	Parent company
Australia	BVB Australia Pty Ltd	53%	0%
Belgium	Haasnot BVBA	70%	0%
Spain	Kekkilä Iberia S.L.	70%	0%
The Netherlands	Bas van Buuren B.V.	70%	0%
	BVB Gardening B.V.	70%	0%
	BVB Landscaping B.V.	70%	0%
	BVB Research B.V.	70%	0%
	BVB Substrates B.V.	70%	0%
	Bogro B.V.	70%	0%
	Euroveen B.V.	70%	0%
	Euroveen Logistics B.V.	70%	0%
	Geluc B.V.	70%	0%
	Veenbas Potgrond B.V.	70%	0%
Germany	BVB Gardening GmbH	70%	0%
Finland	Grow & Care Materials Oy	70%	0%
	Kekkilä-BVB Oy	70%	70%
	Kekkilä Oy	70%	0%
	Nevel Oy	100%	100%
	Piipsan Turve Oy	48%	48%
	Salon Energiantuotanto Oy	100%	0%
	Suo Oy	100%	100%
	Vapo Clean Waters Oy	100%	100%
Sweden	BVB Substrates AB	70%	0%
	Hasselfors Garden AB	70%	0%
	Neova AB	100%	100%
	Nevel AB	100%	0%
Estonia	AS Tootsi Turvas	100%	100%
	Kekkilä Eesti Oü	70%	0%
	Nevel Eesti Oü	100%	100%

As the Group has control over Piipsan Turve Oy based on a shareholders' agreement, the company is consolidated as a subsidiary. Non-controlling interests own 51% (51%) of the company. Among Vapo Oy's subsidiaries, Kekkilä-BVB Oy has non-controlling interests with a shareholding of 30% (30%). Vapo A/S was merged with Vapo Oy on 30 April 2019.

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	
	31 Dec. 2019	**30 Apr. 2019**	**31 Dec. 2019**	**30 Apr. 2019**
Subsidiaries in which there are non-controlling interests				
Kekkilä-BVB	679	-1,386	39,915	40,485
Other	-120	53	725	330
Total	559	-1333	40,640	40,815
	0.0%	0.3%	11.7%	10.1%

30. Contingent commitments

EUR 1,000	**31 Dec. 2019**	**30 Apr. 2019**
Loans with real security		
Loans from financial institutions	11,506	18,301
Guarantees given on behalf of own commitments		
As collateral for own debt		
Pledged inventories and fixed assets	22,577	18,301
Liabilities for other own commitments		
Guarantees	19,617	14,438
Total	53,700	51,040
Contingent commitments on behalf of Group companies		
Guarantees	38,462	9,676
Other rental liabilities		
Due within the next one-year period		1,524
Due later, within the next 1–5 years		3,112
Due later, after more than 5 years		1,233
Total		5,869

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	12	2019
Investment completed in 2011	314	2020
Investment completed in 2012	46	2021
Investment completed 012013–042014	48	2022
Investment completed 052014–042015	159	2023
Investment completed 052015–042016	367	2024
Investment completed 052016–042017	669	2025
Investment completed 052017–042018	3,307	2026
Investment completed 052018–042019	1,100	2027
Investment completed 052019–122019	405	2028
Total	**6,428**	

The Group has a commitment related to investments in Vapo Lämpövoima Ky. The unpaid commitments on 31 December 2019 amounted to EUR 6.4 million.

31. IFRS16

Amounts entered in the income statement

The income statement includes the following amounts related to leases

2019 Leases IFRS 16	**5–12/2019**
Interest expenses	-1,255
Expense relating to short-term leases	-662
Expense relating to leases of low-value assets	-189
Expense relating to variable lease payments	-909
Depreciation	
Land areas	-999
Buildings	-3,263
Machinery and equipment	-1,623
Other tangible assets	-543
Total depreciation	-6,428

Amount affecting cash flow

EUR 1,000	**5–12/2019**
Cash outflow for leases	-14,636

The interest expenses arising from leases are included in the interest expenses presented in note 9.

32. 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 auditor.

A list of the Group's significant associates and joint ventures is provided in Note 13 "Shares in associates and joint ventures".

Transactions with, receivables from and liabilities to related parties

EUR 1,000	31 Dec. 2019	30 Apr. 2019
Associates		
Sales	426	1,109
Purchases		
Receivables	183	374
Liabilities	246	262
Joint ventures		
Sales	5	15
Purchases	-142	-721
Receivables	1	1
Liabilities		232

Management salaries and fees are itemised in Note 6 "Expenses arising from staff benefits".

Senior management's employment benefits and loan receivables

The senior management comprises the Board of Directors and the CEO.

The CEO has an incentive bonus linked to financial targets for the financial year and long-term incentive schemes, each amounting to, at a maximum, 40 per cent 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 operating margin, operating result 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.

The Group CEO is covered by a pension scheme pursuant to the Employees' Pensions Act. In addition, the CEO is entitled to a defined contribution collective supplementary pension insurance to which Vapo contributes an amount equivalent to 10 per cent of the CEO's total annual salary (12 x monthly salary), excluding bonuses, every year.

There were no loan receivables from the senior management on 31 December 2019 and 30 April 2019.

Parent company's financial statements, FAS

Parent company's income statement

EUR 1,000	Note	5–12/2019	5/2018–4/2019
TURNOVER	2	114,676	246,345
Change in stock levels of finished and unfinished products		31,731	32,250
Production for own use		0	20
Other operating income	3	6,538	11,259
Materials and services	4	-79,201	-129,549
Expenses arising from staff benefits	5	-16,369	-26,540
Depreciation and impairment	6	-43,829	-26,145
Other operating expenses	7	-47,869	-84,217
OPERATING PROFIT		-34,322	23,423
Financial income	8	2,126	3,095
Financial expenses	8	-6,440	-9,878
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES		-38,636	16,639
Appropriations	9	-8,132	26,145
Direct taxes	10	7,579	-7,579
PROFIT/LOSS FOR THE PERIOD		-39,189	35,205

Parent company's balance sheet

EUR 1,000	Note	31 Dec. 2019	30 Apr. 2019
ASSETS			
Non-current assets			
Intangible assets	11	6,930	9,395
Tangible assets	12	191,315	284,884
Investments	13	149,111	156,032
		347,356	450,312
Current assets			
Inventories	14	121,446	88,304
Long-term receivables	15	119,306	79,621
Short-term receivables	16	55,023	40,676
Cash on hand and in the bank		2,771	3,826
		298,547	212,427
ASSETS		645,902	662,739
LIABILITIES			
Shareholders' equity			
Share capital		50,456	50,456
Other funds		30,096	30,096
Retained earnings		197,857	166,652
Profit/loss for the period		-39,189	35,205
Dividend distribution		-12,300	-4,000
Shareholders' equity total	17	226,921	278,410
Accrual of appropriations		22,001	35,317
Mandatory provisions	18	2,774	2,816
Liabilities			
Long-term interest-bearing liabilities	19	261,563	211,486
Long-term non-interest-bearing liabilities	19	189	6,899
Current interest-bearing liabilities	20	49,818	78,588
Current non-interest-bearing liabilities	20	82,637	49,223
Liabilities total		394,206	346,196
LIABILITIES		645,902	662,739

Parent company's cash flow statement

EUR 1,000	5-12/2019	5/2018-4/2019
Cash flow from operating activities		
Profit/loss for the period	-39,189	35,205
Adjustments to the result for the period		
Depreciation and impairment	43,829	26,145
Financial income and expenses	4,324	6,784
Income taxes	-7,579	7,579
Other adjustments	5,705	-34,956
Adjustments to the profit/loss for the period total	46,279	5,552
Change in working capital		
Increase (-)/decrease (+) in inventories	-33,142	-33,348
Increase (-)/decrease (+) in short-term non-interest-bearing business receivables	-4,162	7,560
Increase (+)/decrease (-) in short-term non-interest bearing debt	32,173	4,695
Change in provisions	-42	-454
Change in working capital total	-5,173	-21,548
Interest paid	-5,806	-9,031
Interest received	2,163	3,187
Other financial items	-763	494
Taxes paid	-687	-3,040
Cash flow from operating activities	**-3,175**	**10,819**
Cash flow from investing activities		
Investments in tangible and intangible assets	-14,178	-24,769
Proceeds from disposal of tangible and intangible assets	8,497	11,893
Subsidiary shares bought	-774	-23,129
Subsidiary shares sold		-0
Investments consolidated using the equity method		-0
Proceeds from investments consolidated using the equity method	546	
Other investments	-1,741	-1,791
Proceeds from disposal of other investments		
Increase (-)/decrease (+) in long-term loan receivables	-38,076	-50
Repayments of loans receivable	38,279	
Increase (-)/decrease (+) in short-term loan receivables	-758	-5,157
Dividends received from operating activities	120	18
Cash flow from investing activities	**-8,085**	**-42,985**
Cash flow from financing activities		
Loans taken out		
Increase (+)/decrease (-) in short-term loans	-60,606	12,581

Proceeds from long-term loans	100,000	134
Repayment of long-term loans	-16,890	-331
Dividends paid	-12,300	-9,000
Repayments of loans receivable		
Group contributions paid		
Cash flow from financing activities	**10,205**	**3,384**
Change in cash and cash equivalents	**-1,055**	**-28,782**
Cash and cash equivalents opening balance	3,826	32,573
Change in cash and cash equivalents	-1,055	-28,782
Cash and cash equivalents at end of period	2,771	3,826
Cash and cash equivalents, other arrangements	0	-35

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.
All derivatives are measured and recorded at fair value on the transaction and closing date. Fair value measurement is based on quoted market prices. Realised and unrealised gains and losses from derivative instruments are recorded in the financial items of the statement of income.

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	5–12/2019	5/2018–4/2019
Finland	114,406	242,086
Other countries	271	4,259
Total	114,676	246,345

3. Other operating income

EUR 1,000	5–12/2019	5/2018–4/2019
Rental revenue	239	250
Grants and public subsidies	-11	77
Gain on merger, internal	0	19
Capital gains from equity	3,346	9,855
Other income	2,963	1,058
Total	6,538	11,259

4. Materials and services

EUR 1,000	5–12/2019	5/2018–4/2019
Purchases during the period	-39,789	-61,521
Change in inventories	3,136	1,005
External services	-42,548	-69,033
Total	-79,201	-129,549

5. Notes concerning personnel and members of administrative bodies

EUR 1,000	5–12/2019	5/2018–4/2019
Personnel expenses		
Salaries and fees	-13,383	-21,772
Pension expenses	-2,662	-3,883
Other personnel expenses	-324	-885
Total	-16,369	-26,540
Management salaries, fees and fringe benefits total		
CEO and CEO’s deputy	394	415
Members of the Board of Directors	167	189
Members of the Supervisory Board	12	18
Other Management Team members	1,316	1,392
Total	1,889	2,014
Number of personnel		
Average during the financial period	387	368

6. Depreciation and impairment

EUR 1,000	5–12/2019	5/2018–4/2019
Intangible rights	-1,260	-2,193
Buildings and structures	-675	-1,458
Machinery and equipment	-6,081	-11,457
Other tangible assets	-10,577	-10,842
Planned depreciation	-18,593	-25,951
Impairment of equity assets	-25,237	-193
Total	-43,829	-26,144

7. Other operating expenses

EUR 1,000	5–12/2019	5/2018–4/2019
Rents	-4,826	-7,068
Cost of sales freight	-17,783	-35,206
ICT and other services	-9,090	-14,499
External transport	-4,996	-7,495
Capital losses from equity	-919	-1,063
Audit costs, actual audit	-103	-112
Audit costs, attestations and statements	0	-1
Audit costs, other expert services	-56	-46
Audit costs, tax advice	-29	0
Audit costs total	-187	-159
Other expenses	-10,068	-18,727
Other operating expenses total	-47,869	-84,217

8. Financial income and expenses

EUR 1,000	5–12/2019	5/2018–4/2019
Dividend income from Group companies	120	17
Dividend income from others	0	1
Income from shares	120	18
Interest income from Group companies	2,122	3,093
Interest income from others	46	78
Other financial income from others	0	0
Other interest and financial income	2,168	3,171
Interest expenses to Group companies	0	-168
Interest expenses to others	-5,614	-8,426
Other financial expenses to others	-758	-526
Other interest and financial income	-6,372	-9,120
Financial income and expenses total	-4,083	-5,932
Foreign exchange gains	-163	-94
Foreign exchange losses	-9	-9
Exchange rate differences in financing	-172	-103
Impairment of Group shares and receivables	-59	-749

Financial income total	2,126	3,095
Financial expenses total	-6,440	-9,878

9. Appropriations

EUR 1,000	5–12/2019	5/2018–4/2019
Change in depreciation difference		
Intangible assets	-1,721	2,189
Buildings and structures	184	971
Machinery and equipment	-878	11,490
Other tangible assets	-5,718	11,495
Total	-8,132	26,145

10. Direct taxes

EUR 1,000	5–12/2019	5/2018–4/2019
Income taxes from actual operations	7,579	-7,579

11. Intangible assets

EUR 1,000	Intangible rights	Other intangible assets	Prepayments	Total
Cost 1 May 2019	30,735	1,878	2,914	35,527
Increase	404		773	1,177
Decrease	-1,026	-1,802	-334	-3,161
Transfers between items	246		-246	0
Cost 31 December 2019	30,359	76	3,108	33,543
Accumulated depreciation 1 May 2019	-25,762	-369		-26,132
Depreciation for the financial period	-1,222	-28		-1,249
Impairment	-75			-75
Accumulated depreciation and impairment 31 December 2019	-26,540	-73	0	-26,613
Book value 31 December 2019	**3,819**	**3**	**3,108**	**6,930**

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
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**

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 2019	32,551	47,777	242,849	305,030	18,051	646,257
Increase	5	0	1,204		10,296	11,506
Decrease	-3,679	-25,606	-83,680	-8,975	-3,834	-125,774
Transfers between items		29	1,747	4,543	-6,320	0
Cost 31 December 2019	28,876	22,200	162,121	300,598	18,194	531,989
Accumulated depreciation 1 May 2019	-520	-29,145	-174,400	-157,308		-361,373
Depreciation for the financial period		-678	-6,080	-9,433		-16,190
Impairment		-13	-799	-24,332		-25,144
Accumulated depreciation 31 December 2019	-520	-17,682	-133,318	-189,153		-340,673
Book value 31 December 2019	**28,357**	**4,518**	**28,802**	**111,445**	**18,194**	**191,316**

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
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**

13. Investments

EUR 1,000	Shares in Group companies	Shares in associates	Other shares and participations	Total
Cost 1 May 2019	152,897	648	2,487	156,032
Increase	774		1,741	2,515
Decrease				0
Decrease conversions, intra-Group mergers and acquisitions				0
Decrease, intra-Group mergers and acquisitions	-5,133	-546	-3,758	-9,437
Impairment				0
Book value 31 December 2019	**148,539**	**102**	**470**	**149,111**

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
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**	**4,278**	**157,823**

14. Inventories

EUR 1,000	31 Dec. 2019	30 Apr. 2019
Materials and supplies	18,800	17,591
Work-in-progress	0	7,498
Finished products	102,146	62,925
Prepayments from inventories	499	290
Total	121,446	88,304

15. Long-term receivables

EUR 1,000	31 Dec. 2019	30 Apr. 2019
Receivables from Group companies		
Loan receivables	116,123	76,788
Loan receivables from others	3,183	3,183
Total	119,306	79,971

16. Short-term receivables

EUR 1,000	31 Dec. 2019	30 Apr. 2019
Receivables from Group companies		
Sales receivables	5,402	1,865
Loan receivables	15,646	12,388
Accrued income	2,781	-61
Receivables from associates		
Sales receivables	131	374
Receivables from others		
Sales receivables	22,329	22,154
Loan receivables	200	200
Accrued income	6,099	2,786
Other receivables	2,436	970
Total	55,023	40,676

Essential accrued income items		
Allocated taxes	3,087	0
Other accrued income from sales	2,622	1,502
Other accrued income from expenses	391	1,284
Total	6,099	2,786

17. Shareholders' equity

Restricted equity

EUR 1,000	31 Dec. 2019	30 Apr. 2019
Share capital	50,456	50,456
TOTAL RESTRICTED EQUITY ON 31 DECEMBER	50,456	50,456

Unrestricted equity

EUR 1,000	31 Dec. 2019	30 Apr. 2019
Other funds	30,096	30,096
Retained earnings at the start of the financial period	197,857	171,652
Dividend distribution	-12,300	-9,000
Profit for the period	-39,189	35,205
TOTAL UNRESTRICTED EQUITY ON 31 DECEMBER	176,465	227,953

Account of funds available for the distribution of profit		
Retained earnings	185,557	162,652
Profit/loss for the period	-39,189	35,205
- capitalised development expenditure for unfinished	-2,260	-2,071
DISTRIBUTABLE FUNDS	144,108	195,786

18. Mandatory provisions

EUR 1,000	31 Dec. 2019	30 Apr. 2019
Provision due to environmental obligations	2,774	2,816
Total	**2,774**	**2,816**

19. Long-term liabilities

EUR 1,000	31 Dec. 2019	30 Apr. 2019
Bonds	178,574	79,109
Hybrid bond	50,000	50,000
Loans from financial institutions	32,988	82,378
Connection fees	189	6,156
Long-term accounts payable	0	160
Advances received	0	583
Total	**261,751**	**218,386**

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

EUR 1,000	2020	2021	2022	2023	2024	2025 ->	Total
Bonds	0	50,000	0	0	110,000	70,000	230,000
Loans from financial institutions	20,000	504	30,569	731	731	453	52,988
Lease liabilities	1,920	1,795	1,959	2,141	1,108	6,591	15,515
Total	**21,920**	**52,299**	**32,528**	**2,872**	**111,839**	**77,044**	**298,503**

20. Current liabilities

EUR 1,000	31 Dec. 2019	30 Apr. 2019
Loans from financial institutions	23,911	30,000
Advances received	13,730	7,544
Accounts payable	45,784	14,135
Liabilities to Group companies:		
Accounts payable	630	741
Other liabilities	25,661	28,098
Accrued expenses	2,410	366
Liabilities to joint ventures:		
Other liabilities	246	262
Other liabilities	5,068	26,878
Accrued expenses	15,007	19,789
Total	**132,446**	**127,812**

Material items included in accrued expenses		
Short-term interest liabilities	3,028	3,220
Accrued personnel expenses	3,653	5,620
Accrual of purchase invoices	8,325	5,770
Total	**15,007**	**14,610**

21. Contingent commitments

EUR 1,000	31 Dec. 2019	30 Apr. 2019
Other guarantees given on behalf of own commitments		
Guarantees	10,356	10,090
Contingent commitments on behalf of Group companies		
Guarantees	38,271	9,676
Other rental liabilities		
Rental liabilities maturing in less than one year	0	818
Rental liabilities maturing within 1–5 years	0	2,432
Rental liabilities maturing later	0	1,233
Total	**0**	**4,483**

	31 Dec. 2019		30 Apr. 2019	
EUR 1,000	**Nominal value**	**Fair value**	**Nominal value**	**Fair value**
Interest rate derivatives			10,000	-35
Currency derivatives	81,280	109	82,755	406
Electricity derivatives	4,879	498	5,430	436
Emission right derivatives	2,218	915	1,660	2,828
Total	**88,376**	**1,522**	**99,845**	**3,635**

31 Dec. 2019

MEUR	< 1 year	1–5 years	> 5 years
Income	81.7	-0.3	0.0
Expenses	-80.9	-1.7	0.0
Total	**0.7**	**-1.9**	**0.0**

The management of financial risks is described in more detail in note 27 to the consolidated financial statements.

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 10.7 million.

Year of payment	Lease amount (based on 2019)	Number of agreements	Year of payment	Lease amount (based on 2019)	Number of agreements	Year of payment	Lease amount (based on 2019)	Number of agreements
2020	993,999	873	2034	230,508	150	2048	31,501	19
2021	986,790	858	2035	175,136	109	2049	30,224	18
2022	860,403	632	2036	157,962	100	2050	29,771	17
2023	814,838	616	2037	136,456	84	2051	25,374	9
2024	782,982	585	2038	126,904	78	2052	25,163	8
2025	699,261	496	2039	119,807	72	2053	25,163	8
2026	648,043	472	2040	96,533	54	2054	15,534	7
2027	603,592	414	2041	73,700	46	2055	15,534	7

2028	574,675	401	2042	67,389	41	2056	10,780	6
2029	548,072	383	2043	65,924	39	2057	10,780	6
2030	491,515	346	2044	47,002	34	2058	10,780	6
2031	423,623	310	2045	45,087	30	2059	10,780	6
2032	327,393	226	2046	37,707	25	2060	0	0
2033	299,921	208	2047	36,653	21	2061		

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	1	2019
Investment completed in 2011	0	2020
Investment completed in 2012	0	2021
Investment completed 012013–042014	0	2023
Investment completed 052014–042015	0	2024
Investment completed 052015–042016	0	2025
Investment completed 052016–042017	0	2026
Investment completed 052017–042018	0	2027
Investment completed 052018–042019	0	2028
Investment completed 052019–122019	0	0
Total	**1**	

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 %
Profit before taxes rolling 12 months - income tax X 100
(Shareholders' equity + minority interest) on average

Liquidity
Short-term on-interest bearing receivables
Short-term non-interest-bearing liabilities

Equity ratio %
Shareholders' equity + minority interest + capital loan X 100
Balance sheet total – advances received

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

Gearing %
Interest-bearing net debt X 100
Shareholders' equity + minority interest

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 2016–2019

EUR million	04/2016	04/2017	04/2018	04/2019	12/2019
Turnover	459.8	392.1	419.8	460.8	297.7
Growth %	-5.6	-5.0	7.1	9.8	32.4
Operating margin (EBITDA)	43.1	56.9	61.1	74.1	37.0
% of turnover	9.4	14.5	14.5	16.1	12.4
Depreciation	-35.0	-35.6	-35.7	-41.5	-38.5
Impairment	-0.8	-2.4	-0.9	-0.2	-38.9
Operating profit (EBIT)	8.6	20.0	26.3	33.3	-40.4
% of turnover	1.9	5.1	6.3	7.2	-13.6
Operating profit before impairment	9.4	22.4	27.2	33.5	-1.5
% of turnover	2.1	5.7	6.5	7.3	-0.5
Net financial items	-9.7	-9.8	-6.0	-2.8	-7.8
Profit/loss before taxes	-1.1	10.2	20.3	30.5	-48.2
Taxes	-3.4	-2.0	-2.7	-5.3	8.0
Profit/loss for the reporting period	-4.4	8.1	17.6	25.2	-40.2
Return on invested capital %	1.2	3.0	4.3	5.4	-1.7
Return on invested capital before impairment %	1.4	3.4	4.4	5.4	4.1
Restricted capital on average	695.8	656.9	613.2	620.8	676.4
Turnover of restricted capital (turnover/restricted capital on average)	0.7	0.6	0.7	0.7	0.8
Average working capital	163.4	138.1	112.6	122.8	144.8
Average working capital % of turnover	35.5	35.2	26.8	26.7	48.6
Restricted capital at the end of the year	669.8	633.9	578.9	691.8	677.9
Working capital at the end of the year	140.2	125.6	88.0	133.7	141.4
Gross investments	38.5	39.6	31.3	62.7	42.8
% of turnover	8.4	10.1	7.5	13.6	14.4
Gross investments/depreciation	1.1	1.1	0.9	1.5	1.1
Operating margin	43.1	56.9	61.1	74.1	37.0
+/- Change in working capital	39.6	14.7	37.6	-45.7	10.3
- Net investments	-21.9	1.6	-25.0	-50.7	-26.3
Free cash flow before taxes	60.7	73.2	73.6	-22.3	21.0
Balance sheet total	795.0	812.4	697.5	805.8	828.5
Shareholders’ equity	288.2	339.7	347.9	404.0	348.5
Shareholders’ equity (average)	296.1	313.0	341.8	360.8	374.9
Interest-bearing debt	384.5	368.5	242.6	277.0	324.9
Interest-bearing net debt	366.6	269.6	206.2	265.6	315.2
Equity ratio %	37.6	43.0	51.2	51.3	42.9
Gearing %	127.2	79.4	59.3	65.8	90.4
Interest-bearing net debt/operating margin	8.5	4.7	3.4	3.6	4.0
Liquidity	2.9	4.4	2.8	2.8	2.3
Return on equity %	-1.5	2.6	5.2	7.0	-5.1
Dividend distribution	4.0	4.0	7.3	12.3	12.3
Dividend % of profit *	-90.0	49.3	41.1	48.7	-30.6
Average number of employees	914	773	758	869	1,050
Key figures per share					
Number of shares	30,000	30,000	30,000	30,000	30,000
Earnings/share, EUR *	-146	271	586	840	-1,320
Shareholders’ equity/share, EUR	9,571	11,311	11,583	12,208	10,261
Dividend/share, EUR	133	133	242	408	410

* = profit attributable to owners of the parent company

Note! The duration of the financial year 1 May 2019–31

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

Vantaa, 27 February 2020, Board of Directors of Vapo Oy

Jan Lång Markus Tykkyläinen
Chair Vice Chair

Tuomas Hyyryläinen Juhani Järvelä

Risto Kantola Kirsi Puntila

Minna Smedsten Maija Strandberg

Vesa Tempakka
CEO

Auditor's note

A report on the audit has been issued today.

Helsinki, 27 February 2020

KPMG Oy Ab

Ari Eskelinen, APA