Management report 2020

Aspo Plc has released a separate 2020 Corporate Governance Statement. In addition, Aspo will release a report on non-financial information as required by the Finnish Accounting Act in the form of its Sustainability Report simultaneously with this Management Report. Both reports will be released on the company's website at www.aspo.com.

ASPO'S OPERATING MODEL

Aspo is a conglomerate that creates value by developing and internationalizing businesses in Northern Europe and growth markets. Aspo's value comes from its wholly owned independent businesses, which specialize in demanding B-to-B customers. ESL Shipping, Leipurin, Telko and Kauko are strong business brands in the field of trade and logistics, and they aim for the leading position in their respective markets. Aspo develops its group structure and businesses responsibly and sustainably in the long term.

In 2020, Aspo's reportable businesses were ESL Shipping, Leipurin and Telko. Kauko is reported as part of Telko's figures. Other operations consist of Aspo Group's administration, the financial and ICT service center, and a small number of other functions not covered by businesses.

OPERATING ENVIRONMENT IN 2020

In 2020, the operating environment was historically challenging and very difficult to foresee. The coronavirus pandemic affected the operating environment rapidly and significantly, as the impact of the pandemic and resulting restrictions reduced demand for products and services steeply. Changes in exchange rates had a negative impact on the development of net sales. For example, the Russian ruble was devalued by more than 30% during the year, reducing net sales converted into euros. Fluctuations in oil prices had an impact on the production of raw materials and the prices of semi-finished and finished products. Decelerated and partially emptied industrial supply chains also had an impact on demand for logistics services. The operating environment started to recover strongly in the fall and towards the end of the year, while it is still difficult to estimate for how long movement and financial restrictions that reduce business operations remain in force.

ASPO GROUP'S KEY FIGURES

	2020	2019	2018	2017	2016
Net sales, MEUR	**500.7**	587.7	540.9	502.4	457.4
Profit for the period, MEUR	**13.4**	16.1	14.2	19.4	15.9
% of net sales	**2.7**	2.7	2.6	3.9	3.5
Earnings per share (EPS), EUR	**0.39**	0.47	0.42	0.56	0.49
Net cash from operating activities	**65.0**	52.5	20.3	17.4	16.2
Alternative key figures					
Operating profit, MEUR	**19.3**	21.1	20.6	23.1	20.4
% of net sales	**3.9**	3.6	3.8	4.6	4.5
Profit before taxes, MEUR	**14.8**	18.2	16.4	21.1	17.3
% of net sales	**3.0**	3.1	3.0	4.2	3.8
Return on equity (ROE), %	**11.4**	13.5	12.4	17.1	14.6
Equity ratio, %	**30.1**	30.1	29.5	35.6	37.4
Gearing, %	**149.0**	162.2	154.4	103.9	89.8
Free cash flow	**56.0**	45.2	-34.8	0.9	10.1

1) The comparability of the key figures is affected by the adoption of IFRS 16 Leases on January 1, 2019.
2) Figures from 2018 include an impairment loss of EUR 4.8 million recognized on Kauko's goodwill.
3) Figures from 2019 are affected by the decision issued by the Administrative Court in December 2019 to reduce the additional taxes imposed on Telko in 2015, which increased the financial income, in particular, and improved earnings per share by EUR 0.05.
4) Accounting principles for the key figures are presented on Page 60.

NET SALES BY SEGMENT

	2020 MEUR	2019 MEUR	Change MEUR	Change %
ESL Shipping	**148.4**	175.0	-26.6	-15.2
Leipurin	**101.0**	115.7	-14.7	-12.7
Telko	**251.3**	297.0	-45.7	-15.4
Total net sales	**500.7**	587.7	-87.0	-14.8

NET SALES BY MARKET AREA

	2020 MEUR	2019 MEUR	Change MEUR	Change %
Finland	**176.9**	195.1	-18.2	-9.3
Scandinavia	**77.9**	84.8	-6.9	-8.1
Baltic countries	**46.1**	57.9	-11.8	-20.4
Russia, other CIS countries and Ukraine	**141.5**	171.2	-29.7	-17.3
Other countries	**58.3**	78.7	-20.4	-25.9
Total net sales	**500.7**	587.7	-87.0	-14.8

OPERATING PROFIT BY SEGMENT

	2020 MEUR	2019 MEUR	Change MEUR	Change %
ESL Shipping	**7.6**	14.6	-7.0	-47.9
Leipurin	**1.4**	3.0	-1.6	-53.3
Telko	**14.9**	8.0	6.9	86.3
Other operations	**-4.6**	-4.5	-0.1	-2.2
Total	**19.3**	21.1	-1.8	-8.5

EARNINGS

Aspo Group's net sales decreased from the previous year to EUR 500.7 (587.7) million. The clear decrease in net sales resulted from the exceptional market situation caused by the coronavirus pandemic, which reduced customer demand significantly in all of the Group's businesses.

Despite the coronavirus pandemic and related restrictions, Aspo Group's operating profit remained nearly at the 2019 level, being EUR 19.3 (21.1) million.

Earnings per share for the financial year decreased to EUR 0.39 (0.47). The decision issued by the Administrative Court in December 2019 to reduce the additional taxes imposed on Telko in 2015 improved earnings per share by EUR 0.05 in 2019. Equity per share was EUR 3.63 (3.92).

In 2020, the Group's net sales decreased in all market areas. In Finland and Scandinavia, the decrease in net sales remained at less than 10%, while the decrease was roughly 20% in the Baltic countries and the market area of Russia, other CIS countries and Ukraine. In the market area of Russia, other CIS countries and Ukraine, the decrease in net sales was also affected significantly by the weakening of local currencies relative to euro. The decrease in net sales in the market area of Other countries mainly resulted from lower demand for raw materials and for ESL Shipping's transportation services. The share of Finland and Scandinavia from Aspo Group's net sales increased to approximately 51% during 2020.

In 2020, the operating profit of ESL Shipping decreased significantly from the previous year to EUR 7.6 (14.6) million due to lower demand resulting from the coronavirus pandemic. After especially weak second and third quarters, transportation volumes of the shipping company's key customers started to increase during the fall, and the final quarter of the year was strong for ESL Shipping's operating profit. Leipurin's business operations suffered from coronavirus restrictions throughout the year, with its operating profit declining to EUR 1.4 (3.0) million. The Telko segment's profitability increased considerably from the previous year, and the operating profit for 2020 of EUR 14.9 (8.0) million is the best in the segment's history. The operating result of Other operations for 2020 stood at the previous year's level at EUR -4.6 (-4.5) million.

CASH FLOW AND FINANCING

The Group's cash flow from operating activities improved from the previous year to EUR 65.0 (52.5) million. The impact of the change in working capital on cash flow was EUR 23.0 (9.3) million, and its increase resulted particularly from Telko's improved stock management. As a result of low investments, the Group's full-year free cash flow increased to EUR 56.0 (45.2) million.

MEUR	2020	2019
Interest-bearing liabilities	**201.4**	221.6
Cash and cash equivalents	**32.3**	23.7
Net interest-bearing debt	**169.1**	197.9

Interest-bearing net debt decreased to EUR 169.1 (197.9) million, and gearing was 149.0% (162.2%). The Group's equity ratio at the end of the year was 30.1% (30.1%).

Net financial expenses totaled EUR -4.5 (-2.9) million. The adjustment of EUR 1.4 million related to Telko's taxation in 2015 increased financial income during the comparative period. The average interest rate on interest-bearing liabilities, excluding lease liabilities, was 1.5% (1.4%).

The Group's liquidity position remained strong. Cash and cash equivalents were EUR 32.3 million at the end of the year. Committed revolving credit facilities, totaling EUR 55.0 million, were fully unused, as in the comparative period. EUR 11 million of Aspo's EUR 80 million commercial paper program was in use (12/2019: EUR 21 million). The efficiency of the Group's cash management was improved by adopting the Nordic multi-currency cash pool structure during the fourth quarter.

Aspo rearranged several loans during the year to improve the maturity structure of interest-bearing liabilities. During the second quarter, an additional one-year revolving credit facility of EUR 15 million was signed and the extension of the maturity of both a revolving credit facility of EUR 20 million and a term loan of EUR 25 million falling due during the second half of 2020 to the fourth quarter of 2021 was agreed upon. The aforementioned revolving credit facility of EUR 20 million and term loan of EUR 25 million were re-financed during the fourth quarter. The loans will now fall due in 2023 and 2024, and they also have options for a one-year extension.

In April, Aspo issued a new hybrid bond of EUR 20 million. The coupon rate of the new bond is 8.75% per annum. The bond has no maturity, but the company may exercise an early redemption option in May 2022 at the earliest. In connection with this transaction, Aspo repurchased part of its former hybrid bond of EUR 25 million at EUR 18.4 million in accordance with the tender offer regarding the bond. The repurchase was conditional on the issuance of a new hybrid bond. The unpurchased part of the former hybrid bond of EUR 6.6 million was repaid on May 27, 2020.

FINANCIAL TARGETS

With its current structure, Aspo targets an operating profit rate of 6%, ROE of more than 20% on average and gearing of at most 130%. Aspo aims to reach the financial targets in 2023. The financial targets were announced at the Aspo Capital Markets Day in November 2019 and reconfirmed at the 2020 Aspo Capital Markets Day on December 1, 2020.

The operating profit rate for the financial year was 3.9% (3.6%), ROE was 11.4% (13.5%), and gearing was 149.0% (162.2%). Aspo's good and diversified operating cash flow enables gearing to be temporarily higher than the target level.

EVENTS AFTER THE FINANCIAL YEAR

No events after the financial year.

OUTLOOK FOR 2021

The general uncertainty in the market has continued since last year. However, the operating environment is becoming accustomed to the uncertainty caused by restrictions and constraints due to political reasons and the corona pandemic; and economic activity has picked up. The decline in industrial production has leveled off or the trend has turned to a cautious increase in the main market areas of Aspo's businesses, but the situation is still very delicate. Raw material prices are expected to continue rising moderately. Russia's national economy and industrial production, which are important to Aspo, remain weak, but Russia has managed to increase its foreign exchange reserves and funds to meet the economic downturn when needed. International sanctions and their possible increase uphold uncertainty around the economic development of Russia and other CIS countries. General political risks are still elevated, which may quickly affect the operating environment and further weaken free trade, also affecting the operating conditions of the customers of Aspo's businesses. As for Aspo's businesses, the business cycle is expected to improve, although there is a risk of rapid economic changes. The prices of production raw materials and oil, which are important to Aspo, are generally expected to rise slowly or remain at their current level. The impact of the corona pandemic will continue in 2021, and it is difficult to estimate how long restrictions on movement and economic activity weakening the business will last.

GUIDANCE FOR 2021

Aspo's operating profit will be higher in 2021 than in 2020 (EUR 19.3 million).

ASPO'S BUSINESS OPERATIONS

ESL Shipping

ESL Shipping is the leading dry bulk cargo company in the Baltic Sea region. ESL Shipping's operations are mainly based on long-term customer contracts and established customer relationships. At the end of the financial year, the shipping company's fleet consisted of 50 vessels with a total capacity of 465,000 dwt. Of these, 24 were wholly owned (75% of the tonnage), two were minority owned (2%) and the remaining 24 vessels (23%) were time chartered. ESL Shipping's competitive edge is based on its ability to responsibly secure product and raw material transportation for industries and energy production year-round, even in difficult conditions. The shipping company loads and unloads large ocean liners at sea as a special service.

The coronavirus pandemic had a significant impact on ESL Shipping's operations in the company's main market areas. Demand and transportation volumes among main customers started, however, to increase during fall after the second and third quarters that were poor due to the coronavirus pandemic. In particular, raw material transportation volumes in the steel industry increased during the final quarter of the year. ESL Shipping's fleet was fully utilized since the end of October, as transportation volumes and cargo markets started to recover. At the end of 2020, international cargo levels improved, driven especially by raw material demand and higher raw material prices in China.

ESL Shipping's net sales for 2020 decreased by 15% from the comparative period to EUR 148.4 (175.0) million due to lower demand resulting from the coronavirus pandemic. Despite the good end of the year, full-year operating profit remained at EUR 7.6 (14.6) million due to poor results during the second and third quarters.

In 2020, ESL Shipping succeeded in maintaining its normal service ability and in keeping the supply chains of its customers uninterrupted in the highly exceptional operating conditions, in which crew changes, maintenance and spare parts deliveries cannot be carried out normally due to travel restrictions and the lack of flight connections. Coronavirus infections among crew members were restricted by taking systematic action so that they did not have any impact on vessel traffic during 2020. Advance testing and quarantine arrangements applied to crew members increased costs during the financial year.

Outlook 2021 for ESL Shipping

Demand for transportation in the company's main market area in Northern Europe started to return towards a satisfactory level at the end of 2020, and forecasts of transportation volumes are returning to normal in different customer segments. Most of the shipping company's transportation capacity has been secured in the Baltic Sea and Northern Europe through long-term agreements. In 2021, ESL Shipping expects transportation volumes to increase from the previous year. The general development of cargo markets will have the highest impact on the performance of the shipping company's largest Supramax vessels. Cargo price levels for the largest vessels increased during the fall of 2020, while they still remain at a historically low level.

The coronavirus pandemic continues to have a significant impact on operations in the company's main market areas. Any new measures and movement restrictions that would put a rein on societal activities may have a negative impact on demand shown by main customers. Travel restrictions and the lack of flight connections present additional challenges, particularly in crew changes and maintenance arrangements. If the situation persists, there may be delays and additional costs in vessel traffic.

ESL Shipping aims to improve its ability and flexibility to adapt its operations in accordance with the prevailing transportation demand. As a result of new customer agreements and improvements in general demand forecasts, the shipping company increased its vessel capacity by time-chartering three new 6,000 dwt vessels of the smaller vessel category. The size and content of the time-chartering portfolio will be reviewed, also in the future, in accordance with any changes in the development and focus areas of customer demand. In the smaller vessel category, the price level of renewed and new time-chartering agreements is lower than last year overall, which improves the shipping company's profitability.

ESL Shipping is investigating different opportunities to have a presence, broader than at present, in markets in the Russian Arctic. In Northern Europe, customers are showing a considerably growing interest towards environmentally friendly sea transportation that produces as low carbon emissions as possible. The shipping company will continue its development activities to offer the most effective and environmentally friendly future transportation solutions on the markets. At the same time, ESL Shipping is investigating opportunities to use different new solutions related to the ownership and financing of vessels, used broadly in international shipping company operations, to speed up its operational development.

During 2021, significant environmental investments of roughly EUR 8 million will be made to 14 vessels. As a result of equipment installation, the shipping company expects there to be more lay-ups in 2021 than normal, especially during summer.

Leipurin

Leipurin is a wholesaler specializing in bakery, food industry and foodservice solutions. Leipurin's business operations are divided into three areas: the bakery business, the machinery business and the foodservice business. The solutions offered by the bakery business comprise raw materials, recipes, product range development and training for bakeries and other food industries. As part of its machinery business, Leipurin designs, delivers and maintains production lines for the baking industry, baking units and other machinery and equipment required in the food industry. The machinery business also includes Vulganus Oy, a manufacturer specializing in freezing and cooling machines. In the foodservice business, Leipurin's product and service range consists of raw materials and service concepts, such as procurement and logistics services. Leipurin uses leading international manufacturers as its raw material and machinery supply partners. Leipurin operates in Finland, Russia, the Baltic countries, Ukraine, Kazakhstan and Belarus.

The coronavirus pandemic reduced Leipurin's net sales and operating profit in 2020 from the previous year. Net sales stood at EUR 101.0 (115.7) million and operating profit at EUR 1.4 (3.0) million. The operating profit rate for January–December was 1.4% (2.6%). Net sales in the market area of Russia, other CIS countries, and Ukraine decreased by approximately 16% to EUR 31.7 (37.9) million, and the operating profit rate was approximately 7% (9%). The machinery business produced a loss, and its operations were adapted and its structures were changed permanently during 2020. Leipurin discontinued the loss-making sales and maintenance operations of the machinery business in Russia.

All parts of Leipurin's business operations suffered heavily from restrictions imposed due to the coronavirus pandemic. Small bakeries, in particular, and bakeries that manufacture frozen bakery products and other products for the foodservice sector suffered significantly from restriction measures in different operating countries. The foodservice sector suffered, almost the entire year, from remote working recommendations and restrictions on opening hours and customer capacity, which online and take away sales did not fully compensate. Net sales of the machinery business remained low in 2020, particularly in Leipurin's own machinery production.

Outlook 2021 for Leipurin

Coronavirus restrictions varied in Leipurin's operating countries in 2020. It is still too early to assess the long-term impact of the pandemic on Leipurin's customers and markets. However, the situation involving Leipurin's customers and markets is expected to slowly return to normal if restrictions continue to be lifted. Leipurin is actively monitoring the development of demand and profitability and is prepared to further improve the efficiency of its operations and reduce expenses, if necessary.

The order book of the machinery business improved during the final quarter of 2020. Significant machine deliveries to Russia, planned for the first half of 2020, were further postponed to 2021 due to reasons independent of the company. During the fourth quarter of 2020, Leipurin's Vulganus Oy signed an agreement on a significant machine delivery to be recognized as income in 2021. The machinery business is expected to be profitable in 2021.

Leipurin will continue to invest in growth in eastern markets. The production unit for bakery raw materials in St. Petersburg will be developed further, and the product range will be developed to respond to the new market and price situation.

Telko

Telko is a leading expert in and supplier of plastic raw materials, industrial chemicals and lubricants. Kauko, reported as part of the Telko segment, is a specialist in demanding mobile knowledge work environments. Telko's operations are based on representing the best international principals, the expertise of personnel and long-standing customer relationships. The Telko segment has companies in Finland, the Baltic countries, Scandinavia, Germany, Poland, Romania, Russia, Belarus, Ukraine, Kazakhstan, Uzbekistan, Azerbaijan, and China.

The global coronavirus pandemic and related restrictions had a significant impact on Telko's operating environment in 2020. Net sales fell steeply from the previous year, while industrial demand, which decreased significantly during spring, slowly started to return to normal at the end of 2020. At the end of the financial year, prices of both plastic raw materials and chemicals were lower than the long-term average. In lubricants, prices remained stable. Industrial demand, which decreased significantly in spring, started to slowly return to normal during the fourth quarter of 2020.

In 2020, Telko revised its strategic goals and updated its management system. Pricing was sharpened, the efficiency of the use of capital was improved, and costs were cut. In its operations, Telko has focused on higher added value products and partly discontinued any capital-binding operations with a low profit margin. The changes made during the year clearly improved Telko's profitability and efficiency. At the beginning of October, Telko also strengthened its position in lubricant markets in Sweden and Norway by acquiring all shares in Swedish ILS Nordic AB and its subsidiary Autolubes Nordic AB.

The Telko segment's net sales decreased by 15% in 2020 to EUR 251.3 (297.0) million. Operating profit grew significantly to EUR 14.9 (8.0) million. The operating profit rate approached the long-term target of 6%, being 5.9% (2.7%). The Telko segment's net sales in eastern markets, i.e., Russia, other CIS countries and Ukraine, decreased in January–December by 21% to EUR 104.4 (132.8) million. Weakened local currencies and decreased demand due to the pandemic reduced net sales in eastern markets significantly. In western markets, net sales decreased by 11% to EUR 138.4 (155.8) million. Net sales of the plastics business decreased by 19% to EUR 122.9 (152.2) million. Net sales of the chemicals business decreased by 17% to EUR 74.6 (90.1) million. Furthermore, net sales of the lubricants business decreased by 2% to EUR 27.4 (28.0) million.

The impact of Kauko, reported as part of the Telko segment, on net sales in 2020 was EUR 26.4 (26.7) million, and EUR 2.3 (-0.2) million on operating profit. Significant increases in sales of protective equipment in the public and healthcare sectors improved Kauko's profitability and net sales. The divestment of the loss-producing energy equipment business at the end of 2019 reduced Kauko's net sales in 2020, while improving its profitability.

Outlook 2021 for Telko

The changes carried out place Telko in a strong position for 2021. However, the future outlook for Telko's customers is still associated with considerable uncertainties. Any deterioration in the coronavirus pandemic and the issuance of resulting restrictions may have a negative impact on the operating conditions of Telko's customer companies and principals. Challenges are expected during the first half of the year in the availability of certain products and the shipping container capacity. Growing demand is expected to increase raw material prices.

Telko's main target is to maintain the relative profitability level achieved during 2020. According to its revised strategy, Telko is seeking an even stronger role in the value chain, focusing on cooperation with both customers and principals.

Production volumes of several industrial customers important for Telko decreased significantly during 2020, while demand is expected to recover this year. Demand in eastern markets is expected to remain unchanged or improve slightly. Changes in sanctions imposed on Russia due to the crisis in Ukraine may have an impact on Russian markets. Business operations in Ukraine are expected to remain stable.

Kauko will continue to focus in IT for demanding work environments, as well as in IT and protective equipment in the healthcare sector.

The integration of ILS Nordic AB into Telko generated costs in 2020, while Telko expects the business acquisition to have a positive impact on the segment's results starting from 2021.

STRUCTURAL ARRANGEMENTS

During the financial year, Telko acquired all shares in Swedish ILS Nordic AB and its subsidiary Autolubes Nordic AB.

INVESTMENTS

In 2020, Aspo Group's investments totaled EUR 7.2 (19.9) million. Of total investments, EUR 2.6 million were made in the ballast and wastewater handling systems of ESL Shipping's vessels. In addition to these environmental investments, the Group's investments mainly consisted of normal annual docking and other maintenance investments.

The investments of EUR 4.7 million presented in the consolidated financial statements include a deduction of the EU subsidy of EUR 2.5 million received by ESL Shipping in November 2020. It is related to energy efficiency and environmental investments in the LNG-fueled vessels deployed by ESL Shipping in 2018.

PERSONNEL

The employee benefit expenses of Aspo Group in 2020 amounted to EUR 44.0 (45.1) million. More detailed information about the personnel is presented in Aspo's Sustainability Report.

PERSONNEL

	2020	2019	2018
Personnel at year-end	**896**	931	958
Personnel on average	**903**	944	919
Wages, salaries and fees, MEUR	**37.6**	38.5	36.7

Remuneration

Aspo Group has a profit bonus system applied to Finnish personnel which is linked to the personnel fund so that the bonus can be invested in the personnel fund or withdrawn in cash. The long-term goal of the funding system is that the personnel will become a significant shareholder group in the company. All persons working at Aspo Group's Finnish companies are members of the personnel fund.

On June 18, 2020, Aspo Plc's Board of Directors decided on a new share-based incentive plan for the Group's key personnel. The reward from the Restricted Share Plan 2020 is based on the participant's valid employment or service and continuation of employment during the vesting period of 36 months, and is paid in company shares and a cash contribution not exceeding the value of the shares. The rewards payable under the plan correspond to a maximum total value of 340,000 Aspo Plc shares, also including the proportion to be paid in cash. During 2020, Aspo transferred a total 135,000 treasury shares held by the company to individuals covered by the share-based incentive plan.

More information about incentive plans is presented in Note 5.3 Related parties of the consolidated financial statements.

RESEARCH AND DEVELOPMENT

Aspo Group's R&D focuses, according to the nature of each segment, on developing operations, procedures and products as part of the customer-specific operations, which means that the development inputs are included in normal operating expenses and are not capitalized.

SUSTAINABILITY

Aspo believes that socially, financially and environmentally sustainable business is a requirement for producing long-term value. A responsibly led, growing company can create jobs, tax revenues and wellbeing. Aspo Group's CEO is in charge of the management of Aspo's sustainability work. The CEO reports to the company's Board of Directors in accordance with the risk management policy. Aspo's Code of Conduct defines a common set of rules for sustainable business in all the Group's companies.

At the end of 2020, Aspo Plc's Board of Directors defined a new long-term sustainability target, according to which Aspo's businesses will be forerunners in sustainability in their respective fields. In recent years, significant steps have been taken in terms of sustainability at the Group level, and now the bar will be raised even higher in Aspo's businesses. Key aspects of sustainability in the industries in which Aspo's businesses operate, are reductions in energy consumption and the volume of waste and emissions, the wellbeing of employees and safe working conditions, equality and good governance.

Since 2018, Aspo has been a member of the UN's Global Compact initiative, and the Group's operations are steered by the ten Global Compact principles related to human rights, working life principles, the environment and the prevention of corruption. Aspo is also a member of the corporate responsibility network FIBS.

Aspo acts as a good corporate citizen in all of its operating countries. Being a good corporate citizen is part of social responsibility and means, for example, that Aspo always pays its taxes in the country in which it has made its profit. Aspo treats all of its employees and stakeholders fairly and equally in all its operating countries.

RISKS AND RISK MANAGEMENT

The global coronavirus pandemic had a negative impact on the global economy in 2020. Its future impact cannot yet be estimated. The pandemic and regional lockdowns imposed to slow its spread weakened trade and reduced production. The instability of international trade is also affected by Great Britain's withdrawal from the EU, the rapid increase of indebtedness in many states, trade and technology tensions between the USA and China, and the necessity to decelerate climate change.

In Finland, decreases in international trade and increased uncertainties over economic development have reduced exports and weakened the outlook for investments. Global purchasing manager indices increased rapidly from their lowest level, while this increase has stopped. These changes have affected industrial production in the Eurozone and can be seen in increased risks in Aspo's market areas. Finland's exports have also decreased during the pandemic. The economic situation in the EU as a whole, apart from two countries, has weakened, and unemployment has increased. The central bank will continue on its recovery path, while governments in different countries are considering different political recovery measures.

Political tension and resulting risks have increased, but they are not expected to have any impact on Aspo's business operations in the short term. The trade tensions between the USA and China, including the resulting duties, limit global free trade and decelerate economic growth in both countries, but they have not directly affected Aspo's operations. Aspo has no business operations that have been or would be affected directly by the Brexit or its implementation, but there may be an indirect adverse impact through the principals and customers of Aspo's businesses.

In Russia, a market area important for Aspo, the coronavirus pandemic has also reduced exports of energy products and services. Instead, imports into Russia have recovered quickly, which reduces Aspo's risks in eastern trade. The exchange rate of the Russian ruble has weakened, which reduces the willingness of consumers to purchase foreign products in Russia. Russia's foreign exchange reserves are high, and funds have grown since the previous recession.

In logistics chains, dry bulk freight rates in sea transportation grew steeply before the summer and have fluctuated moderately ever since until the end of the year.

The financial risks of all of Aspo's businesses have increased. However, any unexpected changes in international politics and trade policies, combined with rapid changes in exchange rates or commodities markets, may have an impact on demand for and competitiveness of the products of Aspo's businesses. As there have been no structural economic reforms in Russia, economic growth is only expected to recover moderately, primarily resulting from government-steered investment projects. The price of oil has a significant impact on the Russian economy.

Strategic risks

Political and financial risks have increased globally, which may have a rapid impact on Aspo's operating environment. Free trade has suffered, and these changes may persist, regardless of the USA having a new president. The economic and political situation in Aspo's market areas may have complicated carrying out structural changes as part of Aspo's strategy. The situation may continue unchanged, but, as the economic and political pressure varies, it may change rapidly. An unfavorable turn in the situation may lead to Aspo being unable to achieve its financial targets in the time set.

The Ukrainian economy is still in a weak state and the macroeconomy is showing signs of weakening in nearly all sectors. Inflation is still relatively high. Purchasing power is also decreasing, and the central bank's reference rate is high.

The Russian economy has weakened and inflation is accelerating. The long-term deterioration in consumption demand has affected trade in general and, after a brief upswing, the natural increase in purchasing power has decreased. No major changes have been seen in Russia's financial markets or transactions, while capital has started to flow away from Russia.

In Russia, the promotion of local production has further increased the volume of raw materials and items produced in the country in industrial production, despite the decrease in quality. This may further weaken the position of imported raw materials in the value chain and the margin level, but, correspondingly, an increase in import volumes may increase consumption of foreign raw materials and reduce related risks for Aspo.

Economic sanctions, their increase or other obstacles arising from the economic or political situation in Russia may, in part, reduce transportation volumes originating from Russia and the demand for unloading services for large ocean liners at sea. Protectionist actions may decrease sea transportation in the Russian Arctic if Russia sets stricter regulations on internal transportation, for example, regarding the transport of energy products. In Finland and the rest of Europe, the consumption of fossil energy sources is continuously decreasing in energy generation, which will further reduce coal transportation volumes in the future. Correspondingly, the transportation volumes of replacement energy products will increase. Due to this change, it is difficult to estimate future transportation volumes. Fluctuations in international freight indices and their prolonged low level have increased uncertainty over the long-term profitability of shipping companies.

Strategic risks may be caused by the deterioration of the global economic situation, the political atmosphere, protectionism and the outlook and production choices of industrial customers. Decisions regarding energy production structures affected by environmental policy and other political choices cause changes in industry and energy production which will decrease the use of fossil fuels and increase the use of alternative forms of energy. The flow of goods in the Baltic Sea may change as a result of steel production, cost structures, changes in customer structure, such as centralization or other reasons. Lower demand for metal products in global markets may cause changes in demand for sea freights in the future as well. These changes may have negative consequences on operations as the need for transportation decreases, but they can also be seen as significant opportunities. As a result of low cargo prices in international shipping, competition for cargoes may also become fiercer in the Baltic Sea. Mild, ice-free winters may also increase competition.

Strategic risks are influenced by long-term changes in cargo prices, the building of new vessels and the removal of vessels from the market, investment trends, and changes in trade structures, especially in western markets. In eastern markets, risks are increased by such factors as political instability, social structures or the lack of their adaptability to the difficulties encountered by business operations. Accumulation and discharge of investments may cause long-term changes in the competitive situation and customer behavior. Trade between eastern and western markets may suffer from restrictions on free trade, as a result of which there may be a decrease in the sales of goods and services.

Rapid changes in economic structures may cause risks due to changes in the customer or principal structure or technologies, and due to unused opportunities requiring a quick response. Changes in demand as a result of various megatrends may cause changes in the product and service ranges of Aspo's subsidiaries, due to which it may be difficult to replace their current products. Disruptive changes may be very rapid. Aspo's strategic risks are evened out by the distribution of business operations over three segments, its engagement in business operations in a broad geographical area, and its ability to react quickly to changing situations.

In addition to western markets, Aspo operates in areas where economic trends or the political atmosphere may turn rapidly to positive or negative, which could significantly change the prevailing operating conditions.

Operational risks

Economic uncertainty in Aspo's operating environment increased during the year from the comparative period. As a result, operational risks have also increased. These include risks related to supply chains, goods and services, and persons. Selections made by principals regarding their distribution networks may have a positive or negative impact on the representation of Aspo's subsidiaries and, therefore, on their financial results. The threat of different kinds of misuse from outside the Group has increased further as a result of the development and increased activity of electronic media.

For a long time, the focus of Aspo's growth has been on emerging market areas, where risks decelerating growth are affected by factors such as exchange rate fluctuations and interest rates, the level of and changes in the global market prices of raw materials, industrial and commercial investments, customer liquidity, changes in legislation and import regulations, as well as inactivity, bias or corruption among public authorities.

Economic growth and, alternatively, any decrease in production may have an impact on demand for raw materials. Political instability makes commercial activities more difficult and, if the situation becomes prolonged, it may also decelerate the growth of Aspo's businesses. Consumer behavior and confidence are also reflected in risks associated with B-to-B customers and their risk levels. Growth opportunities presented by emerging markets are encouraging competitors to consider starting or expanding business operations in these areas. The challenging emerging markets and their escalated situations have also caused competitors to with-draw from these markets, which has created new potential for Aspo's businesses and has increased their market shares.

Hedging against exchange rate changes is not possible in all conditions or, in particular, at all times. Changes in exchange rates may reduce profit and equity on the balance sheet as a result of translation differences. Then again, changes in exchange rates may also strengthen results and the balance sheet. Credit loss risks are diversified across businesses and customers, and Aspo's businesses have not been subjected to any significant credit losses related to their customers, even though credit loss risks have increased.

The technical products or applications deployed by Aspo's businesses may break or malfunction, due to which the increase in profit based on these products or applications may slow down or be delayed. Sales margins may be reduced and financial claims related to deliveries may emerge if Aspo's products are not suited to the customers' production processes or lack the correct technical properties.

Operational risks have also increased as a result of computer-related crime, malware and the increased number of fraud attempts. If realized, these risks may mean financial losses for Aspo. Aspo has appropriate information security and internal training arrangements, but individual cases may occur due to the decentralized structure of operations. Any deviations in internal processes may result in losses, for example, in the form of taxes or official fees.

The quantity and probability of the Group's loss risks are regularly assessed. Bidding processes are arranged for general insurance policies, and the amounts insured are regularly updated. Amounts insured are sufficient in view of the scope of Aspo's operations, but insurance companies may restrict the validity of insurance policies as a result of risks increasing for various reasons, such as in war areas.

Financial risks

Aspo Group's financing and financial risk management are centralized in the parent company in accordance with the financial policy approved by the Board of Directors.

Refinancing risk

Refinancing risk is managed by decentralizing interest-bearing liabilities with respect to the counterparty, the form of funding, and maturity.

Liquidity risk

Liquidity risk is managed by securing the Group's sufficient cash funds, with committed revolving credit facilities and other financial reserves.

Interest rate risk

The company hedges against interest rate changes by tying interest-bearing liabilities partly to floating rate loans and partly to fixed rate loans. In addition, interest rate derivatives are used for targeting hedging against interest rate risks.

Credit risk

On a case-by-case basis, the Group uses terms of payment based on advance payments and bank guarantees to hedge against credit risks. Full knowledge of customers is an important part of credit risk management.

Currency risk

Within Aspo Group, the exchange rate risk is primarily controlled through customer and principal agreements at the business level, and secondarily by using currency derivatives.

A more detailed description of financial risks is presented in Note 5.1 Financial risks and the management of financial risks of the consolidated financial statements.

Internal control and risk management

One of the responsibilities of Aspo's Audit Committee is to monitor the efficiency of the Group's internal control, internal audits and risk management systems. The Audit Committee monitors the risk management process and gives instructions on the necessary measures to prevent strategic risks in particular. In accordance with the internal control principles approved by the Board of Directors, risk management is part of Aspo's internal control, and its task is to ensure the implementation of the Group's strategy, the development of financial results, shareholder value, dividend payment ability, and continuity in business operations. The operational management of each business is responsible for risk management. The management is responsible for specifying sufficient measures and their implementation, and for monitoring and ensuring that the measures are implemented as part of day-to-day operational management. Aspo's CFO, who reports to the Group CEO, is in charge of risk management.

LEGAL PROCEEDINGS

Aspo Group's companies are party to some legal proceedings and disputes associated with regular business operations. There were no significant changes in these during 2020. On the basis of the information available and taking into account the existing insurance cover and provisions made, Aspo believes that they do not have any material adverse impact on the Group's financial standing.

MANAGEMENT AND AUDITORS

Mammu Kaario, Mikael Laine, Gustav Nyberg, Salla Pöyry and Tatu Vehmas were re-elected to the Board of Directors at Aspo Plc's Annual Shareholders' Meeting on May 4, 2020. Heikki Westerlund was elected as a new member of the Board of Directors. At the Board's organizing meeting held after the Annual Shareholders' Meeting, Gustav Nyberg was elected Chairman of the Board and Mammu Kaario Vice Chairman. At the meeting, Gustav Nyberg was elected the Chairman of the Remuneration Committee, and Salla Pöyry and Tatu Vehmas its members. Furthermore, Mammu Kaario was elected the Chairman of the Audit Committee, and Mikael Laine, Tatu Vehmas and

Heikki Westerlund its members. More information about the activities of the Board of Directors and its committees in 2020 and the Nomination Committee is presented in Aspo Plc's Corporate Governance Statement.

eMBA Aki Ojanen acted as the CEO of the company in 2020. Aki Ojanen has announced to the Board of Directors to use the opportunity to retire in 2021 after turning 60.

The authorized public accountant firm Deloitte Oy has been the company's auditor. Jukka Vattulainen, APA, has been the auditor in charge.

BOARD AUTHORIZATIONS

Authorization of the Board of Directors to decide on the acquisition of treasury shares

The Annual Shareholders' Meeting on May 4, 2020 authorized the Board of Directors to decide on the acquisition of no more than 500,000 treasury shares using the unrestricted equity of the company, representing about 1.6% of all the shares in the company. The authorization includes the right to accept treasury shares as a pledge. The authorization is valid until the Annual Shareholders' Meeting in 2021 but not more than 18 months from the approval at the Annual Shareholders' Meeting. The authorization was not used during the financial year.

Authorization of the Board of Directors to decide on a share issue of treasury shares

The Annual Shareholders' Meeting on May 4, 2020 authorized the Board of Directors to decide on a share issue, through one or several lots, to be executed by conveying treasury shares. An aggregate maximum amount of 900,000 shares may be conveyed based on the authorization. The authorization is valid until the Annual Shareholders' Meeting in 2021 but not more than 18 months from the approval at the Annual Shareholders' Meeting.

Based on the share issue authorization given by the Annual Shareholders' Meeting, Aspo Plc transferred a total of 130,000 treasury shares on June 29, 2020 and 5,000 treasury shares on August 14, 2020, to participants in the restricted share-based incentive plan 2020. The shares were transferred gratuitously in accordance with the terms and conditions of the share-based incentive plan. After the transfers, Aspo Plc holds 161,650 treasury shares.

Authorization of the Board of Directors to decide on a share issue of new shares

The Annual General Meeting on May 4, 2020 authorized the Board of Directors to decide on a share issue of new shares against payment. The authorization includes the right of the Board of Directors to decide on all of the other terms and conditions of the conveyance and thus also includes the right to decide on a directed share issue, in deviation from the shareholders' pre-emptive right, if a compelling financial reason exists for the company to do so. The total number of new shares to be offered for subscription may not exceed 1,500,000. The authorization is valid until the Annual Shareholders' Meeting in 2021 but not more than 18 months from the approval at the Annual Shareholders' Meeting. The authorization was not used during the financial year.

SHARE CAPITAL AND PAYMENT OF DIVIDENDS

Aspo Plc's registered share capital on December 31, 2020 was EUR 17,691,729.57, and the total number of shares was 31,419,779, of which the company held 161,650 shares, i.e. 0.5% of the share capital.

In 2020, Aspo distributed EUR 0.22 per share in dividends. The dividend was paid in two installments. The payment date for the first installment of EUR 0.11 per share was May 13, 2020 and the payment date for the second installment of EUR 0.11 per share was October 12, 2020.

SHARES AND SHAREHOLDERS

Shares

Aspo Plc has one share series. Each share entitles the shareholder to one vote at the shareholders' meeting. Aspo's share is quoted on Nasdaq Helsinki Ltd's Mid Cap segment under industrial products and services.

During 2020, a total of 6,797,908 Aspo Plc shares were traded at Nasdaq Helsinki at EUR 46.2 million, meaning that 21.6% of all shares changed owners. During the financial year, the share reached a high of EUR 8.56 and a low of EUR 5.50. The average price was EUR 6.80 and the closing price at the end of the year was EUR 8.40. At the end of the year the market value of Aspo Plc's shares, less treasury shares, was EUR 262.6 million.

Shareholders

Aspo's shares are included in the book-entry system maintained by Euroclear Finland Ltd. At the end of 2020, Aspo had 10,904 shareholders. A total of 1,397,537 shares, or 4.5% of the share capital, were nominee registered or held by non-domestic shareholders. On December 31, 2020, the ten largest shareholders owned a total of 40.9% of the company's shares and voting rights.

A monthly updated list of Aspo's major shareholders is available at Aspo's website.

Share ownership by members of the Board and the Group Executive Committee

On December 31, 2020, the total number of shares owned by the members of Aspo Plc's Board of Directors and entities under their control was 7,846,282 shares, which represents 25.0% of the company's shares and voting rights.

On December 31, 2020, Aspo Plc's CEO and the other members of the Group Executive Committee held a total of 254,823 shares, which represents 0.8% of the company's shares and voting rights.

MAJOR SHAREHOLDERS ON DECEMBER 31, 2020

	Number of shares	% of shares and voting rights
Havsudden Oy Ab	3,262,941	10.38
AEV Capital Holding Oy	3,160,935	10.06
Varma Mutual Pension Insurance Company	1,423,076	4.53
Vehmas Tapio	1,275,827	4.06
Ilmarinen Mutual Pension Insurance Company	875,226	2.79
Nyberg Gustav	851,524	2.71
Investment fund Nordea Nordic Small Cap	721,040	2.29
Procurator-Holding Oy	514,882	1.64
Mandatum Life Insurance Company	415,058	1.32
AC Invest Oy	360,000	1.15
Ten major shareholders, total	**12,860,509**	**40.94**

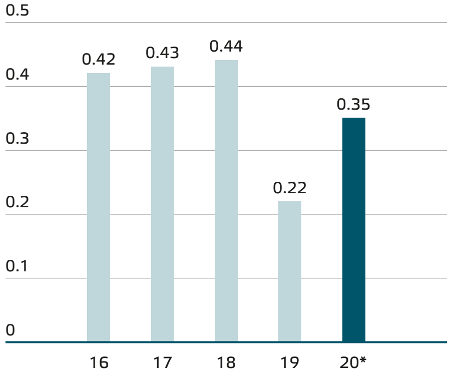
DISTRIBUTION OF SHARE OWNERSHIP ON DECEMBER 31, 2020 BY NUMBER OF SHARES

Number of shares	Number of owners	Share of owners %	Total shares	% of shares
1–100	2,331	21.38	124,309	0.40
101–500	4,133	37.90	1,143,296	3.64
501–1 000	1824	16.73	1,388,259	4.42
1 001–5 000	2,096	19.22	4,549,348	14.48
5 001–10 000	299	2.74	2,128,203	6.77
10 001–50 000	176	1.61	3,636,051	11.57
50 001–100 000	16	0.15	1,190,955	3.79
100 001–500 000	20	0.18	4,208,798	13.40
500 001–	9	0.08	13,046,096	41.52
Total in joint accounts			4,464	0.01
Total	**10,904**	**100.00**	**31,419,779**	**100.00**

DISTRIBUTION OF SHARE OWNERSHIP ON DECEMBER 31, 2020 BY OWNER GROUP

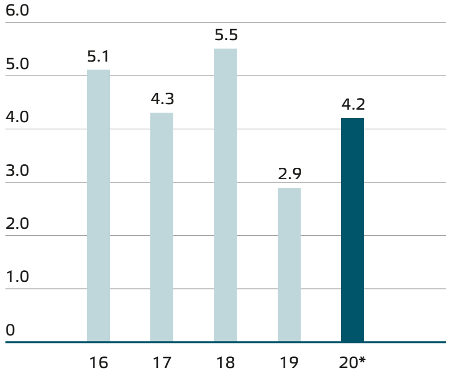
	Ownership %	Shares %
1. Households	95.1	51.5
2. Companies	3.6	27.6
3. Financial and insurance institutions	0.2	9.7
4. Non-profit organizations	0.8	3.2
5. Public organizations	0.1	7.6
6. Non-domestic	0.3	0.4
Total	**100.0**	**100.0**

DIVIDEND PER SHARE,EUR



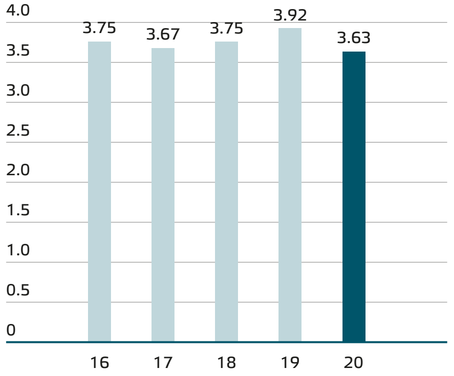
* Board proposal to the AGM

EFFECTIVE DIVIDEND YIELD, %

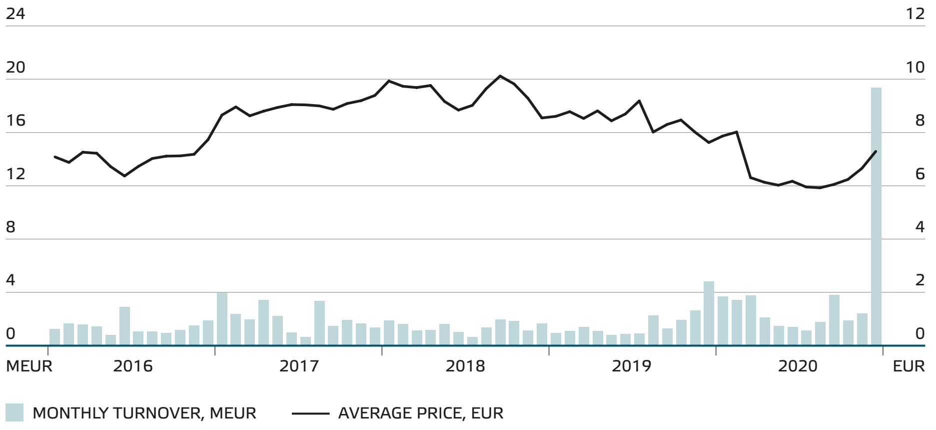


* Board proposal to the AGM

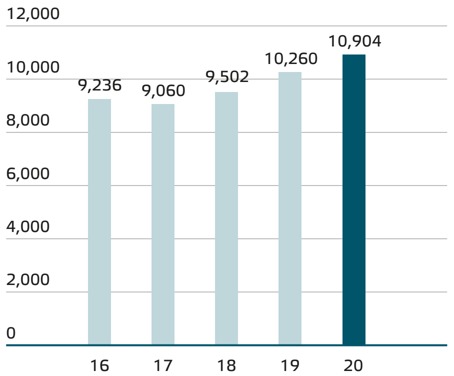
EQUITY PER SHARE, EUR



SHARE TRADING AND AVERAGE PRICE



NUMBER OF SHAREHOLDERS



SHARE-SPECIFIC ALTERNATIVE KEY FIGURES

	2020	2019	2018	2017	2016
Shareholders' equity per share, EUR	**3.63**	3.92	3.75	3.67	3.75
Dividend per share, EUR (2020 proposal by the Board of Directors)	**0.35**	0.22	0.44	0.43	0.42
Dividend/earnings, %	**91.0**	46.4	106.7	76.3	85.4
Effective dividend yield, %	**4.2**	2.9	5.5	4.3	5.1
Price/earnings ratio (P/E)	**21.8**	16.1	19.1	17.7	16.6
Share price performance, EUR					
Average price	**6.80**	8.20	9.51	8.91	6.95
Lowest price	**5.50**	7.52	7.90	8.20	6.00
Highest price	**8.56**	9.42	10.80	10.00	8.21
Closing price	**8.40**	7.62	7.96	10.00	8.18
Market value of shares, Dec. 31, MEUR	**262.6**	237.2	247.7	306.1	250.1
Share trading, 1,000 shares	**6,798**	2,454	1,809	2,851	2,491
Share trading, MEUR	**46.2**	20.1	17.2	25.4	17.3
Share trading/number of shares, %	**21.6**	7.8	5.8	9.2	8.0
Total number of shares on the closing date, 1,000 shares	**31,420**	31,420	31,420	30,976	30,976
Treasury shares	**162**	297	304	370	396
Outstanding shares	**31,258**	31,123	31,115	30,605	30,579
Average number of shares (outstanding), 1,000 shares	**31,191**	31,121	30,809	30,599	30,564

CALCULATION PRINCIPLES FOR KEY FIGURES

Aspo Plc applies the guidance on alternative key figures issued by the European Securities and Market Authority (ESMA). In addition to IFRS key figures, the company releases other commonly used key figures (alternative key figures) which are mainly derived from the consolidated statement of comprehensive income and consolidated balance sheet. According to management, the alternative key figures clarify and complement the picture that the consolidated statement of comprehensive income, consolidated balance sheet and IFRS key figures provide of Aspo's financial performance and financial position.

Return on equity (ROE), %	=	profit for the period × 100 / equity (average of the current and previous financial years)
Equity ratio, %	=	shareholders' equity × 100 / balance sheet total – advances received
Gearing, %	=	(interest-bearing liabilities – cash and cash equivalents) × 100 / shareholders' equity
Interest-bearing liabilities, EUR	=	loans and overdraft facilities used (interest-bearing) + lease liabilities
Net interest-bearing debt, EUR	=	interest-bearing liabilities - cash and cash equivalents
Free cash flow, EUR	=	net cash from operating activities + net cash from investing activities
Earnings per share (EPS), EUR	=	profit for the period – hybrid interest, net of tax / average number of shares, excluding treasury shares
Shareholders' equity per share, EUR	=	shareholders' equity / number of shares on the closing date, excluding treasury shares
Dividend/earnings, %	=	dividend per share × 100 / earnings per share (EPS)
Effective dividend yield, %	=	dividend per share × 100 / closing price
Price/earnings ratio (P/E)	=	closing price / earnings per share (EPS)
Market value of shares, EUR	=	number of shares on the closing date, excluding treasury shares × closing price

DIVIDEND PROPOSAL BY THE BOARD OF DIRECTORS

The Board of Directors proposes to the Annual Shareholders' Meeting to be held on April 8, 2021, that a dividend of EUR 0.35 per share be paid for the financial year ended on December 31, 2020, based on the balance sheet to be confirmed and that the remaining distributable funds be retained in the unrestricted shareholders' equity.

The dividend will be paid in two installments. The first installment of EUR 0.18 per share will be paid to shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd on the record date of April 12, 2021. The Board of Directors proposes that the dividend be paid on April 19, 2021. The second installment of EUR 0.17 per share will be paid in November 2021 to shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd on the record date. At its meeting to be held on October 27, 2021, the Board of Directors will decide on the record and payment dates of the second installment, in accordance with the rules of the Finnish book-entry securities system. According to the current system, the dividend record date will be October 29, 2021 and the payment date will be November 5, 2021.

The company's registered number of shares on February 11, 2021 was 31,419,779, of which the company held, directly or indirectly, 161,650. No dividend will be paid for Aspo Plc's treasury shares. Based on this proposal, a total of EUR 10.9 million would be paid in dividends.

On December 31, 2020, the parent company's distributable assets totaled EUR 44,628,058.04, with the profit for the financial year being EUR 7,216,598.18. The company's financial position has not changed substantially since the end of the financial year. The company's liquidity is good and, in the Board of Directors' view, not endangered by the proposed distribution of profit.

Before the Board of Directors implements the decision made at the Annual Shareholders' Meeting, it must assess, as required in the Finnish Limited Liability Companies Act, whether the company's liquidity and/or financial position has changed after the decision was made at the Annual Shareholders' Meeting so that the prerequisites for the distribution of dividends stipulated in the Limited Liability Companies Act are no longer fulfilled. The fulfillment of the prerequisites stipulated in the Limited Liability Companies Act is a requirement for the implementation of the decision made at the Annual Shareholders' Meeting.

Signature of the Financial Statements and the Management Report

Helsinki, February 11, 2021

Gustav Nyberg
Chairman of the Board

Mammu Kaario
Board member

Mikael Laine
Board member

Salla Pöyry
Board member

Tatu Vehmas
Board member

Heikki Westerlund
Board member

Aki Ojanen
CEO

Financial statements 2020

Consolidated financial statements

Consolidated statement of comprehensive income

1,000 EUR	Note	Jan 1–Dec 31, 2020	Jan 1–Dec 31, 2019
Net sales	3.1	**500,741**	587,689
Other operating income	3.2	**522**	907
Share of profits accounted for using the equity method	3.3	**-362**	7
Materials and services	3.4	**-315,818**	-389,070
Employee benefit expenses	3.6	**-43,978**	-45,116
Depreciation, amortization and impairment losses	3.7	**-15,847**	-14,920
Depreciation, right-of-use assets	3.7	**-13,249**	-13,705
Other operating expenses	3.5	**-92,663**	-104,669
Operating profit		**19,346**	21,123
Financial income	3.8	**838**	2,175
Financial expenses	3.8	**-5,350**	-5,050
Financial income and expenses		**-4,512**	-2,875
Profit before taxes		**14,834**	18,248
Income taxes	3.9	**-1,410**	-2,130
Profit for the period		**13,424**	16,118

1,000 EUR	Note	Jan 1–Dec 31, 2020	Jan 1–Dec 31, 2019
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Translation differences		**-7,787**	4,435
Cash flow hedges	5.2	**86**	36
Other comprehensive income for the period, net of taxes		**-7,701**	4,471
Total comprehensive income		**5,723**	20,589
Profit for the period attributable to			
Parent company shareholders		**13,424**	16,118
Total comprehensive income attributable to			
Parent company shareholders		**5,723**	20,589
Earnings per share attributable to parent company shareholders, EUR			
Basic earnings per share	2.7	**0.39**	0.47
Diluted earnings per share	2.7	**0.39**	0.47

Consolidated balance sheet

ASSETS

1,000 EUR	Note	Dec 31, 2020	Dec 31, 2019
Non-current assets			
Intangible assets	4.2	**55,282**	51,244
Tangible assets	4.1	**169,070**	180,184
Right-of-use assets	2.5	**20,124**	21,494
Investments accounted for using the equity method	3.3	**972**	1,438
Other financial assets		**328**	201
Deferred tax assets	4.8	**441**	382
Total non-current assets		**246,217**	254,943
Current assets			
Inventories	4.4	**42,370**	55,894
Accounts receivable and other receivables	4.5	**62,528**	74,572
Current tax assets		**682**	832
Cash and cash equivalents	2.2	**32,303**	23,667
Total current assets		**137,883**	154,965
Total assets		**384,100**	409,908

EQUITY AND LIABILITIES

1,000 EUR	Note	Dec 31, 2020	Dec 31, 2019
Equity attributable to parent company shareholders			
Share capital	2.6	**17,692**	17,692
Share premium	2.6	**4,351**	4,351
Other reserves	2.6	**16,475**	16,397
Hybrid bond	2.6	**20,000**	25,000
Translation differences	2.6	**-26,961**	-19,182
Retained earnings	2.6	**81,940**	77,811
Total equity		**113,497**	122,069
Non-current liabilities			
Deferred tax liabilities	4.8	**4,319**	4,849
Loans and overdraft facilities	2.3	**149,137**	141,696
Lease liabilities	2.5	**7,198**	8,769
Other liabilities		**151**	86
Total non-current liabilities		**160,805**	155,400
Current liabilities			
Provisions	4.7	**59**	128
Loans and overdraft facilities	2.3	**32,500**	58,155
Lease liabilities	2.5	**13,385**	12,980
Accounts payable and other liabilities	4.6	**63,280**	60,344
Current tax liabilities		**574**	832
Total current liabilities		**109,798**	132,439
Total liabilities		**270,603**	287,839
Total equity and liabilities		**384,100**	409,908

Consolidated cash flow statement

1,000 EUR	Note	Jan 1–Dec 31, 2020	Jan 1–Dec 31, 2019
Cash flows from/used in operating activities			
Operating profit		**19,346**	21,123
Adjustments to operating profit:			
Depreciation, amortization and impairment losses	3.7	**29,096**	28,625
Gains and losses on sale of tangible assets		**-148**	-35
Gains and losses on sale of business operations			-179
Share of profits accounted for using the equity method	3.3	**362**	-7
Share-based incentive plan	2.6	**-484**	183
Increase (+) / decrease (-) in provisions	4.7	**-69**	-257
Unrealized foreign exchange gains and losses on operating activities		**435**	-281
Change in working capital:			
Increase (-) / decrease (+) in inventories		**9,938**	18,453
Increase (-) / decrease (+) in accounts receivable and other receivables		**8,845**	5,634
Increase (+) / decrease (-) in accounts payable and other liabilities		**4,188**	-14,773
Interest paid		**-4,436**	-5,014
Interest received		**661**	1,744
Income taxes paid		**-2,769**	-2,664
Net cash from operating activities		**64,965**	52,552

1,000 EUR	Note	Jan 1–Dec 31, 2020	Jan 1–Dec 31, 2019
Cash flows from/used in investing activities			
Investments in tangible and intangible assets	4.1	**-7,197**	-5,402
Investment subsidies	4.1	**2,542**	
Proceeds from sale of tangible assets		**229**	195
Business acquisitions, net of cash	1.2	**-4,672**	-2,511
Dividends received		**105**	59
Proceeds from sale of business operations			300
Net cash used in investing activities		**-8,993**	-7,359
Cash flows from/used in financing activities			
Proceeds from current loans		**768**	698
Proceeds from non-current loans			29,951
Repayments of non-current loans		**-18,847**	-29,463
Payment of lease liabilities *)		**-13,013**	-27,729
Hybrid bond repayment	2.6	**-25,000**	
Proceeds from Hybrid bond issue	2.6	**20,000**	
Hybrid bond, interest paid	2.6	**-1,596**	-1,687
Hybrid bond, transaction costs paid	2.6	**-270**	
Dividends paid	2.6	**-6,863**	-13,694
Net cash used in financing activities		**-44,821**	-41,924
Change in cash and cash equivalents		**11,151**	3,269
Cash and cash equivalents Jan. 1	2.2	**23,666**	19,333
Translation differences		**-2,514**	1,064
Cash and cash equivalents at year-end	**2.2**	**32,303**	23,666

*) In 2019, ESL Shipping purchased M/S Alppila, which had previously been leased. As a result, payments of lease liabilities were significantly higher in 2019 than in 2020.

Consolidated statement of changes in equity

1,000 EUR	Note	Share capital	Share premium	Other reserves	Hybrid bond	Translation differences	Retained earnings	Total
Equity January 1, 2020		**17,692**	**4,351**	**16,397**	**25,000**	**-19,182**	**77,811**	**122,069**
Comprehensive income								
Profit for the period							13,424	13,424
Other comprehensive income, net of taxes								
Cash flow hedges	5.2			86				86
Translation differences				-8		-7,779		-7,787
Total comprehensive income				**78**		**-7,779**	**13,424**	**5,723**
Transactions with owners								
Dividend distribution	2.6						-6,862	-6,862
Hybrid bond	2.6				-5,000			-5,000
Hybrid bond interest and transaction costs	2.6						-1,949	-1,949
Share-based incentive plan	2.6						-484	-484
Total transactions with owners					**-5,000**		**-9,295**	**-14,295**
Equity December 31, 2020		**17,692**	**4,351**	**16,475**	**20,000**	**-26,961**	**81,940**	**113,497**

1,000 EUR	Note	Share capital	Share premium	Other reserves	Hybrid bond	Translation differences	Retained earnings	Total
Equity January 1, 2019		17,692	4,351	16,360	25,000	-23,616	76,862	116,649
Impact of transition to IFRS 16							29	29
Adjusted equity January 1, 2019		**17,692**	**4,351**	**16,360**	**25,000**	**-23,616**	**76,891**	**116,678**
Comprehensive income								
Profit for the period							16,118	16,118
Other comprehensive income, net of taxes								
Cash flow hedges	5.2			36				36
Translation differences				1		4,434		4,435
Total comprehensive income				**37**		**4,434**	**16,118**	**20,589**
Transactions with owners								
Dividend distribution	2.6						-13,694	-13,694
Hybrid bond interest	2.6						-1,687	-1,687
Share-based incentive plan	2.6						183	183
Total transactions with owners				**0**			**-15,198**	**-15,198**
Equity December 31, 2019		**17,692**	**4,351**	**16,397**	**25,000**	**-19,182**	**77,811**	**122,069**

Notes to the consolidated financial statements

1 ASPO OWNS, LEADS AND DEVELOPS

STRUCTURE OF THE FINANCIAL STATEMENTS

Aspo's consolidated financial statements are divided into five sections. This section (Aspo owns, leads and develops) provides information about Aspo, its tasks and purpose, as well as the Group structure, including business acquisitions and divestments.

This section also describes the accounting principles of the financial statements and summarizes the changes in the accounting principles during 2020. The accounting principles and solutions based on the management's judgement have been consolidated into the notes with the related financial statements items for the first time in this financial report 2020. The presentation was changed to make the financial statements more readable and to present different themes more clearly. The new presentation also aims to better highlight the story and special characteristics of Aspo Group.

ACCOUNTING PRINCIPLES

Accounting principles are presented as part of the note to which they are linked.

Accounting principles are marked with grey background color in each note.

ESTIMATES AND MANAGEMENT'S JUDGEMENT

The estimates and management's judgement is presented as part of the note in which the estimated financial statements item in question is discussed. Estimates and management's judgement are marked with yellow background color in each note.

INFORMATION OF THE COMPANY AND OF THE FINANCIAL STATEMENTS

Aspo is a conglomerate that owns, leads and develops its businesses in Northern Europe and growth markets. Asp's value comes from its wholly owned independent businesses, which specialize in demanding B-to-B customers. Aspo develops its group structure and businesses in the long term and believes that social responsibility as well as financially and environmentally sustainable business is a requirement for producing long-term value.

Aspo Group's core purpose is to contribute to the development of the financial results of the businesses it owns, increase the shareholder value, and maintain the dividend payment ability that is expected from it.

The Group's parent company is Aspo Plc and its Business ID is 1547798–7. Aspo Plc is a Finnish public Corporation, and its shares are listed on Nasdaq Helsinki Ltd. The parent company is domiciled in Helsinki and its registered address is Mikonkatu 13 A, FI-00100 Helsinki, Finland, where also a copy of the consolidated financial statements is available.

In its meeting on February 11, 2021, Aspo Plc's Board of Directors have approved these consolidated financial statements for issue. Pursuant to the Finnish Companies Act, the shareholders decide of the adoption of the consolidated financial statements at the Annual Shareholders' Meeting held after the issue.

BASIS OF PREPARATION

Aspo Plc's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and by applying the standards and interpretations valid on December 31, 2020. The notes to the consolidated financial statements also comply with Finnish Accounting Standards and company law.

All figures in the consolidated financial statements are presented in EUR thousands and are based on the original cost of transactions, unless otherwise stated in the accounting principles. Figures from the comparative period 2019 are presented in brackets.

CHANGES IN ACCOUNTING PRINCIPLES IN YEAR 2020

- IFRS 16 Leases standard is applied to leases of intangible assets starting from January 1, 2020.

In 2020, when IFRS 16 standard was adopted, intangible assets were excluded from the scope of application of the IFRS 16 standard as permitted by the standard. During 2020, it was, however, noticed that Aspo should also recognize financial liabilities on its balance sheet in relation to its leased intangible assets, because Aspo is committed to their payment by means of a financing agreement. Therefore, intangible assets were retroactively included within the scope of application of the IFRS 16 standard starting from January 1, 2020. The change was not applied retroactively to figures for 2019, as the impact was relatively minor and, in particular, the net impact on the balance sheet and income statement was negligible. The impact of the change on the figures for 2020 is presented in Note 2.5 Leases.

ACCOUNTING ESTIMATES AND MANAGEMENT'S JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates. Management also needs to exercise judgement in applying the group's accounting policies. Changes in the factors that form the basis of the estimates, may cause that the final outcome significantly deviates from the estimations in the consolidated financial statements.

The table below provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the financial statements.

In 2020, the coronavirus pandemic had an impact on estimates, unlike in previous years. It particularly affected the measurement of accounts receivable and inventories. Furthermore, possible further impact of the coronavirus pandemic has increased uncertainties over future cash flows in the calculations used in the measurement of goodwill and brands.

SIGNIFICANT ESTIMATES AND JUDGEMENTS

Item	Estimate	Judgement	Note
Lease liabilities and right-of-use assets	Determination of the lease term and determination of the lease component for time chartered vessels	Yes	2.5
Revenue recognition of construction projects	Determination of the percentage of completion	No	3.1
Tangible and intangible assets	Determination of the useful life Residual value Fair value in business combinations	Yes	4.1, 4.2
Goodwill and brands	Assumptions made in the value in use calculations	No	4.3
Inventories	Recoverability of inventories	Yes	4.4
Accounts receivable	Recoverability of accounts receivable	Yes	4.5
Deferred tax assets	Recognition of deferred tax asset and the recoverability of recognized deferred tax assets	No	4.8

1.1 Group structure

Aspo's businesses – ESL Shipping, Leipurin, Telko and Kauko – are strong business brands in the trade and logistics sectors, and they aim for the leading position in their respective markets. They are responsible for their own operations and customer relationships, as well as for developing these. Kauko is reported as part of Telko segment. The Group's main market areas are Finland, Scandinavia, Baltic countries and eastern markets (Russia, other CIS countries and Ukraine). Aspo has a 100% ownership in all its subsidiaries.

GROUP COMPANIES

Company	Domicile
Aspo Plc, parent company	FI
Aspo Palvelut Ltd	FI
Suhi-Suomalainen Hiili Oy	FI

ESL Shipping

Company	Domicile
ESL Shipping	
ESL Shipping Ltd	FI
Oy AtoBatC Shipping Ab	FI
Oy Bomanship Ab	FI
AtoBatC Shipping AB	SE
AtoBatC Holding AB	SE
Bothnia Bulk AB	SE
Norra Skeppnings Gruppen AB	SE
Bomanship Europe Unipessoal Lda	PT

Company	Domicile
Leipurin	
Leipurin Plc	FI
Leipurien Tukku Oy	FI
Vulganus Oy	FI
OOO Leipurien Tukku	RU
OOO NPK Leipurin	RU
FLLC Leipurin	BY
LLC Leipurin	UA
TOO Leipurin	KZ
SIA Leipurin	LV
UAB Leipurin	LT
Leipurin Estonia AS	EE

Company	Domicile
Telko	
Telko Ltd	FI
Rauma Terminal Services Oy	FI
OOO Telko	RU
FLLC Telko	BY
LLC Telko	UA
Telko Caucasus LLC	AZ
LLC Telko Central Asia	KZ
Telko Solution LLC	UZ
Telko Latvia SIA	LV
Telko UAB	LT
Telko Estonia OÜ	EE
Telko Sweden AB	SE
ILS Nordic AB	SE
Autolubes Nordic AB	SE
Telko Norway AS	NO
Telko Denmark A/S	DK
Telko-Poland Sp. z o.o.	PL
Telko Romania SRL	RO
Telko Shanghai Ltd.	CN
Telko Middle East Co.	IR
Oy Troili Ab	FI

Company	Domicile
Kauko	
Kauko Ltd	FI
Kauko GmbH	DE

ASSOCIATED COMPANIES

Aspo Group has two associated companies, Auriga KG and Norma KG. More information about the associated companies can be found in Note 3.3 Associated companies.

CONSOLIDATION

The consolidated financial statements include the parent company Aspo Plc and all its subsidiaries. Subsidiaries are entities over which the Group has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Associates are entities in which the Group has 20–50 percentage of the voting rights and at least a 20% shareholding, or in which the Group otherwise holds significant influence.

Intra-group transactions, receivables and liabilities and intra-group profit distribution have been eliminated when preparing the consolidated financial statements. In addition, unrealized gains on transactions within the Group are eliminated. Unrealized gains on transactions between the Group and its associates are eliminated in proportion to the Group's ownership share.

FOREIGN SUBSIDIARIES

Results and financial position of group entities are measured in the primary currency of the unit's economic environment ("functional currency"). The consolidated financial statements are presented in euro, which is the parent company's functional and presentation currency.

In the consolidated financial statements, the income statements of foreign subsidiaries are translated into euro by using the average rate of the financial year. Balance sheet items are translated into euro by using the exchange rates at the reporting date. Translation differences are presented as a separate item under equity.

When an interest in a subsidiary is divested in its entirety or partially such that control is lost, the accumulated translation differences are reclassified to the statement of comprehensive income as part of the sales gain or loss.

1.2 Acquisitions and divestments

BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for business combinations. The consideration and the acquired company's assets and liabilities are measured at fair value at the acquisition date. Acquisition-related costs are recognized as expenses. Any contingent consideration is measured at fair value at the acquisition date and is classified either as a liability or equity. A contingent consideration classified as a liability is measured at fair value at each consequent reporting date, and the resulting gain or loss is recognized in profit or loss. The contingent consideration classified as equity is not re-measured. The amount by which the consideration exceeds the net fair value of the acquired identifiable assets, liabilities and contingent liabilities is recorded as goodwill.

ACQUISITIONS

Acquisitions in 2020

On October 1, 2020, Telko strengthened its position in lubricant markets in Sweden and Norway by acquiring all shares in Swedish ILS Nordic AB and its subsidiary Autolubes Nordic AB.

The purchase price of EUR 5.6 million was paid in full in cash. The assets and liabilities of the acquired companies were measured at fair value upon acquisition. An allocation of fair value of EUR 1.4 million was made on intangible assets based on principal agreements, and an allocation of fair value of EUR 0.1 million was made on inventories. Otherwise, the carrying amounts of acquired assets and liabilities were deemed to correspond to their fair values. The acquisition increased Telko's goodwill by EUR 2.8 million which represents synergies that are expected to arise as a result of the transaction. The acquisition-related costs of EUR 0.2 million were recognized as other operating expenses.

The combined net sales of the acquired companies in 2020 were EUR 9.2 million, and their profit before taxes was EUR 0.9 million. Aspo Group's figures include the post-acquisition net sales and profit of the acquired companies for the last three months of the year. Consolidated net sales of the acquired companies were EUR 2.4 million, and the consolidated profit before taxes EUR 0.2 million.

Acquisitions in 2019

In the beginning of 2019, Telko acquired the business of the Danish HH Plastkombi A/S. HH Plastkombi is a distributor specialized in technical plastics, with net sales of approximately EUR 3 million. The acquisition increased Telko's goodwill by EUR 0.3 million.

In the end of August 2019 AtoB@C Shipping AB acquired the rest of the shares (60%) in the associated company Norra Skeppnings Gruppen AB. The company offers brokerage and logistic services for sea transportation and trades with biofuel raw materials. The deal had only a minor impact on the consolidated financial statements.

DIVESTMENTS

In 2019 Kauko sold its heat pump business to Panasonic. The divestment date was December 31, 2019. The impact of the divestment on the Group's profit was minor.

OTHER RESTRUCTURING

Leiconcept Oy was merged with its parent company Leipurin Oyj during year 2020. The impact of the merger loss on the Group's profit was minor.

ACQUISITION OF ILS NORDIC

1,000 EUR	2020
Consideration	
Paid in cash	5,577
Total consideration	**5,577**

Recognized amounts of identifiable assets acquired and liabilities assumed	Fair value
Intangible assets (principals)	1,422
Tangible assets	26
Right-of-use assets	136
Inventories	916
Accounts receivable and other receivables	1,589
Cash and cash equivalents	898
Total assets	**4,987**
Lease liabilities	136
Accounts payable and other liabilities	1,777
Deferred tax liabilities	321
Total liabilities	**2,234**
Net assets acquired	**2,753**
Goodwill	**2,824**
Total	**5,577**
Acquisition-related costs	239

The costs are reported in other operating expenses in the Telko segment.

2 CAPITAL STRUCTURE

At a conglomerate level, capital includes all equity items, including the hybrid bond. The objective of the Group is to achieve a capital structure, with which Aspo Group can ensure the operational framework for short- and long-term operations, and a sufficient return on equity. The main factors affecting the capital structure are possible restructuring activities, Aspo Plc's dividend policy, the vessel investments of ESL Shipping and the profitability of the subsidiaries' business operations.

CAPITAL MANAGEMENT

Capital is managed by monitoring key figures for indebtness and solvency (gearing and equity ratio) and by adjusting the components of capital in a way that targets relating to the key figures are met. In addition to Aspo's own targets, certain liability items include external requirements for the levels of capital. They are monitored and reported to Aspo's management and providers of each liability item. The solvency of the subsidiaries is monitored, and capital is transferred as profit distribution or capital returns in a chain within the Group all the way to the parent company as permitted by regulations.

ASPO'S CAPITAL

1,000 EUR	2020	2019
Total equity	**113,497**	122,069
Loans and overdraft facilities	**181,637**	199,851
Government loan (interest-free)	**-768**	
Lease liabilities	**20,583**	21,749
Interest-bearing liabilities, total	**201,452**	221,600
Equity and interest-bearing liabilities, total	**314,949**	343,669
Interest-bearing liabilities, total	**201,452**	221,600
- Cash and cash equivalents	**32,303**	23,667
Net debt	**169,149**	197,933
Gearing, %	**149.0%**	162.2%
Total equity	**113,497**	122,069
Equity and liabilities, total	**384,100**	409,908
Advances received	**6,709**	4,767
Equity ratio, %	**30.1%**	30.1%

On December 31, 2020, the equity ratio was 30.1% (30.1%) and gearing was 149.0% (162.2%). Calculation principles for key figures are presented in the management report on page 60.

NET DEBT

Net debt is calculated by deducting cash and cash equivalents from interest bearing liabilities. In 2020 net debt decreased by EUR 28.8 million as a result of a good free cash flow. Net debt amounted to EUR 169.1 (197.9) million at the end of year 2020.

FREE CASH FLOW

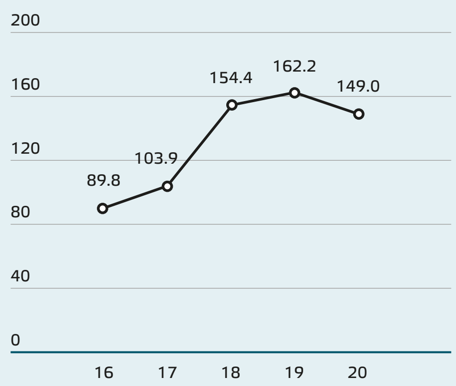
The Group's cash flow from operating activities improved to EUR 65.0 (52.5) million. The effect of the change in working capital on the cash flow was EUR 23.0 (9.3) million, with Telko's improved inventory management having a particularly positive impact on its improvement. As a result of low investments, the Group's full-year free cash flow increased to EUR 56.0 (45.2) million.

The free cash flow is an important indicator for Aspo, as it represents cash flows accrued from business operations after investments. Therefore, the free cash flow has an impact on the Group's debt management and dividend distribution abilities, as well as liquidity.

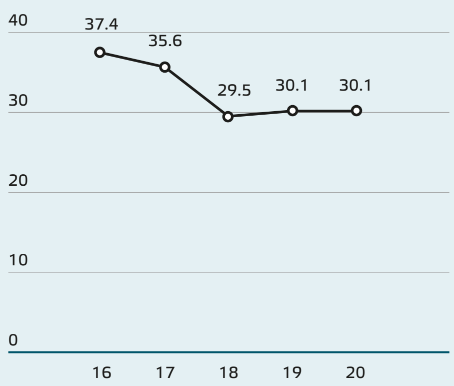
FREE CASH FLOW

1,000 EUR	2020	2019
Net cash from operating activities	**64,965**	52,552
Net cash used in investing activities	**-8,993**	-7,359
Free cash flow	**55,972**	45,193

GEARING, %



EQUITY RATIO, %



2.1 Financial assets and liabilities

FINANCIAL ASSETS AND LIABILITIES

1,000 EUR	Note	2020	2019
Financial assets			
Measured at amortized cost			
Loan receivables		**118**	116
Accounts receivable and other receivables*		**49,204**	60,710
Cash and cash equivalents	2.2	**32,303**	23,667
Measured at fair value through profit or loss			
Other non-current financial assets		**147**	170
Total		**81,772**	84,663
Financial liabilities			
Measured at amortized cost			
Loans and overdraft facilities	2.3	**181,637**	199,851
Accounts payable and other liabilities*		**39,566**	40,049
Lease liabilities	2.5	**20,583**	21,749
Measured at fair value through other comprehensive income			
Derivatives	5.2		86
Total		**241,786**	261,735

* Comprises financial assets or financial liabilities included in the corresponding balance sheet item.

The Group's exposure to risks relating to financial instruments is described in Note 5.1 Financial risks and the management of financial risks. The maximum exposure for credit risk at the end of the reporting period is the carrying amount of each class of financial asset.

FAIR VALUE HIERARCHY

Preparing the consolidated financial statements requires the measurement of fair values, for both financial and non-financial assets and liabilities. Group classifies the fair value measurement hierarchy as follows:

Level 1: The fair values of financial instruments are based on quoted prices on active markets. A market may be considered active when quoted prices are available on a regular basis and the prices represent the instrument's actual value in liquid trading.

Level 2: The financial instruments are not traded on active and liquid markets. The value of the financial instrument can be determined on verifiable market information and possibly partially on the basis of derived determination of value. If the factors influencing the instrument's fair value are nevertheless available and verifiable, the instrument belongs to level 2.

Level 3: The valuation of the financial instrument is not based on verifiable market information. Nor are other factors that affect the instrument's fair value available or verifiable.

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The Group classifies the determination of the fair values of financial assets and liabilities on the basis of the fair value hierarchy. Financial assets and liabilities recognized at amortized cost are at level 2 in the hierarchy. Their fair values do not significantly differ from their carrying amount. The fair values of non-current loans have been calculated by discounting future cash flows and by considering Aspo's credit margin. Other non-current financial assets recognized at fair value through profit and loss are at level 3 in the hierarchy. Derivatives recognized at fair value in other items in the statement of comprehensive income are interest rate swaps, and they are at level 2 in the fair value hierarchy.

FINANCIAL ASSETS

Aspo classifies its financial assets on the basis of its business model as follows:1) measured at amortized cost, and 2) measured at fair value through profit or loss.

Accounts receivable and other receivables, as well as cash and cash equivalents, recognized at amortized cost are originally measured at fair value and later at amortized cost. They are classified as current when they fall payable within twelve months after the end of the reporting period. Cash and cash equivalents are always classified as current. The credit loss model applied for accounts receivable is described in Note 4.5 Accounts receivable and other receivables. This group includes loan receivables, whose cash flows consist of the payment of capital and interest, and that are planned to be held until the date of maturity. Loan receivables are recognized at amortized cost using the effective interest rate method. Transaction costs are included in the original acquisition cost. Credit loss risks associated with loan receivables are assessed on a customer-specific basis and, if required, the expected credit loss is taken into account when measuring receivables over the next 12 months or when the credit loss risk increases throughout the contractual period.

Financial assets measured at fair value through profit or loss include other non-current financial assets which include investments in unlisted shares. As no reliable market value is available, other non-current financial assets are measured at acquisition cost less possible impairment losses.

Financial assets are derecognized when the Group has lost the contractual right to cash flows, or when it has materially moved risks and revenue outside the Group.

FINANCIAL LIABILITIES

Aspo classifies its financial liabilities as follows: 1) measured at amortized cost, and 2) measured at fair value through other comprehensive income.

Bank, pension and bond loans recognized at amortized cost, as well as overdraft facilities used, are originally recognized at fair value, less transaction costs, after which they are measured at amortized cost using the effective interest rate method. The difference between the withdrawn amount (less transaction costs) and the paid amount is allocated in the income statement during the estimated loan maturity period. The fair values of loans do not materially differ from their carrying amounts, because their interest is close to market rates. The carrying amounts of accounts payable and other liabilities are expected to correspond to their fair values due to the short-term nature of these items. Aspo classifies the liability as non-current, unless it falls due within a year.

Financial liabilities recognized at fair value in other items in the statement of comprehensive income include derivatives in hedge accounting. They are measured at fair value through other items in the statement of comprehensive income.

2.2 Cash and cash equivalents

CASH AND CASH EQUIVALENTS AND UNUTILIZED COMMITTED REVOLVING CREDIT FACILITIES

1,000 EUR	2020	2019
Cash and cash equivalents	**32,303**	23,667
Revolving credit facilities	**55,000**	40,000
Total	**87,303**	63,667

Cash and cash equivalents include cash funds, bank deposits and other highly liquid investments of no more than three months. At the end of the financial year, the Group's cash and cash equivalents were EUR 32.3 (23.7) million.

In spring 2020 Aspo Oyj increased the amount of revolving credit facilities due to the coronavirus pandemic. On the closing date, revolving credit facilities agreed upon with partner banks totaled EUR 55 (40) million, and were fully unused.

Utilized credit facilities are presented in non-current and current loans, see Note 2.3 Loans.

2.3 Loans

LOANS AND OVERDRAFT FACILITIES

1,000 EUR	2020	2019
Non-current		
Loans	**121,026**	111,163
Pension loans	**1,429**	2,857
Bonds	**25,869**	25,832
Overdraft facilities in use	**813**	1,844
	149,137	141,696
Current		
Loans	**30,304**	53,875
Pension loans	**1,428**	1,429
Government loan	**768**	
Overdraft facilities in use		2,851
	32,500	58,155
Total		
Loans	**151,330**	165,038
Pension loans	**2,857**	4,286
Bonds	**25,869**	25,832
Government loan	**768**	
Overdraft facilities in use	**813**	4,695
Total	**181,637**	199,851

In September 25, 2019, Aspo Plc issued a EUR 15 million unsecured private placement bond as part of the group bond of EUR 40 million guaranteed by Garantia Insurance Company. The bond pays fixed interest rate and matures on September 25, 2024.

In 2015, Aspo Plc issued a EUR 11 million unsecured private placement bond. The bond pays fixed interest rate and matures on September 29, 2022.

At the reporting date, Aspo Plc had a EUR 80 million domestic commercial paper program of which EUR 11 (21) million were in use.

During 2020, the Polish company belonging to the Telko segment received a non-interest-bearing loan of PLN 3.5 million (EUR 0.8 million) from the government due to the financial consequences of the coronavirus pandemic. If certain conditions are met, the loan can be waived in part. If the conditions are not met, the loan must be repaid in full or in part within 12 months. The loan has been recognized at its nominal value and classified as a current loan.

2.4 Maturity

LIQUIDITY AND REFINANCING RISK
The objective of Aspo Group is to ensure sufficient financing for operations in all situations and market conditions. In accordance with the treasury policy, the sources of financing are diversified among a sufficient number of counterparties and different loan instruments. The sufficient number of committed financing agreements and sufficient maturity ensure Aspo Group's current and near-future financing needs and decrease the refinancing risk relating to financing agreements.

The investment needs in the shipping operations were low in year 2020 similarly to year 2019. The main financing source of Telko and Leipurin is the cash flow from their operations. Liquidity is ensured through cash and cash equivalents, by issuing of commercial papers and committed overdraft limits, as well as revolving credit facilities granted by selected cooperation banks. In the spring, the amount of committed revolving credit facilities was increased by an additional 15 million euro due to the coronavirus pandemic. In addition, the efficiency of the Group's cash management and centralization of liquid funds was improved by adopting the Nordic multi-currency cash pool structure.

The maturity structure of loans was balanced and the Group's refinancing risks were reduced during 2020 by means of several bilateral loan arrangements.

Most lease payments fall due within five years and the most significant part relating to leases of vessels fall due within a year after the reporting date.

In April, Aspo issued a new hybrid bond of EUR 20 million, which is classified as equity. The bond has no maturity, but the company is entitled to redeem it in May 2022 at the earliest.

MATURITY ANALYSIS

2020

1,000 EUR	Carrying value Dec 31,2020	Cash flow 2021	2022	2023	2024	2025–
Loans	-180,824	-34,757	-43,601	-37,721	-70,378	
Overdraft facilities	-813	-813				
Accounts payable and other liabilities	-39,566	-39,566				
Lease liabilities	-20,583	-13,680	-4,143	-1,836	-625	-816

The only interest rate swap was dissolved during 2020.

2019

1,000 EUR	Carrying value Dec 31,2019	Cash flow 2020	2021	2022	2023	2024–
Loans	-195,156	-58,018	-20,337	-41,047	-68,525	-15,112
Overdraft facilities	-4,695	-2,851	-1,844			
Accounts payable and other liabilities	-40,049	-40,049				
Lease liabilities	-21,749	-13,295	-4,187	-2,714	-1,268	-894
Derivative instruments						
Interest rate swaps						
Hedge accounting applied						
Cash flows to be paid		-48	-32	-6		

2.5 Leases

The Group has customary, business related lease contracts, e.g. relating to offices, warehouses, vessels and cars. Also, part of the office equipment and software is rented. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease term for vessels is in general approximately one year. Other rental agreement periods are typically less than five years.

Aspo has changed its accounting principles relating to lease agreements, and started to apply the IFRS 16 standard also to leases of intangible assets starting from January 1, 2020. The change has not been applied retroactively, instead the effect of the change in the accounting principle is presented as an increase in the right-of-use asset and lease liability in year 2020. At the end of year 2020 the right-of-use assets relating to intangible assets amounted to EUR 1,540,000, and the lease liability was EUR 1,554,000. The depreciation for intangible right-of-use assets in year 2020 were EUR 466,000.

The consolidated balance sheet shows the following amounts relating to leases:

RIGHT-OF-USE ASSETS

1,000 EUR	2020	2019
Intangible assets	**1,540**	
Land	**954**	568
Buildings	**5,895**	8,537
Machinery and equipment	**1,760**	2,019
Vessels	**9,964**	10,325
Other assets	**11**	45
Total	**20,124**	21,494

At the end of the financial year the most significant right-of-use assets were vessels leased by ESL Shipping and office and warehouse premises used by the businesses. Additions to the right-of-use assets during the 2020 financial year were EUR 14,413,000 (12,321,000).

LEASE LIABILITIES

1,000 EUR	2020	2019
Non-current	**7,198**	8,769
Current	**13,385**	12,980
Total	**20,583**	21,749

Maturity of lease liabilities is presented in Note 2.4 Maturity.

The consolidated statement of comprehensive income shows the following amounts relating to leases:

AMOUNTS RECOGNIZED IN PROFIT OR LOSS

1,000 EUR	2020	2019
Depreciation, right-of-use assets	**13,249**	13,705
Interest expense	**439**	729
Expense relating to short-term leases	**105**	218
Expense relating to leases of low-value assets	**224**	202
Expense relating to leases of intangible assets		565
Expense relating to variable lease payments		16
Expenses total	**14,017**	15,435
Rental income from operating sub-leases	**33**	19

Depreciation of right-of-use assets is presented in Note 3.7 Depreciation and impairment.

The lease payments relating to right-of-use assets amounted to EUR 13.5 million (EUR 15.0 million), of which EUR 0.4 million (EUR 0.7 million) was interest. The total lease payments, including also the variable lease payments and rents for short-term and low-value asset leases amounted to EUR 13.8 million (EUR 16.1 million).

At the end of the financial year the Group was committed mainly to such future lease agreements that are designated to replace existing agreements, and the amount of which does not significantly depart from the agreements currently effective. The lease agreements do not include significant purchase options. Lease assets are not used as security for borrowing purposes.

ACCOUNTING ESTIMATES AND MANAGEMENT JUDGEMENT

Lease accounting involves significant management estimates relating to the determination of the lease term and the lease components.

The most significant management judgement relating to the determination of the lease term relates to leased vessels, most of which, have been leased for a period of approximately one year. As a significant portion of the fleet is leased, it is likely that, at the end of the lease term, the same or a similar vessel will be leased again. In case there is no intention to continue or renew the lease, the agreement will be treated as a fixed-term lease contract. If a vessel is leased for approximately one year, the lease term used to calculate the lease liability is 13 months (ongoing month + the next 12 months). This is because the agreements may be terminated after the fixed lease term and each month a new assessment is made on the probability to use the termination right. The need of vessels is planned over a 12-month planning period and the plan is adjusted each month as deemed necessary.

A significant estimate has been made in the determination of rents when the lease component and non-lease components have been separated from lease agreements of vessels, i.e. when it is estimated how large a part of the payment of rent is associated with the leased vessel and how large a part is associated with the crew and other services. The management estimates that the vessel accounts for 30% of rent and the remaining 70% being made up of non-lease components. ESL Shipping's management has made the estimate based on a statistical calculation, which will be adjusted annually regarding any changes. Aspo's lease liabilities relating to non-lease components are presented as other commitments in Note 5.4 Contingent assets and liabilities, and other commitments.

The determination of the lease term involves judgement, especially with regard to agreements valid until further notice. The estimate of the duration of the lease term is agreement-specific. The probable lease term of lease agreements valid until further notice is estimated based on business plans, considering costs arising from the termination of the agreement.

The option to extend or terminate a lease is taken into account in determining the lease term. The period covered by an option to extend the lease is included into the lease term if it according to management judgement is reasonably certain that the option will be exercised. Correspondingly, if it is reasonably certain that an option to terminate the lease is not exercised, the lease term will cover the contract period in full. The assessment to exercise an option or not is made case by case based on the profitability of the arrangement and needs of the business.

LEASES

Leases are recognized as a right-of-use asset and a corresponding liability at the date when the leased asset is available for use by the Group. Contracts may contain both lease and non-lease components. When the agreement includes a non-lease component such as maintenance, services, and maritime crew Aspo separates them based on their standalone price given in the agreement or by using estimates.

The lease term is based on the agreement period considering options to extend and terminate. For contracts valid until further notice Aspo estimates the probable lease term according to best knowledge based on business plans, considering costs arising from the termination of the agreement.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives to be received
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments arising from terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used. The criteria used to determine the applicable discount rate for each lease agreement include the class of underlying asset, the geographic location, the currency, the maturity of the risk-free interest rate and the lessee's credit risk premium.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Leases are charged to profit or loss as finance cost of the lease liability and depreciation of the right-of-use asset. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

A lease liability and a right-of-use-asset are not recognized on the balance sheet in respect of leases of low value assets. Aspo has determined the acquisition value of EUR 5,000 as a threshold for low value assets. Low-value assets comprise ICT equipment and minor office furniture. Also, short-term leases, with a lease term of 12 months or less, are not recognized on the balance sheet. Payments associated with low-value assets and short-term leases are recognized on a straight-line basis in other operating expenses.

Aspo acts as a lessor in a very minor scale when sub-leasing office premises. These arrangements have been classified as operating leases and the lease income is recognized in other operating income on a straight line basis over the lease term.

2.6 Equity

Aspo's equity consists of the share capital, share premium, hybrid bond (Hybrid), translation differences, treasury shares, retained earnings and other reserves including the invested unrestricted equity reserve, legal reserves and fair value reserve. Treasury shares are presented as part of retained earnings.

SHARE CAPITAL AND SHARE PREMIUM

1,000 EUR	Number of shares in 1,000s	Share capital	Share premium
Dec 31, 2020	**31,420**	**17,692**	**4,351**

Share capital includes ordinary shares. Aspo Plc has one share series. Each share entitles the shareholder to one vote at the shareholders' meeting. The shares do not have a nominal value. On December 31, 2020, Aspo Plc's number of shares was 31,419,779 and the share capital was EUR 17.7 million.

Share subscriptions based on the convertible capital loan that were issued during the validity of the old Companies Act (29.9.1978/734) were recognized in the share premium. There have been no changes in the number of shares, share capital or share premium during the financial years ended December 31, 2020 and 2019.

TREASURY SHARES

	Number of shares in 1,000s	Treasury shares 1,000 EUR
Jan 1, 2019	304	-1,738
Share-based incentive plan	-7	50
Dec 31, 2019	**297**	**-1,688**
Jan 1, 2020	297	-1,688
Share-based incentive plan	**-135**	**768**
Dec 31, 2020	**162**	**-920**

Aspo Plc holds treasury shares, which the Board of Directors has transferred to individuals within the scope of share-based incentive schemes based on authorization granted by the Annual Shareholders' Meeting. Share-based incentive schemes are described in more detail in Note 5.3 Related parties. Treasury shares are included in retained earnings.

EQUITY

Transaction costs, net of tax, resulting directly from the issuance of new shares are recognized in equity, as a reduction of the payments received.

When the company purchases treasury shares, the consideration paid for the shares and the transaction costs are recognized as a reduction in equity. When the shares held by the company are sold, the consideration, net of tax and less direct transaction costs, is recognized as an increase in equity.

The translation difference reserve includes translation differences arising from the translation of the financial statements of foreign units, as well as unrealized foreign exchange gains and losses from the Group's net investments in foreign units. More information on translation differences is presented under currency risks in Note 5.1 Financial risks and the management of financial risks.

OTHER RESERVES

1,000 EUR	2020	2019
Fair value reserve		-86
Invested unrestricted equity reserve and legal reserves	**16,475**	16,483
	16,475	16,397

The fair value reserve includes the accumulated changes in the fair value of derivative instruments under hedge accounting for the effective portion of hedging. The amounts included in the reserve are recognized through profit and loss when the arrangements related to them are dissolved. In 2019, Aspo had an interest rate swap, which was dissolved during the financial year 2020 due to a change in the repayment schedule of the related loan. Due to the dissolution, EUR 86,000 in financial expenses were recognized.

The invested unrestricted equity reserve includes other equity-type investments and share subscription price to the extent that it is not recognized in the share capital in accordance with a separate resolution.

HYBRID BOND

1,000 EUR	2020	2019
Jan 1	**25,000**	25,000
Repurchase of the old hybrid bond	**-18,400**	
Repayment of the old hybrid bond	**-6,600**	
Issuance of the new hybrid bond	**20,000**	
Dec 31	**20,000**	25,000

In April, 2020 Aspo issued a new hybrid bond of EUR 20 million. The coupon rate of the new bond is 8.75% per annum. The bond has no maturity, but the company is entitled to redeem it in May 2022 at the earliest.

In the beginning of the financial year, Aspo had an EUR 25 million hybrid bond, issued in May, 2016. The coupon rate of this hybrid bond was 6.75%. Aspo repurchased part of its former hybrid bond of EUR 25 million at EUR 18.4 million in accordance with the tender offer regarding the bond. The repurchase was conditional on the issuance of the new hybrid bond. The unpurchased part of the former hybrid bond of EUR 6.6 million was repaid on May 27, 2020.

During the financial period, hybrid instruments accrued EUR 1.8 (1.7) million in interest. Expenses from the issuance of a new hybrid were EUR 0.2 million. These items have been recognized as reduction of retained earnings. EUR 1.6 (1.7) million have been paid in interest on hybrid instruments.

HYBRID

The hybrid bond is classified as equity. The interest payment obligation arises if the Annual Shareholders' Meeting decides to distribute dividends. If no dividend is distributed, the company can decide upon the payment of interest separately. In the consolidated financial statements, the bond together with its accumulated interest and the transaction costs relating to the issuance of a new hybrid bond, net of possible tax, are presented in equity according to their nature. A hybrid bond is an instrument which is subordinated to the company's other debt obligations. The hybrid bond does not confer to its holders the rights of a shareholder and does not dilute the holdings of the shareholders.

RETAINED EARNINGS

1,000 EUR	2020	2019
Jan 1	**77,811**	76,891
Profit for the period	**13,424**	16,118
Dividend distribution	**-6,862**	-13,694
Hybrid bond, interest	**-1,758**	-1,687
Hybrid bond issue, transaction costs	**-191**	
Share-based incentive plan	**-484**	183
Dec 31	**81,940**	77,811

Dividend distribution is disclosed in the next chapter 2.7 Earnings per share and dividend distribution. Share-based payments are discussed in Note 5.3 Related parties.

2.7 Earnings per share and dividend distribution

EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit or loss attributable to the parent company's shareholders by the weighted average number of outstanding shares during the financial year. When calculating earnings per share, the interest of the hybrid bond, net of tax, has been considered as a profit-reducing item. Diluted earnings per share equals basic earnings per share as there has been no dilution effects in years 2020 and 2019.

EARNINGS PER SHARE

1,000 EUR	2020	2019
Profit for the period attributable to parent company shareholders	**13,424**	16,118
Interest of the hybrid bond (adjusted by tax effect)	**-1,406**	-1,350
Average number of shares outstandning during period (1,000)	**31,191**	31,121
Basic earnings per share, EUR	**0.39**	0.47
Diluted earnings per share, EUR	**0.39**	0.47

DIVIDEND DISTRIBUTION

The Board of Directors proposes that a dividend of EUR 0.35 per share is distributed for the financial year 2020, and that the dividend is paid in two installments, EUR 0.18 per share in April and EUR 0.17 per share in November.

According to the decision of the Annual Shareholders meeting held on May 4, 2020, a total dividend of EUR 0.22 was distributed for 2019. The dividend was paid in May and October 2020.

Dividend distribution to owners of the parent company is recognized based on the Shareholders' Meeting's resolution. No dividend is paid to the treasury shares held by Aspo Ltd.

3 BUSINESS OPERATIONS AND PROFITABILITY

ASPO

ESL SHIPPING

LEIPURIN

TELKO

KAUKO

OPERATING SEGMENTS

Aspo's operating segments are ESL Shipping, Leipurin, Telko and Kauko. The Board of Directors, which is the chief operating decision maker is responsible for allocating resources to the operating segments and evaluating their performance. The operating segments have been identified based on Aspo Group's organizational structure, in which each business is led separately.

- **ESL Shipping** conducts sea transportation of energy sector and industrial raw materials, and offers related services.
- **Leipurin** provides solutions particularly for bakery customers and chain customers in the foodservice business, and partly to other food industries and the retail trade.
- **Telko** acquires and supplies plastic raw materials, chemicals and lubricants to industry. Its extensive customer service also covers technical support and the development of production processes.
- **Kauko** is an expert in demanding working environment providing total solutions, services and equipment for mobile knowledge work.

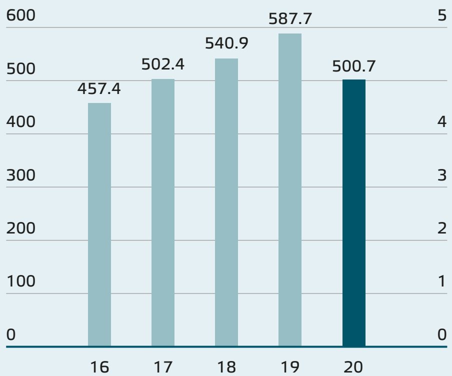
Other operations include Aspo Group's administration, the financial and ICT service center, and a small number of other operations not covered by the reportable segments.

The reportable segments are ESL Shipping, Leipurin and Telko. Kauko is reported as part of the Telko segment, because these operating segments have similar financial characteristics. Business operations of Telko and Kauko follow the same economic cycles, and they both have a similar customer base. Moreover, they both operate in the value chain as a distributor of their principals' products. Profit margins may be at a very similar level, especially regarding finished products. Integration with the supply chain and production of principals and customers, in particular, is a special characteristic for both businesses. In addition, logistics share similar features.

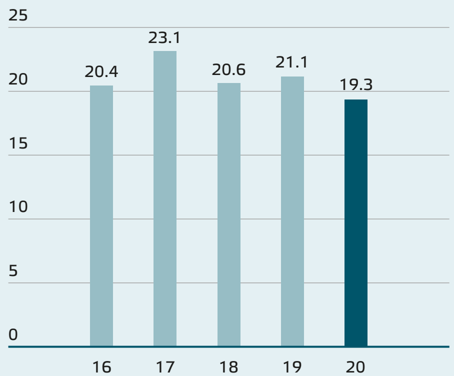
PROFITABILITY

Within the Group, the evaluation of segment results is based on each segment's operating profit and net sales from outside the Group. Segment reporting is prepared in accordance with the same recognition and measurement principles as the consolidated financial statements.

NET SALES, MEUR



OPERATING PROFIT, MEUR



RECONCILIATION OF SEGMENT OPERATING PROFIT TO THE GROUP'S PROFIT BEFORE TAXES

2020

1,000 EUR	ESL Shipping	Leipurin	Telko	Unallocated items	Group total
Operating profit	7,612	1,443	14,857	-4,566	19,346
Net financial expenses					-4,512
Profit before taxes					**14,834**

2019

1,000 EUR	ESL Shipping	Leipurin	Telko	Unallocated items	Group total
Operating profit	14,563	2,995	8,047	-4,482	21,123
Net financial expenses					-2,875
Profit before taxes					**18,248**

SEGMENT ASSETS AND LIABILITIES

1,000 EUR	ESL Shipping	Leipurin	Telko	Unallocated items	Group total
Segment assets Jan 1, 2020	222,736	65,514	94,238	27,420	409,908
Segment assets Dec 31, 2020	210,399	59,854	77,663	36,184	384,100
Segment liabilities Jan 1, 2020	26,356	20,194	32,194	209,095	287,839
Segment liabilities Dec 31, 2020	27,717	19,896	32,717	190,273	270,603

The segment's assets and liabilities are items that the segment uses in its business operations or that can be reasonably allocated to the segment. Items not allocated to segments consist of items associated with income taxes and centralized financing in the statement of comprehensive income and balance sheet. Transactions between segments are based on fair market prices. There are no considerable inter-segment transactions.

3.1 Net sales

Aspo's revenue consists mainly of the following income flows:

- Telko: Sales of plastic and chemical raw materials as well as lubricants to industries and trade
- Leipurin: Sales of raw materials and machines to the bakery and other food industries
- ESL Shipping: Sales of ship transportation services mainly to the energy and metal industries
- Kauko: Sales of tools and applications for mobile knowledge work

The external net sales of the segments equal the net sales recognized in the consolidated statement of comprehensive income; there are no net sales that had not been allocated to the segments. Aspo does not depend on any individual significant customers, and no individual customer's purchases alone make up more than 10% of consolidated net sales.

Aspo's net sales from contracts with customers are divided by business areas, timing of revenue recognition and by market area.

NET SALES BY BUSINESS AREA

1,000 EUR	2020	2019
ESL Shipping	**148,447**	174,957
Bakery business	**87,428**	95,746
Machinery business	**10,350**	15,281
Foodservice business	**3,175**	4,702
Leipurin	**100,953**	115,729
Plastics business	**122,900**	152,188
Chemicals business	**74,622**	90,157
Lubricants business	**27,360**	27,984
Kauko	**26,459**	26,674
Telko	**251,341**	297,003
Total	**500,741**	587,689

In 2020, Aspo Group's net sales decreased by 15% from the previous year, particularly due to the decrease in demand resulting from the coronavirus pandemic. ESL Shipping's net sales decreased by 15% from the comparative period as demand decreased due to the coronavirus pandemic. Leipurin's net sales decreased due to the coronavirus pandemic and related restrictions, as well as the decrease in the exchange rate of the Russian ruble. In the Telko segment, the net sales of the plastics and chemicals business decreased from the previous year as a result of the steep decline in local currencies in the eastern markets and the decrease in demand due to the coronavirus pandemic.

NET SALES BY TIMING OF RECOGNITION

1,000 EUR	2020	2019
ESL Shipping		
At a point in time	**2,279**	1,550
Over time	**146,168**	173,407
	148,447	174,957
Leipurin		
At a point in time	**97,145**	111,510
Over time	**3,808**	4,219
	100,953	115,729
Telko		
At a point in time	**250,708**	296,120
Over time	**633**	883
	251,341	297,003
Total		
At a point in time	**350,132**	409,180
Over time	**150,609**	178,509
Total	**500,741**	587,689

The majority of the Group's net sales, 70% (70), is recognized as revenue at a point in time in conjunction with the delivery of goods or services. Net sales recognized over time mainly include ESL Shipping's sea transportation and related services of EUR 146.2 (173.4) million and Leipurin's construction projects in machinery operations of EUR 3.8 (4.2) million.

CONTRACT ASSETS AND LIABILITIES

Contract assets include revenue from machine construction projects in Leipurin's business operations which are based on individual orders and have not yet been delivered to customers. The contract assets and liabilities show annual variation depending on project completion schedules.

Construction projects outstanding on the closing date are expected to be delivered to customers during the following year, this is the reason for not disclosing the transaction price of the performance obligations relating to the unsatisfied contracts at the end of the reporting period. The majority of projects associated with contract assets for 2019, however, remained undelivered at the end of 2020 due to the coronavirus pandemic, the most significant of these being machine deliveries to Russia, whose schedule has postponed to 2021 for reasons independent of the company.

Contract liabilities comprise advance payments received from projects and other advance payments received, the products or services related to which have not been delivered or rendered. Advances received are usually recognized as revenue during the following year.

CONTRACT ASSETS

1,000 EUR	2020	2019
Revenue recognized from non-delivered projects	**1,207**	785
Total	**1,207**	785

CONTRACT LIABILITIES

1,000 EUR	2020	2019
Advances received	**6,709**	4,767
Total	**6,709**	4,767

ACCOUNTING ESTIMATES AND MANAGEMENT JUDGEMENT

The revenue recognition of construction projects includes estimates, as they are recognized as revenue based on a percentage of completion. The percentage of completion is defined as the proportion of design, production and installation hours incurred by the time of review from the project's estimated total design, production and installation hours. Aspo Group's construction projects are related to Leipurin's own machine production, which comprises only a small part of the Group's net sales.

NET SALES BY MARKET AREA

1,000 EUR	2020	2019
ESL Shipping		
Finland	**69,433**	79,570
Scandinavia	**41,298**	46,963
Baltic countries	**2,208**	8,107
Russia, other CIS countries and Ukraine	**5,414**	447
Other countries	**30,094**	39,870
	148,447	174,957
Leipurin		
Finland	**39,783**	43,870
Scandinavia	**32**	690
Baltic countries	**27,938**	31,487
Russia, other CIS countries and Ukraine	**31,697**	37,923
Other countries	**1,503**	1,759
	100,953	115,729
Telko		
Finland	**67,667**	71,629
Scandinavia	**36,597**	37,213
Baltic countries	**16,009**	18,281
Russia, other CIS countries and Ukraine	**104,407**	132,834
Other countries	**26,661**	37,046
	251,341	297,003
Total		
Finland	**176,883**	195,069
Scandinavia	**77,927**	84,866
Baltic countries	**46,155**	57,875
Russia, other CIS countries and Ukraine	**141,518**	171,204
Other countries	**58,258**	78,675
Total	**500,741**	587,689

INFORMATION RELATED TO GEOGRAPHICAL REGIONS

The Group monitors its net sales in accordance with the following geographical division: Finland, Scandinavia, the Baltic countries, Russia, other CIS countries and Ukraine, and other countries. Net sales of the geographical regions are presented as per customer location and their assets as per location of the assets

Net sales decreased in all of Aspo's market areas. In the market area of Russia, other CIS countries and Ukraine, net sales decreased as a result of the significant weakening in local currencies relative to the euro and due to the coronavirus pandemic. The decrease in the market area of other countries resulted from lower demand for raw materials and the decrease in the shipping company's transportation services.

NON-CURRENT ASSETS BY MARKET AREA

1,000 EUR	2020	2019
Finland	**233,238**	241,058
Scandinavia	**11,341**	11,690
Baltic countries	**330**	386
Russia, other CIS countries and Ukraine	**830**	1,394
Other countries	**37**	33
Total	**245,776**	254,561

The non-current assets exclude financial assets and assets related to taxes.

REVENUE RECOGNITION

The majority of Aspo's net sales comes from the sale of products, which are considered to be individual performance obligations. Revenue is recognized when the performance obligation is fulfilled by handing over the product or service to the client. Revenue is recognized upon delivery at a point in time once significant risks and benefits associated with ownership have been passed on to the buyer in accordance with the delivery clauses.

ESL Shipping's income is recognized over time as the services are rendered. The revenue recognition is based on the transportation agreements or other service agreements. At the end of each reporting period, revenue from ESL Shipping's undelivered or otherwise incomplete services is recognized on the basis of the number of days completed by the reporting date as a percentage of the estimated total duration of the service.

Apart from ESL Shipping, only a small part of the net sales of the operating segments comprises services sold to customers, income from which is recognized at a point in time once the service has been rendered, or over time if the customer simultaneously receives benefits when the service is being rendered. Majority of other services offered by the segments are regarded as customer service, and they are not considered separate performance obligations, because they are related, for example, to the development and design of product concepts and customized solutions.

Revenue and expenses from construction projects produced in accordance with individual orders are recognized based on the percentage of completion when the outcome of the project can be assessed reliably. Accrued costs from construction projects not recognized as revenue yet, are recognized as incomplete projects in inventories. When it is likely that a project generates losses, the losses are recognized as expenses immediately.

Transaction prices do not include any significant financing components. Primarily, accounts receivable fall due within 0–60 days after the invoicing date. Advance payments received from customers are also used, typically in projects with a long production period, where installments are tied to the progress of the project. These payments are contract liabilities and recognized in advances received.

Some contracts with customers include discounts that are tied, for example, to product volumes purchased annually by the customer in question. With regard to these, the likely amount of a realized discount is estimated on the basis of historical information, and these estimates are used to adjust the revenue recognized. These accruals are recorded on a monthly basis, and the estimates are updated when more information is available. The amount of these discounts is not significant within Aspo Group.

Products sold by Aspo involve warranty obligations, due to the replacement or repair of any defective products during the warranty period. These warranty obligations do not differ from normal statutory obligations or any obligations followed in accordance with sector-specific market practices. These obligations are assessed regularly as the likely amount based on historical experience and recognized in operational expenses.

Aspo has not had significant incremental costs for obtaining contracts with customers that should be capitalized in the balance sheet. Possible incremental costs are expensed as incurred as their nature is such that they would be expensed within a year.

3.2 Other operating income

OTHER OPERATING INCOME

1,000 EUR	2020	2019
Gains on sale of tangible assets	**165**	51
Rents and related remunerations	**68**	19
Gains on sale of business operations		300
Leasing agreement related compensation	**94**	60
Other income	**195**	477
Total	**522**	907

3.3 Associated companies

SHARE IN COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD
Aspo Group has two associated companies that were acquired in conjunction with the acquisition of AtoB@C in 2018. These German limited partnership companies Auriga KG and Norma KG are domiciled in Leer. Aspo Group holds 49% of the shares of these companies. The associated companies are included in the ESL Shipping segment.

ASSOCIATED COMPANIES

Company	Domicile	Holding %
Auriga KG	DE	49.00
Norma KG	DE	49.00

Both of the companies own one dry bulk cargo vessel. The income of the companies consists of rent income from the vessels owned. Their combined total assets of the companies at the acquisition date was EUR 7.1 million. The fair value of these associated companies determined in conjunction with the acquisition was EUR 0.9 million higher than the carrying amount. The difference between the fair value and carrying amount is attributable to the vessels owned by the companies, and it is amortized during the useful life of the vessels.

The third associated company acquired in connection with the acquisition of AtoB@C was a Swedish Norra Skeppnings Gruppen AB, which became a subsidiary during the financial year 2019 when AtoB@C Shipping AB acquired the remaining 60% of the company. The acquisition was not material for the Group.

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

1,000 EUR	2020	2019
Balance Jan 1	**1,438**	1,512
Transfer to group companies		-23
Dividends received	**-104**	-58
Share of associated companies' profits for the the financial year	**-362**	7
Carrying amount Dec 31	**972**	1,438

Aspo's share of the results of associated companies for the 2020 financial period was EUR -109,000. The remaining share of EUR -253,000 is associated with an adjustment in results for previous financial periods due to a calculation error.

ASSOCIATED COMPANIES
Investments in associates are accounted for using the equity method of accounting. If the Group's share of losses in an associate exceeds the carrying amount, losses in excess of the carrying amount will not be recognized, unless the Group undertakes to fulfill the obligations of the associate. Unrealized gains on transactions between the Group and its associates are eliminated in proportion to the Group's ownership share. The share of profits of associated companies presented in the consolidated statement of comprehensive income is calculated from the associate's profit for the period, net of tax.

TRANSACTIONS WITH RELATED PARTIES - ASSOCIATED COMPANIES

1,000 EUR	2020	2019
Rents for time-chartered vessels	**2,326**	2,528
Accounts receivable and other receivables	**36**	26

3.4 Materials and services

MATERIALS AND SERVICES

1,000 EUR	2020	2019
Purchases during the period		
ESL Shipping	**23,575**	37,903
Leipurin	**77,321**	90,527
Telko	**198,176**	235,190
Total	**299,072**	363,620
Change in inventories	**9,802**	18,095
Services acquired		
ESL Shipping	**1**	
Leipurin	**2,990**	3,216
Telko	**3,953**	4,139
Total	**6,944**	7,355
Total materials and services	**315,818**	389,070

3.5 Other operating expenses

OTHER OPERATING EXPENSES

1,000 EUR	2020	2019
ESL Shipping	**75,495**	82,590
Leipurin	**5,334**	7,124
Telko	**8,746**	11,439
Other operations	**3,088**	3,516
Total	**92,663**	104,669

AUDITORS’ FEES

1,000 EUR	2020	2019
Audit	**372**	381
Tax advice	**45**	23
Other services	**65**	124
Total	**482**	528

The authorized public accountant firm Deloitte has been the company’s auditor in year 2020. In 2019, the auditor was Ernst & Young. Deloitte’s performance-based audit fee for 2020 was EUR 0.3 million, and its fees from other services totaled EUR 16,500, and include the audit of an EU settlement.

3.6 Employee benefit expenses and number of employees

EMPLOYEE BENEFIT EXPENSES

1,000 EUR	2020	2019
Wages and salaries	**37,328**	38,261
Pension expenses, defined contribution plans	**4,019**	4,575
Share-based payments	**307**	247
Other employee benefit expenses	**2,324**	2,033
Total	**43,978**	45,116

Employee expenses are decreased by the government subsidy for merchant vessels from the Ministry of Transport and Communications, according to which ESL Shipping receives withholding taxes and social security expenses related to marine personnel's pays as refunds. The amount of the subsidy for merchant vessels amounted to EUR 5.4 (5.3) million.

In Finland the statutory pension provision is arranged by insurances from pension insurance companies. In foreign units, the pension provision is arranged in accordance with local legislation and social security regulations. The Group's pension schemes are defined contribution plans and the contributions are recognized as employee benefit expense in the financial period they relate to. Information regarding the employee benefits of key management personnel is presented in Note 5.3 Related parties.

NUMBER OF EMPLOYEES

At the end of the financial year, the number of employees of Aspo Group was 896 (931), while the average during the financial year was 903 (945).

PERSONNEL, IN AVERAGE BY SEGMENT

	2020	2019
ESL Shipping	**278**	274
Leipurin	**280**	314
Telko	**315**	331
Other operations	**30**	26
Total	**903**	945

PERSONNEL BY SEGMENT AT YEAR-END

	2020	2019
ESL Shipping	**295**	277
Leipurin	**262**	297
Telko	**308**	330
Other operations	**31**	27
Total	**896**	931

PERSONNEL BY GEOGRAPHICAL AREA AT YEAR-END

	2020	2019
Finland	**447**	451
Scandinavia	**56**	38
Baltic countries	**84**	86
Russia, other CIS countries and Ukraine	**282**	329
Other countries	**27**	27
Total	**896**	931

3.7 Depreciation, amortization and impairment losses

DEPRECIATION AND AMORTIZATION, TANGIBLE AND INTANGIBLE ASSETS

1,000 EUR	2020	2019
Intangible assets	**341**	367
Buildings	**419**	378
Vessels	**14,335**	13,357
Machinery and equipment	**683**	786
Other tangible assets	**33**	32
Total	**15,811**	14,920

IMPAIRMENT LOSSES

1,000 EUR	2020	2019
Goodwill	**36**	
Total	**36**	
Total depreciation, amortization and impairment losses	**15,847**	14,920

DEPRECIATION, RIGHT-OF-USE ASSETS

1,000 EUR	2020	2019
Intangible assets	**466**	
Land	**98**	84
Buildings	**2,715**	2,757
Vessels	**8,917**	9,807
Machinery and equipment	**1,040**	1,045
Other tangible assets	**13**	12
Total	**13,249**	13,705

Aspo's depreciation expense is mainly associated with vessels owned and leased by ESL Shipping.

Accounting principles for depreciation are included in Note 4.1 Tangible assets and 4.2 Intangible assets. Accounting principles for leases are described in Note 2.5 Leases.

DEPRECIATION AND AMORTIZATION BY SEGMENT

	2020					2019				
1,000 EUR	**ESL Shipping**	**Leipurin**	**Telko**	**Other operations**	**Group total**	**ESL Shipping**	**Leipurin**	**Telko**	**Other operations**	**Group total**
Amortization of intangible assets	152	112	77		341	172	122	73		367
Depreciation of tangible assets	14,363	293	764	50	15,470	13,392	312	800	49	14,553
	14,515	405	841	50	15,811	13,564	434	873	49	14,920
Depreciation, right-of-use assets	9,301	1,710	1,711	527	13,249	10,120	1,642	1,511	432	13,705

3.8 Financial income and expenses

FINANCIAL INCOME AND EXPENSES

1,000 EUR	2020	2019
Dividend income from other non-current financial assets	**1**	1
Interest income from loans and other receivables	**328**	1,630
Foreign exchange gains	**509**	544
Financial income	**838**	2,175
Interest expenses on leases	**-439**	-729
Interest and other financial expenses	**-4,009**	-3,899
Foreign exchange losses	**-902**	-422
Financial expenses	**-5,350**	-5,050
Financial income and expenses	**-4,512**	-2,875

In April 2019, the administrative court gave its decision to reduce the tax increase imposed by Finnish Customs on Telko in 2015. The favorable ruling increased the financial income by approximately EUR 1.4 million in 2019.

The items above operating profit include EUR -1.0 (0.4) million of exchange rate differences from sales and purchase transactions..

3.9 Income taxes

TAXES IN THE STATEMENT OF COMPREHENSIVE INCOME

1,000 EUR	2020	2019
Taxes for the period	**-2,558**	-2,515
Change in deferred tax assets and liabilities	**1,129**	380
Taxes from previous financial years	**19**	5
Total	**-1,410**	-2,130

The Group's income taxes include taxes based on the Group companies' profits for the financial year, adjustment of taxes from previous financial years and changes in deferred taxes. Income taxes are recognized in accordance with the tax rate valid in each country. Regarding the deferred taxes, see Note 4.8 Deferred taxes.

RECONCILIATION OF THE TAX EXPENSE IN THE STATEMENT OF COMPREHENSIVE INCOME AND TAXES CALCULATED BY USING THE PARENT COMPANY'S TAX RATE 20%

1,000 EUR	2020	2019
Profit before taxes	**14,835**	18,248
Taxes calculated using the parent company's tax rate	**-2,967**	-3,650
Impact of foreign subsidiaries' tax rates	**256**	174
Impact of tonnage taxation	**1,859**	2,432
Losses for which no deferred tax asset was recognized	**-1,459**	-1,193
Utilization of previously unrecognized tax losses	**622**	121
Allowance from deferred tax assets		-1,941
Taxes from previous financial years	**19**	5
Withholding taxes	**-460**	-88
Timing differences, tax-free and non-deductible items	**720**	2,010
Taxes in the statement of comprehensive income	**-1,410**	-2,130
Effective tax rate	**10%**	12%

A limited liability company which is obliged to pay taxes in Finland and is practicing international marine logistics has the opportunity to apply taxation based on vessel tonnage during a tonnage taxation period, instead of taxation based on the profits of the shipping business. ESL Shipping Ltd.'s taxation is based on the tonnage taxation regime. Also in Sweden, shipping companies can join the tonnage taxation system under certain conditions. AtoB@C Shipping AB joined the tonnage taxation system from the beginning of 2020. The inclusion of ESL Shipping and AtoB@C within the scope of tonnage taxation significantly reduces the Group's effective tax rate.

4 INVESTED CAPITAL

INVESTED CAPITAL

1,000 EUR	Note	2020	2019
Intangible assets	4.2	**55,282**	51,244
Tangible Assets	4.1	**169,070**	180,184
Right-of-use assets	2.5	**20,124**	21,494
Inventories	4.4	**42,370**	55,894
Accounts receivable and other receivables	4.5	**62,528**	74,572
Other receivables		**1,982**	2,471
Cash and cash equivalents	2.2	**32,303**	23,667
Accounts payable and other liabilities	4.6	**-63,280**	-60,344
Other liabilities		**-1,552**	-1,046
Deferred tax assets and liabilities, net	4.8	**-3,878**	-4,467
Total		**314,949**	343,669

Aspo's invested capital includes the Group's assets less liabilities, excluding interest-bearing liabilities. Invested capital describes where equity and interest-bearing liabilities are tied, which is why it provides interesting information and is representative of Aspo's operations. The most significant component of invested capital is vessels owned and leased by ESL Shipping, totaling EUR 174 million. Goodwill and other intangible assets account for EUR 55 million of invested capital. Goodwill and intangible assets, such as customer relationships and brands, are generated, on Aspo's balance sheet in its key operations, when Aspo develops the Group structure through business acquisitions. Furthermore, working capital makes up EUR 52 million, and cash and cash equivalents EUR 32 million of invested capital.

INVESTMENTS BY SEGMENT

1,000 EUR	2020	2019
ESL Shipping	**4,164**	18,558
Leipurin	**41**	520
Telko	**445**	705
Other operations	**5**	130
Total	**4,655**	19,913

Investments consist of increases in fixed assets and intangible assets that will be used during more than one financial period. EUR 2.6 million of ESL Shipping's investments in 2020 were made in ballast and wastewater handling systems of vessels. These investments are part of ESL Shipping's environmental investments that are carried out in accordance with the company's sustainability and climate targets. In 2020, environmental investments accounted for 39% of ESL Shipping's gross investments.

WORKING CAPITAL

1,000 EUR	Note	2020	2019
Inventories	4.4	**42,370**	55,894
Accounts receivable	4.5	**47,929**	59,498
Accounts payable	4.6	**-32,065**	-33,085
Advances received	4.6	**-6,709**	-4,767
Total		**51,525**	77,540

Working capital, as defined by Aspo, includes inventories, accounts receivable, accounts payable and advances received. Aspo emphasizes the efficiency of working capital and aims to permanently decrease its working capital.

4.1 Tangible assets

TANGIBLE ASSETS

	2020							2019						
1,000 EUR	**Land**	**Buildings**	**Machinery and equipment**	**Vessels**	**Other tangible assets**	**Work in progress and advance payments**	**Total**	**Land**	**Buildings**	**Machinery and equipment**	**Vessels**	**Other tangible assets**	**Work in progress and advance payments**	**Total**
Acquisition cost, Jan 1	54	6,589	8,190	298,281	756	128	313,998	54	6,332	7,448	282,884	751	8	297,477
Translation differences		-38	-779			-5	-822		15	301				316
Increases, business combinations			68				68							
Increases		82	446	3,114	3	1,043	4,688		268	974	18,314	5	127	19,688
Decreases			-293	-1,948		-24	-2,265		-26	-540	-2,917			-3,483
Transfers between classes			75			-75	0			7			-7	0
Acquisition cost, Dec 31	**54**	**6,633**	**7,707**	**299,447**	**759**	**1,067**	**315,667**	**54**	**6,589**	**8,190**	**298,281**	**756**	**128**	**313,998**
Accumulated depreciation, Jan 1		-3,808	-6,139	-123,485	-382		-133,814		-3,453	-5,576	-113,045	-350		-122,424
Accumulated depreciation, business combinations			-42				-42							
Translation differences		12	518				530		-3	-198				-201
Accumulated depreciation of decreases			251	1,948			2,199		26	421	2,917			3,364
Depreciation for the period		-419	-683	-14,335	-33		-15,470		-378	-786	-13,357	-32		-14,553
Accumulated depreciation, Dec 31		**-4,215**	**-6,095**	**-135,872**	**-415**		**-146,597**		**-3,808**	**-6,139**	**-123,485**	**-382**		**-133,814**
Carrying amount, Dec 31	**54**	**2,418**	**1,612**	**163,575**	**344**	**1,067**	**169,070**	**54**	**2,781**	**2,051**	**174,796**	**374**	**128**	**180,184**

The EU subsidizes the energy-efficiency and environmental investments made by ESL Shipping in LNG-fueled vessels, which were deployed in 2018. The preconditions to obtain the subsidy, is that the activities listed in the agreement are carried out and that costs arising are documented in an appropriate manner. The subsidy received by ESL Shipping in 2016–2020 is at most EUR 5.9 million, of which EUR 2.1 million was obtained in 2016 and EUR 2.5 million was obtained in November 2020. The received subsidy reduces the acquisition cost of the vessels and is presented as a reduction of additions in the year when it is received. The subsidy is recognized in the profit and loss during the useful life of the vessels in the form of smaller depreciation expense.

The most significant acquisition in year 2019 was the purchase of m/s Alppila vessel by ESL Shipping, which was previously leased by ESL Shipping.

TANGIBLE ASSETS

Tangible assets are recognized at cost net of cumulative depreciation less possible impairment losses. For new construction of vessels, financial expenses arising during the construction are capitalized as part of the cost and depreciated over the useful life of the asset.

Depreciation is calculated on a straight-line basis over the estimated useful life as follows:

- Vessels 17–30 years
- Pushers 18 years
- Dockings 2–3 years
- Buildings and structures 15–40 years
- Machinery and equipment 3–10 years
- Piping 5–20 years
- Refurbishment costs from premises 5–10 years
- Other tangible assets 3–40 years

Land is not depreciated. The values are reviewed annually.

Gains and losses arising from the discontinued use and disposal of tangible assets are included in other operating income and expenses.

The carrying amounts of individual tangible and intangible assets are reviewed at the end of each reporting period to identify events or circumstances that could indicate their impairment. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The impairment loss is recognized in profit and loss. After the recognition of an impairment loss, the asset's useful life is reassessed. A previously recognized impairment loss is reversed if the estimates used in the determination of the recoverable amount change. Carrying amount increased due to the reversal of an impairment loss may not exceed the carrying amount that would have been defined for the asset if no impairment loss had been recognized in previous years.

SUBSIDIES

Government subsidies granted to compensate for expenses incurred are recognized in the statement of comprehensive income in the periods in which the expenses related to the object of the subsidy are expensed. Subsidies received are presented as net deductions from generated expenses. Subsidies related to the acquisition of tangible assets have been recognized as adjustments to their cost. Subsidies are recognized as income during the period of use of the asset in the form of smaller depreciation expense.

ACCOUNTING ESTIMATES AND MANAGEMENT JUDGEMENT

Estimates of the useful life and residual value, and the selection of depreciation method require management's significant judgement and are subject to a constant review. Vessels comprise the most significant fixed asset item on the balance sheet, and their depreciation periods range from 17 to 30 years, based on the useful life of each vessel.

Estimates are also made in conjunction with business acquisitions when determining the fair values and remaining useful lives of the acquired tangible assets.

4.2 Intangible asset

The most significant intangible asset is goodwill. Intangible rights primarily consist of brands. Other intangible assets include software and associated licenses, as well as principal and customer relationships acquired in business combinations as well as new technology.

ACCOUNTING ESTIMATES AND MANAGEMENT JUDGEMENT
Estimates of the useful life and residual value, and the selection of depreciation method require the management's significant judgement and are subject to a constant review.

Estimates are also made in conjunction with business acquisitions when determining the fair values and remaining useful lives of the acquired intangible assets. The value on the acquisition date is determined using discounted cash flows.

INTANGIBLE ASSETS

2020				
1,000 EUR	**Goodwill**	**Intangible rights**	**Other intangible assets**	**Total**
Acquisition cost, Jan 1	49,448	7,387	14,977	71,812
Translation differences	149	-14	-3	132
Increases, business combinations	2,831		1,422	4,253
Increases		9		9
Decreases		-78	-16	-94
Acquisition cost, Dec 31	**52,428**	**7,304**	**16,380**	**76,112**
Accumulated amortization and impairment, Jan 1	-6,147	-1,742	-12,679	-20,568
Translation differences		11	59	70
Accumulated amortization of decreases		29	16	45
Amortization and impairment for the period	-36	-59	-282	-377
Accumulated amortization and impairment, Dec 31	**-6,183**	**-1,761**	**-12,886**	**-20,830**
Carrying amount, Dec 31	**46,245**	**5,543**	**3,494**	**55,282**

2019				
1,000 EUR	**Goodwill**	**Intangible rights**	**Other intangible assets**	**Total**
Acquisition cost, Jan 1	49,158	7,909	17,571	74,638
Translation differences	-3	3	7	7
Increases, business combinations	293		371	664
Increases		122	110	232
Decreases		-647	-3,082	-3,729
Acquisition cost, Dec 31	**49,448**	**7,387**	**14,977**	**71,812**
Accumulated amortization and impairment, Jan 1	-6,147	-2,313	-14,280	-22,740
Translation differences		-2	-8	-10
Accumulated amortization of decreases		647	1,902	2,549
Amortization and impairment for the period		-74	-293	-367
Accumulated amortization and impairment, Dec 31	**-6,147**	**-1,742**	**-12,679**	**-20,568**
Carrying amount, Dec 31	**43,301**	**5,645**	**2,298**	**51,244**

GOODWILL AND BRANDS

Goodwill or brands arising from business combinations are not amortized as their useful life is estimated to be indefinite instead they are tested for impairment at least annually by using value in use calculations. Cash flow based value in use is determined by calculating the present value of forecasted discounted cash flows. An indication of possible impairment may trigger the impairment testing also with shorter time frame.

An impairment loss is recognized in the profit and loss if the carrying amount of the asset is higher than its recoverable amount. An impairment loss recognized for assets other than goodwill is reversed if the estimates used in the determination of the recoverable amount change to a substantial extent. Carrying amount increased due to the reversal of an impairment loss may not exceed the carrying amount that would have been determined for the asset if no impairment loss had been recognized in previous years. An impairment loss recognized from goodwill is not reversed under any circumstances.

Management reviews the valuation of brands annually by using a segment-specific value in use calculation of which more information can be found in Note 4.3 Impairment test of goodwill and brands.

OTHER INTANGIBLE ASSETS

Other intangible assets are measured at cost and amortized on a straight-line basis over their useful lives. The amortization periods are:

- Software and associated licenses 3–5 years
- Principal relationships and technology acquired through business combinations 10 years
- Customer relationships acquired through business combinations 15 years

The accounting principles relating to the recognition of impairment losses are included in Note 4.1 Tangible assets.

RESEARCH AND DEVELOPMENT COSTS

Aspo Group's R&D focuses, according to the nature of each segment, on developing the operations, procedures and products as part of customer-specific operations, which means that development inputs are included without specification in operating expenses and they do not fulfill the recognition criteria for intangible assets.

4.3 Impairment test of goodwill and brands

Goodwill is allocated to the Group's cash-generating units on the operating segment level. Goodwill is distributed to the cash-generating units as follows:

GOODWILL BY OPERATING SEGMENT

1,000 EUR	2020	2019
ESL Shipping	**6,337**	6,337
Leipurin	**26,684**	26,683
Telko	**8,520**	5,541
Kauko	**4,704**	4,704
Other operations		36
Total	**46,245**	43,301

In 2020, the goodwill not allocated to any of the operating segments and amounting to EUR 36,000 was concluded to be groundless and recognized as expense.

BRANDS BY SEGMENT

1,000 EUR	2020	2019
Leipurin	**3,148**	3,148
Telko	**2,155**	2,155
Total	**5,303**	5,303

The useful lives of brands included in Leipurin and Telko segments have been estimated to be indefinite. The strong image and history of these brands support management's view that these brands will affect cash flow generation over an indefinable period. The brands have been tested for impairment together with goodwill.

IMPAIRMENT TESTING

The recoverable amount of the cash-generating units is determined by a value in use calculation. Cash flow based value in use is determined by calculating the present value of forecasted discounted cash flows. The cash flows include for example estimates of future sales, profitability and maintenance investments. Cash flow projections are based on the budget for 2021 and financial plans for 2022–2024 approved by the Board of Directors. In testing, cash flow projections are prepared for five years, in the fifth projection year the cash flow is assumed to grow steadily. The terminal value has been calculated by using a growth assumption of 1% (1).

When estimating net sales, the assumption is that current operations can be maintained, and net sales will grow in a controlled manner at the rate estimated in financial plans. The sales margin is estimated to follow net sales growth. It is estimated that costs will increase slowly as a result of continuous cost management. Fixed costs are expected to grow at the rate of inflation.

The discount rate is determined for each segment by using the weighted average cost of capital (WACC) that depicts the overall costs of equity and liabilities, taking into account the particular risks related to the assets and location of operations.

POST-TAX WACC BY OPERATING SEGMENT

	2020	2019
ESL Shipping	**5.62%**	6.90%
Leipurin	**11.52%**	10.90%
Telko	**13.52%**	12.20%
Kauko	**9.76%**	10.20%

RESULTS OF THE IMPAIRMENT TESTS AND SENSITIVITY ANALYSIS

The recoverable amount indicated by the tests exceeds the carrying amount of goodwill and brands in each operating segment. Therefore, the carrying amounts are considered to be justified and, the impairment tests do not suggest recognition of impairment loss.

A sensitivity analysis was considered necessary for Telko and Leipurin to test how large a change in WACC results in the carrying amount of goodwill and brands to correspond to their recoverable amount. In the test, post-tax WACC was changed in the value in use calculation, while other factors remained unchanged.

With regard to Leipurin, the carrying amount corresponds to the recoverable amount when WACC is increased by 11%. For Telko, an increase of 13.5% in WACC is required for the carrying amount to equal the calculated recoverable amount.

ACCOUNTING ESTIMATES AND MANAGEMENT JUDGEMENT

The carrying amount of goodwill and brands with an indefinite useful life are tested for impairment by using value in use calculations, which include estimates. Different assumptions in the value in use calculations could have a significant impact on the amounts of goodwill and brands reported in the consolidated financial statements.

Uncertainties in economic development due to the coronavirus pandemic, changes in exchange rates and strong fluctuations in the operating environment make it difficult to prepare the estimates used in the impairment testing, especially regarding future cash flows and profit levels.

According to management's view the estimates of future cash flows and the tying-up rate of capital used in testing are likely. The assumptions behind the calculations may, however, change along with changes in financial and business conditions. Therefore, realized cash flows may differ from the estimated future discounted cash flows, which may lead to the recognition of impairment losses during future periods.

Goodwill impairment testing of businesses does not show any need for the recognition of impairment, while a significant negative change in future cash flows, a significant increase in interest rates or a high tying-up rate of capital could, however, result in the recognition of a goodwill impairment in the Leipurin and Telko segments.

4.4 Inventories

INVENTORIES BY SEGMENT

1,000 EUR	2020	2019
ESL Shipping	**1,937**	2,780
Leipurin	**14,049**	16,086
Telko	**26,384**	37,028
Total	**42,370**	55,894

ESL Shipping's inventories include fuels of vessels. Leipurin's inventories consist of raw materials for the bakery and food industries as well as smaller volumes of machinery, equipment and spare parts. Telko has plastic and chemical raw materials and lubricants in stock.

An expense of EUR 0.4 (0.0) million was recognized during the financial year for a write down of inventories to net realizable value.

INVENTORIES

1,000 EUR	2020	2019
Materials and supplies	**2,398**	3,847
Finished goods	**36,564**	49,149
Other inventories	**3,408**	2,898
Total	**42,370**	55,894

ACCOUNTING ESTIMATES AND MANAGEMENT JUDGEMENT

For inventories the estimation uncertainty relates mainly to the recoverability and measurement of slow-moving inventories. Uncertainties over demand for products increase as products become older, and some products also become outdated. The slow-moving inventory also includes spare parts that must be kept available. According to the management's estimate, the value of inventories of more than one year should be set to zero. As a result of the coronavirus pandemic, the turnover rate of inventories extended from normal, due to which a temporary change was made in measurement principles at the management's judgement, according to which the full write down is recognized only when the inventory items are more than 18 months old.

INVENTORIES

Inventories are measured at cost or at net realizable value, if lower. The cost is determined using the FIFO (first-in, first-out) principle. Net realizable value is the actual sales price in the ordinary course of business less the costs of completion and sale. The measurement and recognition principles for construction projects are discussed in Note 3.1 Net sales.

In normal operating conditions Aspo Group recognizes a 100% allowance for slow-moving inventories of more than 12 months. Exception is made for such inventory, which relates to a binding sales agreement.

4.5 Accounts receivable and other receivables

ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

1,000 EUR	2020	2019
Accounts receivable	**47,929**	59,498
Accounts receivable from non-delivered projects	**1,207**	785
Refund from the Ministry of Transport and Communications	**3,392**	3,143
Advance payments	**2,129**	2,118
VAT receivable	**1,275**	1,212
Loan receivables	**61**	85
Other deferred receivables	**6,535**	7,731
Total	**62,528**	74,572

ACCOUNTING ESTIMATES AND MANAGEMENT JUDGEMENT

The recoverability of accounts receivable always involves the risk that the counterparty becomes insolvent and is unable to pay its debts. See also “Credit and counterparty risks” in Note 5.1 Financial risks and the management of financial risks.

Businesses make sales- and customer-specific estimates on the basis of the nature of sales and the credit rating of customers, as well as their service history, to define to whom products and services are sold and with what payment terms. If required, an advance payment is used as the payment term. Allowance for credit losses is recognized proactively based on each segment’s credit loss history. In addition, emphasis has been placed on the monitoring and evaluation of each customer’s payment capability due to the coronavirus pandemic, as the management sees that the pandemic has an impact on customers’ payment behavior and solvency. Due to the coronavirus pandemic Aspo has prepared for situations where customers require more time to pay or may even lose their ability to pay. Thus, if required, the credit risk allowance for accounts receivable focuses more on the counterparty risk, instead of using the statistical model as required in IFRS 9. This principle has been applied since March 31, 2020 and it is in line with the statement issued by the European Securities and Market Authority (ESMA) on March 25, 2020. The change has not been applied retroactively and it is effective until further notice.

AGEING ANALYSIS OF ACCOUNTS RECEIVABLE

2020

1,000 EUR	Accounts receivable	Allowance for credit losses	Carrying amount
Not matured	41,207	-28	**41,179**
Matured 1–30 days ago	5,570	-17	**5,553**
Matured 31–60 days ago	487	-4	**483**
Matured 61–90 days ago	347	-4	**343**
Matured 91–180 days ago	342	-27	**315**
Matured more than 181 days ago	2,087	-2,031	**56**
Total	50,040	-2,111	**47,929**

2019

1,000 EUR	Accounts receivable	Allowance for credit losses	Carrying amount
Not matured	46,609	-51	46,558
Matured 1–30 days ago	8,640	-42	8,598
Matured 31–60 days ago	2,619	-28	2,591
Matured 61–90 days ago	676	-6	670
Matured 91–180 days ago	663	-107	556
Matured more than 181 days ago	2,396	-1,871	525
Total	61,603	-2,105	59,498

According to management’s judgement accounts receivable do not involve significant credit loss risks. During the year, a total of EUR 1.0 (0.3) million was recognized as credit losses from accounts receivable.

ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

Accounts receivable and other receivables are measured at amortized cost. When measuring accounts receivable, Aspo applies the simplified segment-specific model to determine expected credit losses, as permitted by IFRS 9. The Group estimates expected credit losses using an experience-based matrix which takes into account the age structure of receivables, each segment's credit loss history from previous years, the market area and the customer base.

Accounts receivable and contract assets are derecognized as final credit losses when it is determined that it is reasonably certain that no payment will be obtained due to for example the bankruptcy of the client. Credit losses are included in operating profit on net basis. If subsequently payments relating to final credit losses are received, they are credited from the same profit and loss account.

4.6 Accounts payable and other liabilities

ACCOUNTS PAYABLE AND OTHER LIABILITIES

1,000 EUR	2020	2019
Accounts payable	**32,065**	33,085
Advances received	**6,709**	4,767
Salaries and social security contributions	**8,805**	6,912
Employer contributions	**1,448**	1,554
Accrued interest	**1,698**	1,461
VAT liability	**3,508**	3,749
Other current liabilities	**847**	200
Other current deferred liabilities	**8,200**	8,616
Total	**63,280**	60,344

4.7 Provisions

PROVISIONS

1,000 EUR	Warranties and maintenance services	Pension commitments	Total
December 31, 2019	123	5	128
Change in provisions	-64	-5	-69
December 31, 2020	**59**	**0**	**59**

Warranty provisions are mainly associated with the Group's product warranties and pension provisions to direct pension liabilities granted by the Group. Warranty provisions include the cost of product repair or replacement if the warranty period is still effective at the reporting date. Warranty and maintenance obligations usually extend over 1–2 years. Warranty provisions are determined on the basis of historical experience and the estimates are based on the best knowledge at year end.

PROVISIONS
A provision is recognized in the balance sheet if the Group has, as a result of a past event, a present legal or constructive obligation that will probably have to be settled, and the amount of the obligation can be reliably estimated. The amount recognized as provisions is the present value of the costs that are expected to occur when settling the obligation.

4.8 Deferred taxes

DEFERRED TAX ASSETS

1,000 EUR	2020	2019
Leases	**70**	44
Allowance for credit losses	**117**	19
Losses carried forward	**84**	84
Other temporary differences	**170**	235
Total	**441**	382

DEFERRED TAX LIABILITIES

1,000 EUR	2020	2019
Depreciation in excess of plan and Swedish tax reserves	**1,443**	1,467
Deferred tax liability due to tonnage taxation		618
Tangible and intangible assets	**2,808**	2,724
Other temporary differences	**68**	40
Total	**4,319**	4,849

CHANGES IN DEFERRED TAX ASSETS

1,000 EUR	2020	2019
Deferred tax assets, Jan 1	**382**	2,391
Items recognized in the statement of comprehensive income		
Losses carried forward		-2,027
Leases	**26**	
Allowance for credit losses	**98**	
Other temporary differences	**-65**	18
Deferred tax assets, Dec 31	**441**	382

In 2020, the change in deferred tax assets mainly relate to the increase in allowance for credit losses. In 2019 Aspo wrote down deferred tax assets related to losses carried forward of which EUR 1.9 million related to losses carried forward in Finnish companies.

No deferred tax assets have been recognized on the taxable losses carried forward of EUR 46.0 million incurred by Finnish companies. The utilization period of these taxable losses is 10 years. They fall due starting in year 2021.

The Group had EUR 2.4 (1.7) million of losses carried forward in subsidiaries abroad, relating to which no deferred tax assets have been recognized because the Group is unlikely to accumulate taxable income against which the losses could be utilized before they expire. The loss expiry period varies from one country to another. Some losses expire in 2021, while some losses do not have any expiry period set out within the scope of the current legislation. A deferred tax liability of EUR 2.4 (2.3) million has not been recognized based on the retained earnings of subsidiaries abroad because they are permanently invested in the countries in question.

ACCOUNTING ESTIMATES AND MANAGEMENT JUDGEMENT

The recognition of deferred tax assets involves estimates, because their realization during upcoming years requires taxable income, against which the benefit can be used.

On each closing date, the Group estimates whether taxable income is accumulated in the future at a sufficient probability, against which deferred tax assets can be used. The estimate is based on a long-term plan and profit forecast prepared by the management. The realization of the tax benefit and the recognition of deferred tax assets are affected by the future productivity of the Group's business operations and any changes in the tax legislation. Deferred tax assets have not been recognized in relation to losses carried forward in taxation, the use of which involves uncertainties.

Deferred tax liabilities have not been recognized from the undistributed profit of Finnish subsidiaries, because this profit can be distributed without any tax consequences. Furthermore, the Group does not recognize deferred tax liabilities from the undistributed profit of its foreign subsidiaries, insofar as it is not probable that the temporary difference is not dissolved in the foreseeable future.

CHANGES IN DEFERRED TAX LIABILITIES

1,000 EUR	2020	2019
Deferred tax liabilities, Jan 1	**4,849**	7,158
Items recognized in the statement of comprehensive income		
Depreciation in excess of plan and Swedish tax reserves	**-172**	-1,559
Deferred tax liability due to tonnage taxation	**-618**	-617
Tangible and intangible assets	**-237**	-202
Business combinations	**469**	88
Other temporary differences	**28**	-19
Deferred tax liabilities, Dec 31	**4,319**	4,849

The deferred tax liability on the transition to tonnage taxation is relieved in form of government subsidies received during the validity period of the tonnage taxation, if the preconditions for the subsidy are met. The amount of the tax relief was EUR 0.6 million in 2020, and cumulatively EUR 6.0 million in 2011–2019.

DEFERRED TAXES

Income taxes are recognized in accordance with the tax rate valid in each country. Deferred tax assets and liabilities are calculated from the temporary differences between accounting and taxation by applying the applicable tax rate at the reporting date or by using a future substantively enacted tax rate. Temporary differences arise e.g. from provisions, depreciation differences and on taxable losses carried forward. Deferred tax assets are recognized from taxable losses carried forward and other temporary differences only to the extent that it is likely that they can be utilized in the future.

5 OTHER NOTES

5.1 Financial risks and the management of financial risks

FINANCIAL RISK MANAGEMENT PRINCIPLES AND ORGANIZATION

The function of Aspo Group's financial risk management is to protect the operating margin and cash flows, and effectively manage fund-raising and liquidity. The Group aims to develop the predictability of the results, future cash flows, and capital structure, and continuously adapt its operations to changes in the operating environment.

Financial risk management is based on the treasury policy approved by the Board of Directors, which defines the main principles for financial risk management in Aspo Group. The treasury policy defines general risk management objectives, the relationship between the Group's parent company and business units, the division of responsibility, and risk management-related reporting requirements. The treasury policy also defines the operating principles related to the management of currency risks, interest rate risks, and liquidity and refinancing risks.

Together with the Group Treasurer, Aspo's CEO is responsible for the implementation of financial risk management in accordance with the treasury policy approved by the Board of Directors. The business units are responsible for recognizing their own financial risks and managing them together with the parent company in accordance with the Group's treasury policy and more detailed instructions provided by the parent company.

Information about liquidity and refinancing risk can be found in Note 2.4 Maturity.

MARKET RISKS

Currency risk

Aspo Group has companies in 19 countries, and the operations take place in 14 different currencies. The Group's currency risk consists of foreign currency-denominated internal and external receivables, liabilities, estimated currency flows, derivative contracts and translation risks related to results and capital. The target of Aspo Group is to decrease the uncertainty related to fluctuations in results, cash flows and balance sheet items.

At the business unit level, currency risk mainly occurs when a unit sells products and services with its domestic currency, but the costs are realized in a foreign currency.

In accordance with Aspo's strategy, an increasingly significant part of the net sales of Telko and Leipurin originates from Russia. In addition, a considerable part of Telko's net sales comes from Ukraine. Aspo's most extensive currency risk is related to the Russian ruble. If the ruble weakened against the euro, the Russian net sales denominated in euro of the Telko and Leipurin segments would decrease. Contradictory, the strengthening of the ruble would increase the net sales of the Group. Compared with the previous year, the Russian ruble weakened against euro in 2020.

The currency risks of ESL Shipping are mainly related to dollar-denominated investments. In 2020, the shipping company had no major dollar-denominated investments.

At the reporting date, Aspo Group's currency position mainly consisted of internal and external interest-free and interest-bearing receivables and liabilities denominated in foreign currencies. Interest-bearing liabilities are mainly denominated in euro.

LOANS AND OVERDRAFT FACILITIES BY CURRENCY

1,000 EUR	2020	2019
EUR	**180,056**	195,156
USD	**813**	1,844
PLN	**768**	2,851
Total	**181,637**	199,851

ACCOUNTS RECEIVABLE BY CURRENCY

1,000 EUR	2020	2019
EUR	**33,870**	40,551
SEK	**1,878**	818
DKK	**1,546**	2,270
PLN	**222**	840
RUB	**3,132**	3,732
UAH	**3,925**	5,708
USD	**1,364**	3,289
Other	**1,992**	2,290
Total	**47,929**	59,498

Most of Aspo Group's accounts receivable are denominated in euro. Ruble- and hryvnia-denominated receivables together comprise the second largest item. Ruble- and hryvnia-denominated accounts receivable are significant because a significant part of the operations of

Telko and Leipurin takes place in Russia and Ukraine. The share of accounts receivable and accounts payable denominated in USD is significant, because part of ESL Shipping's transactions is made in USD, and fuel and some raw materials are purchased in USD.

ACCOUNTS PAYABLE AND ADVANCES RECEIVED BY CURRENCY

1,000 EUR	2020	2019
EUR	**30,254**	30,052
SEK	**2,110**	903
DKK	**1,179**	344
PLN	**22**	142
RUB	**1,317**	1,674
UAH	**689**	109
USD	**2,380**	3,897
Other	**823**	731
Total	**38,774**	37,852

ITEMS DENOMINATED IN FOREIGN CURRENCIES

Transactions denominated in foreign currencies are recorded at the exchange rates at the transaction dates. Receivables and liabilities denominated in foreign currencies, outstanding at the end of the financial year are translated using the exchange rates at the reporting date. The gains and losses arisen from foreign currency denominated transactions and the translation of monetary items are recognized in profit or loss. Foreign exchange gains and losses related to business operations are included in the corresponding items above the operating profit. Foreign exchange gains and losses arisen from loans denominated in foreign currencies are included in financial income and expenses.

Aspo has classified internal non-current loans to subsidiaries in Telko segment in Belarus, Ukraine and Kazakhstan, as net investments in foreign entities, in accordance with IAS 21 standard. Any unrealized foreign exchange gains and losses arising from these net investments are recognized in other comprehensive income.

INVESTMENTS IN FOREIGN SUBSIDIARIES

1,000 EUR	Equity 2020	Equity 2019
EUR	**18,341**	14,156
SEK	**1,139**	-242
DKK	**6,297**	6,538
RUB	**13,052**	17,907
NOK	**264**	5
UAH	**1,719**	4,995
PLN	**2,129**	1,639
BYN	**-1,203**	-984
CNY	**1,249**	831
KZT	**-363**	-193
AZN	**-219**	-212
IRR	**-163**	-178
UZS	**-219**	-215
RON	**-37**	43
Total	**41,986**	44,090

Aspo Group has made investments in foreign subsidiaries. The equity of the foreign subsidiaries changes based on their business results. The total equity of the Group's foreign subsidiaries at the reporting date was EUR 42.0 (44.1) million. Ruble-denominated investments of EUR 13.1 (17.9) million in subsidiaries operating in Russia were the biggest foreign currency investment. Despite the significant share of equity being denominated in the Russian ruble, the Group deems that diversification is at a sufficient level, and there is no need to hedge the translation position associated with the equities of its foreign subsidiaries. The table shows the Group's share in the subsidiaries' equity by currency.

In addition, non-current intra-Group loan receivables (included in the Telko segment) from Telko's Belarusian, Ukrainian and Kazakhstani subsidiaries have been classified as non-current net investments in foreign operations. The total amount of these loan receivables is EUR 12.5 (12.5) million.

Interest rate risk

To finance its operations, Aspo Group uses both fixed-rate and floating-rate borrowings that cause an interest rate risk in Aspo Group's cash flow and profit when changes in the interest rate level take place. In addition to fixed-rate borrowings, Aspo Group uses interest rate derivatives to decrease a possible growth in future cash flows caused by an increase in short-term market interest rates. On December 31, 2020, the Group's interest-bearing liabilities totaled EUR 201.4 (221.6) million and cash and cash equivalents stood at EUR 32.3 (23.7) million. The share of lease liabilities included in the amount of interest-bearing liabilities was EUR 20.6 million. Aspo Group's credit portfolio is reviewed with regard to average interest rate, the duration of interest rate position and average loan maturity. On the balance sheet date, the average interest rate on interest-bearing liabilities, excluding lease liabilities, was 1.5% (1.4), the duration of interest rate position was 0.8 years (1.1), the average loan maturity was 2.6 years (2.7).

SENSITIVITY TO MARKET RISKS

Aspo Group is exposed to interest rate and currency risks via financial instruments, such as financial assets and liabilities including derivative contracts, in the balance sheet on the reporting date. The currency position varies during the financial year and, accordingly, the position included in the balance sheet on the reporting date does not necessarily reflect the situation during the financial year. The impact of foreign currency denominated sales and purchase transactions made during the financial year on the statement of comprehensive income is not taken into account in the sensitivity analysis unless they were hedged through derivatives.

SENSITIVITY ANALYSIS FOR FOREIGN CURRENCY AND INTEREST RATE RISK

1,000 EUR	2020 Profit or loss	2020 Equity	2019 Profit or loss	2019 Equity
Currency risk				
+ 30 % strengthening of euro against RUB	**17**	**-3,012**	474	-4,132
- 30 % weakening of euro against RUB	**-32**	**5,594**	-255	7,674
Interest rate risk				
Change of +100 basic points in the market interest rates	**-1,475**		-1,483	
Change of -100 basic points in the market interest rates	**1,477**		1,476	

The sensitivity analysis is used to analyze the impact of market trends on measurements. The fluctuation between the Russian ruble and euro is the most significant factor causing currency risks to the Group.

The sensitivity analysis regarding changes in the euro/Russian ruble exchange rate is based on the following assumptions:

- The exchange rate change of +/-30%.
- The position includes the ruble denominated financial assets and liabilities of companies that use the euro as their functional currency and the euro-denominated financial assets and liabilities of subsidiaries operating in Russia, i.e. accounts receivable and other receivables, loans and overdraft facilities used, accounts payable and other liabilities, as well as cash and cash equivalents on the reporting date.
- Future cash flows are not taken into account in the position.

The sensitivity calculation resulting from changes in interest rates is based on the following assumptions:

- The interest level changes by one percentage point.
- The position includes floating-rate interest-bearing financial liabilities and assets.
- The calculation is based on balance sheet values on the reporting date, and changes in capital during the year are not taken into account.

In the sensitivity analysis, the effects in the statement of comprehensive income are calculated as profit before taxes. The equity sensitivity analysis covers the capital invested in the subsidiary with regard to the currency risk.

Market risks also have an impact on Aspo Group through items other than financial instruments. The oil price has an impact on Aspo Group's financial performance through transportation costs. The Group has hedged against this risk by means of contractual clauses. The fluctuations in raw material prices for chemicals and food also affect the Group's financial performance.

CREDIT AND COUNTERPARTY RISKS

The Group has credit risk from accounts receivable. Telko and Leipurin segments have an international and highly diversified customer base, and no considerable customer risk concentrations exist. ESL Shipping's accounts receivable are connected to long-term customer relationships with creditworthy companies. The turnover rate of its accounts receivable is high. All segments hedge against credit risks by using, when necessary, payment terms based on advance payments and bank guarantees.

Aspo Group aims to have a low cash and cash equivalents balance. The counterparty risk is managed by selecting well-known and financially solvent domestic and international banks as counterparties. Excess funds are invested in bank deposits and short-term money market instruments. The derivative contract-based counterparty risk is managed by selecting well-known and solvent Nordic banks as counterparties.

5.2 Derivative contracts

DERIVATIVE CONTRACTS

	2020		2019	
1,000 EUR	**Nominal value**	**Fair value, net**	**Nominal value**	**Fair value, net**
Interest rate derivatives				
Interest rate swaps			11,538	-86
Total				-86

HEDGE ACCOUNTING

Aspo does not have interest rate swaps at the end of year 2020. The fair value of Group's interest rate swaps to which hedge accounting is applied was EUR -86,000 on December 31, 2019. Due to the dissolution of the interest rate swap EUR 86,000 in financial expenses were recognized in 2020.

DERIVATIVES

Derivatives are initially recognized at fair value on the day the Group becomes a contractual counterparty and are subsequently measured at fair value.

The Group has applied hedge accounting to the hedging of predicted foreign currency denominated cash flows arising from the acquisition of tangible assets. The change in the fair value of the effective portion of hedging has been recognized in other comprehensive income and has been presented in the hedging reserve that is included in the fair value reserve under equity. Prof its and losses recognized under equity has been reclassified to the cost of the asset in question during the financial period when the hedged item has been capitalized. This principle was applied to vessel purchases in 2018.

Hedge accounting is also applied to interest rate swaps to hedge the future interest rate cash flows as fixed. The change in the fair value of the effective portion of hedging has been recognized in other comprehensive income and presented in the hedging reserve included in the fair value reserve under equity. Interest rates of the interest rate swap realized during the financial year are recognized in financial items. Hedge accounting is not applied to other derivatives.

When applying hedge accounting, the relation between the hedging instruments and hedged items is documented at the start of hedging, as well as the risk management targets and strategies used as guidelines when launching different hedging actions. At the start of hedging and continuously after this action, the Group prepares an estimate whether the derivatives used in hedging effectively abolish the changes in fair values or cash flows of the hedged objects. The gain or loss relating to an inefficient portion is immediately recognized in the statement of comprehensive income as financial items. When the hedging instrument expires or is sold or when hedging does not meet the criteria of hedge accounting, the accumulated gains and losses retained in equity at that time remain in equity and are reclassified to the statement of comprehensive income only after the forecast transaction affects profit or loss. If the forecast transaction is no longer expected to occur, the accumulated gain or loss retained under equity is immediately reclassified to the statement of comprehensive income as financial items. Changes in the fair value of derivatives, to which the hedge accounting is not applied, associated with financial items are recognized in financial income and expenses.

Changes in the fair value of other derivatives are recognized in other operating income and expenses. Fair value of derivatives is determined on the basis of quoted market prices and rates, the discounting of cash flows and option valuation models.

The fair value of currency forwards is calculated by discounting the predicted cash flows from the agreements in accordance with interest rates of the currencies sold, translating the discounted cash flows at the exchange rates at the reporting date, and calculating the difference between the discounted values. Fair values of currency options are determined using commonly adopted option valuation models. The fair value of interest rate swaps is calculated by discounting the predicted cash flows from the agreements by using the market prices valid upon valuation.

5.3 Related parties

RELATED PARTIES AND MANAGEMENT COMPENSATION

The subsidiaries and associated companies, which are related parties of Aspo Group are presented in Note 1.1 Group structure, further information about associated companies can be found in Note 3.3 Associated companies. The related parties also include key management personnel, i.e. members of the Board of Directors and the Group Executive Committee and their close family members as well as any entities under their control. Information about the members of the Board and the Group Executive Committee is available in the Governance section, where also information on Aspo's hybrid bond subscribed by the related parties is presented.

MANAGEMENT COMPENSATION EXPENSES

1,000 EUR	2020	2019
Salaries and other short-term employee benefits	**1,855**	1,867
Post-employment benefits	**466**	506
Termination benefits		138
Share-based payments	**285**	127
Total	**2,606**	2,638

Restricted Share Plan 2020

On June 18, 2020, Aspo Plc's Board of Directors resolved on a new share-based incentive plan for the Group's key personnel. The reward from the Restricted Share Plan 2020 is based on the participant's valid employment or service and continuation of employment during the vesting period of 36 months, and is paid in company shares and a cash contribution not exceeding the value of the shares. The rewards payable under the plan correspond to a maximum total value of 340,000 Aspo Plc shares including the proportion to be paid in cash.

The cash proportion to be paid in addition to the company's shares is intended to cover taxes and tax-like payments arising from the remuneration to the key personnel, in addition to which no other cash contributions are paid to the key personnel. If a key person resigns during the vesting period, he or she must, as a general rule, return the shares issued as a reward to the company free of charge. The shares paid as a reward may not be transferred during the vesting period, which ends three years after the transfer of the shares to the key employee. The Restricted Share Plan 2020 is directed to approximately 10 people, including the members of the Group Executive Committee.

Based on the share issue authorization of the Annual Shareholders' Meeting, Aspo Plc granted 130,000 treasury shares on June 29, 2020 and 5,000 treasury shares on August 14, 2020 to employees included in the Restricted Share Plan 2020. The shares have been transferred according to the terms of the share-based incentive plan without compensation.

Share-based incentive plans 2018–2020

The Board of Directors of Aspo Plc approved three new share-based incentive plans in April 2018 for the Group's key employees. The aim of the new plans is to combine the objectives of the shareholders and key employees in order to increase the value of the company in the long term, to retain the key employees in the company, and to offer them competitive reward plans based on earnings and accumulating the company's shares.

Share-based incentive plan 2018–2020

The share-based incentive plan 2018–2020 includes three earnings periods: calendar years 2018, 2019 and 2020. The Board of Directors of the company will define the plan's performance criteria and required performance levels for each criterion at the beginning of each earnings period. The reward from the earnings periods 2018–2020 was based on the Group's earnings per share (EPS). The potential reward from the earnings period will be paid partly in the company's shares and partly in cash in the following year after the earnings period. The share-based incentive plan covers approximately 15 people, including the members of the Group Executive Committee.

The reward from the share-based incentive plan 2018–2020 correspond to the value of a maximum total of 500,000 Aspo Plc shares, including the portion to be paid in cash.

On February 11, 2021 the Board of Directors decided that no rewards will be paid for the 2020 earnings period, as the performance criteria were not met.

On February 13, 2020 the Board of Directors decided that no rewards will be paid for the 2019 earnings period, as the performance criteria were not met.

In March 2019, on the basis of the 2018 earnings period, employees included in the plan received 7,711 treasury shares as a share-based reward, as well as cash equaling the value of the shares, at most, in order to pay taxes.

Executive Committee share-based incentive plan 2018–2020

The Executive Committee share-based incentive plan 2018–2020 includes one earnings period: calendar years 2018– 2020. The potential reward of the plan from the earnings period 2018–2020 is based on the Group's operating profit (EBIT), and requires exceptional performance.

The potential reward from the earnings period 2018–2020 will be paid partly in the company's shares and partly in cash in 2021. The rewards to be paid on the basis of the earnings period 2018–2020 correspond to the value of a maximum total of 200,000 Aspo Plc shares, including of the portion to be paid in cash.

On February 11, 2021 the Board of Directors decided that no rewards will be paid for the 2020 earnings period, as the performance criteria were not met.

Restricted share-based incentive plan 2018

The reward from the restricted share-based incentive plan will be based on the participant's valid employment or service and the continuation of employment during the vesting period. The reward will be paid partly in the company's shares and partly in cash after the end of a 12–36 month vesting period. The restricted share-based incentive plan is intended solely for individual key employees by a special resolution of the Board of Directors. Rewards to be paid on the basis of the restricted share-based incentive plan 2018 correspond to the value of a maximum total of 100,000 Aspo Plc shares, including the portion to be paid in cash. No participants were within the scope of the plan in 2018–2020.

SHARE-BASED PAYMENTS RECOGNIZED

1,000 EUR	2020	2019
Recognized in employee benefit expenses	**307**	247

SHARE-BASED PAYMENTS

The Group has share-based management incentive plans, where part of the reward is settled in shares and the rest in cash. These plans include net payment features for meeting withholding tax obligations. Assigned shares are measured at fair value at the time of assignment and recognized in the statement of comprehensive income as costs over the vesting period of the incentive plan. Other than market-based conditions (e.g. profitability and profit growth target) are not included in the fair value but taken into account when determining the number of shares to which a right is assumed to be generated by the end of the vesting period. For the portion settled in shares the expense is recognized as an employee benefits expense, with a corresponding increase in equity. Also the portion paid in cash is classified as equity settled and recognized in equity at the grant date market value.

SHARE-BASED INCENTIVE PLANS

	Grant date	Transfer date	Number of shares granted	Share price on grant date, EUR	Share price on transfer date, EUR
Share-based incentive plan 2018–2020	9.4.2018				
the share of year 2018	8.6.2018	26.3.2019	7,711	8.76	8.64
the share of year 2019	26.3.2019			8.64	
Executive committee share-based incentive plan 2018–2020	9.4.2018				
	8.6.2018			8.76	
Restricted Share Plan 2020	17.6.2020				
	24.6.2020	29.6.2020	130,000	5.84	5.85
	7.8.2020	14.8.2020	5,000	5.92	5.88

Other benefits

The CEO has a supplementary defined contribution pension plan in which the pension is determined in accordance with the accumulated insurance savings at the time of retirement. The CEO's retirement age is the lowest possible statutory retirement age less three years. The statutory pension cost recognized as expenses was EUR 85,000 and the voluntary pension cost was EUR 103,000. The period of notice applied to the CEO is six months. If notice is given by the company, severance pay corresponding to 18 months' salary will be paid in addition to the salary for the notice period.

SALARIES AND BENEFITS OF BOARD MEMBERS AND CEO

	2020		2019	
1,000 EUR	Salaries and remunerations	Pensions	Salaries and remunerations	Pensions
Ojanen Aki, CEO		**188**		184
CEO, salaries	**438**		387	
CEO, bonuses	**85**		112	
CEO, share-based payments	**468**		33	
Board of Directors:				
Nyberg Gustav, Chairman of the Board	**70**		67	
Kaario Mammu, Vice Chairman of the Board	**52**		54	
Laine Mikael	**36**		37	
Pöyry Salla	**39**		37	
Salo Risto*	**12**		35	
Vehmas Tatu	**40**		35	
Westerlund Heikki**	**26**			
Total	**1,266**	**188**	797	184

*Member of the Board until May 4, 2020
**Member of the Board since May 4, 2020

5.4 Contingent assets and liabilities, and other commitments

OTHER COMMITMENTS

Collaterals and Commitments

As part of their ordinary business activities, Aspo and some of its subsidiaries sign different kinds of agreements under which guarantees are offered to third parties on behalf of these subsidiaries. Such agreements are primarily made in order to support or improve Group companies' creditworthiness, and facilitate the availability of sufficient financing.

COLLATERAL FOR OWN DEBT AND OTHER COMMITMENTS

1,000 EUR	2020	2019
Mortgages given	**129,000**	129,000
Guarantees	**16,252**	21,928
Total	**145,252**	150,928
Other commitments	**24,685**	26,449

Other commitments consist mainly of commitments relating to temporary maritime personnel of time-chartered vessels.

The mortgages given are associated with loan agreements to finance certain vessel investments of ESL Shipping. The amount of mortgages represent the amount of mortgages used on the loan agreements' signing date. On the closing date, the loan capital was approximately EUR 70.3 million.

CONTINGENT ASSETS AND LIABILITIES

Environmental restoration obligation

Rauma Terminal Services Oy, a company within the Aspo Group, is obligated, with regard to land areas leased from the Town of Rauma to restore the land areas so that they are in the same condition as before the lease. The scope of the obligation covers the dismantling of the buildings built by the company, including their foundations, and levelling the dismantled area. The review also includes regular environmental responsibilities from which no costs arise according to the company's understanding. The area has long-term lease agreements, and the Town of Rauma has not expressed any intention to change the area's purpose of use. As a result, the obligation has been treated as a contingent liability in the consolidated financial statements, and no entries have been made in the statement of comprehensive income or on the balance sheet.

Tax positions

Due to local tax audits or clarification requests, Aspo has some uncertain tax positions, as the tax authority has summoned the company's claims for deductible items in tax returns. Concerning each case, Aspo has assessed whether the tax authority's interpretations are justified and, if necessary, adjusted the recognized amounts to correspond with the expected payable amounts. Although management believes that these cases will not result in any significant additional recognitions in addition to previously recognized amounts, the final amounts may differ from the estimated amounts.

Legal proceedings

Aspo Group companies are parties to some legal proceedings and disputes associated with regular business operations. The financial impact of these proceedings and disputes cannot be estimate for certain but, on the basis the information available and taking into account the existing insurance cover and provisions made, Aspo management believes that they do not have any material adverse impact on the Group's financial position.

5.5 Events after the financial year

There have been no material events after the end of the financial year.

5.6 Changes in IFRS standards

NEW AND AMENDED STANDARDS ADOPTED DURING THE FINANCIAL YEAR

The following amendments to standards have been adopted by the Group for the first time in the annual reporting period commencing January 1, 2020:

- *Definition of Material – Amendments to IAS 1 and IAS 8*. The amendments include a consistent definition for materiality and clarify when information is material.
- *Definition of a Business – Amendments to IFRS 3*. The amended definition of a business clarifies, whether an acquisition is accounted for as a business combination or as asset acquisition. This guidance could become applicable for example if the Group would acquire shares in an entity that owns one vessel only.
- *Amendments to References to the Conceptual Framework in IFRS Standards*. References have been update in several IAS and IFRS standards as well as in a couple of IFRIC and SIC interpretations.

The Group has not adopted the COVID 19 Related Rent Concessions Amendment to IFRS 16, which became effective on June 1, 2020.

CHANGES IN IFRS STANDARDS AND IFRIC INTERPRETATIONS, THAT BECOME EFFECTIVE EARLIEST IN THE NEXT FINANCIAL YEAR

The Group will adopt the following changes in standards when they become effective:

- *Classification of Liabilities as Current or Non-Current – Amendment to IAS 1*, which will become effective on January 1, 2023. The amendment clarifies that the classification of loans as current or non-current should be based on rights that are in existence at the end of the reporting period and that the classification is unaffected by management's expectations or events after the reporting date. The amendment may have an impact on the classification of Aspo's loans as current and non-current.
- Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*. The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. The effective date of the amendments has yet to be set by the IASB. Management expects, that the adoption of the amendments may have an impact on the consolidated financial statements in future financial years, if such transactions occur.
- Small amendments to IAS 16 and IAS 37 standards, which become effective on January 1, 2022. Amendments to IAS 16 – Proceeds before Intended Use, clarifies how proceeds from selling items produced before that asset is available for use should be accounted for. Amendments to IAS 37 – *Onerous Contracts—Cost of Fulfilling a Contract*, clarifies the composition of costs of fulfilling a contract. These changes are not expected to have an impact on the consolidated financial statements of Aspo.
- *Annual Improvements to IFRS Standards 2018–2020*, most of which will become effective on January 1, 2022: IFRS 9 Financial instruments and IFRS 16 Leases. The changes are not expected to have a significant impact on the consolidated financial statements of Aspo.

Parent company's financial statements

Parent company's income statement

1,000 EUR	Note	Jan 1–Dec 31, 2020	Jan 1–Dec 31, 2019
Net sales	1.1	**600**	552
Other operating income	1.2	**695**	436
Employee benefit expenses	1.3	**-2,680**	-1,687
Depreciation and amortization	1.4	**-48**	-48
Other operating expenses	1.5	**-3,236**	-3,662
Operating loss		**-4,669**	-4,409
Financial income and expenses	1.6	**9,526**	17,236
Profit before appropriations and taxes		**4,857**	12,827
Appropriations	1.7	**2,360**	2,630
Profit before taxes		**7,217**	15,457
Profit for the period		**7,217**	15,457

Parent company's balance sheet

ASSETS

1,000 EUR	Notes	Dec 31, 2020	Dec 31, 2019
Non-current assets			
Intangible assets	2.1	**81**	107
Tangible assets	2.1	**90**	109
Investments	2.2	**83,405**	83,427
Total non-current assets		**83,576**	83,643
Current assets			
Non-current receivables	2.3	**113,224**	120,424
Current receivables	2.3	**10,578**	16,591
Cash and cash equivalents		**11,884**	3,214
Total current assets		**135,686**	140,229
Total assets		**219,262**	223,872

LIABILITIES

1,000 EUR	Notes	Dec 31, 2020	Dec 31, 2019
Equity			
Share capital	2.4	**17,692**	17,692
Share premium	2.4	**4,351**	4,351
Invested unrestricted equity reserve	2.4	**21,324**	21,317
Retained earnings	2.4	**16,087**	7,236
Profit for the period		**7,217**	15,457
Total equity		**66,671**	66,053
Liabilities			
Non-current liabilities			
Bonds		**25,963**	25,953
Loans from financial institutions		**67,500**	45,000
Hybrid instrument		**20,000**	25,000
Loans from Group companies		**2,285**	5,654
Total non-current liabilities	2.5	**115,748**	101,607
Current liabilities			
Loans from financial institutions		**13,500**	46,000
Liabilities to Group companies	2.6	**21,084**	8,390
Accounts payable		**174**	77
Other liabilities		**53**	54
Deferred liabilities	2.6	**2,032**	1,691
Total current liabilities		**36,843**	56,212
Total liabilities		**152,591**	157,819
Total equity and liabilities		**219,262**	223,872

Parent company's cash flow statement

1,000 EUR	Jan 1–Dec 31, 2020	Jan 1–Dec 31, 2019
Cash flows from operating activities		
Operating loss	**-4,669**	-4,409
Adjustments to operating loss	**46**	8
Change in working capital	**227**	-185
Interest paid	**-4,332**	-3,946
Interest received	**1,947**	1,867
Dividends received	**18,100**	20,300
Net cash from operating activities	**11,319**	13,635
Cash flows from investing activities		
Investments in tangible and intangible assets	**-3**	-151
Proceeds from sale of investments		50
Net cash from investing activities	**-3**	-101

1,000 EUR	Jan 1–Dec 31, 2020	Jan 1–Dec 31, 2019
Cash flows from financing activities		
Repayment of non-current loans from Group companies	**-3,369**	-1,436
Proceeds from non-current loans		15,000
Repayment of non-current loans		-15,000
Proceeds from issuance of a bond loan		14,954
Change in non-current receivables from Group companies	**7,200**	-20,949
Proceeds from issuance of commercial papers	**54,000**	4,000
Repayment of commercial papers	**-64,000**	
Proceeds from hybrid instrument	**20,000**	
Repayment of hybrid instrument	**-25,000**	
Change in current receivables	**-208**	2,537
Change in current liabilities	**12,699**	162
Group contributions received	**2,630**	3,870
Dividends distributed	**-6,862**	-13,694
Proceeds from sale of treasury shares	**264**	34
Net cash from financing activities	**-2,646**	-10,522
Change in cash and cash equivalents	**8,670**	3,012
Cash and cash equivalents Jan 1	**3,214**	202
Cash and cash equivalents at year-end	**11,884**	3,214

Notes to the parent company's financial statements

ACCOUNTING PRINCIPLES

Basis of accounting

Aspo Plc's financial statements have been compiled in accordance with Finnish Accounting Standards (FAS). The accounting principles have not changed from the previous year. Aspo Plc is the parent company of Aspo Group. All figures in the financial statements are presented in EUR thousands. When appropriate, the financial statements of Aspo Plc comply with the Group's accounting principles based on IFRS. Below are described those accounting principles in which the financial statements of Aspo Plc differ from the accounting principles of the Group. The accounting principles for the consolidated financial statements are presented in the notes to the consolidated financial statements. When compiling the financial statements, the management of the company must, in accordance with valid regulations and good accounting practice, make estimates and assumptions that affect the measurement and accruing of financial statement items. The outcome may differ from the estimates.

NON-CURRENT ASSETS AND DEPRECIATIONS

Non-current assets are recognized in the balance sheet at acquisition cost, less depreciation. The depreciation periods for non-current assets are:

- Intangible rights 3–5 years
- Other long-term expenditure 10 years
- Buildings 15–40 years
- Machinery and equipment 3–8 years

LEASING

Lease payments are recognized as rent expenses during the lease period and included in other operating expenses.

PROVISIONS

Provisions include items that are either based on contracts or otherwise binding obligations, but have not yet realized. Changes in provisions are recognized in the income statement.

SHARE-BASED PAYMENTS

In the parent company's financial statements, the estimated share based payment expense from the financial year ended is recognized in the balance sheet as a provision. The possible reward is settled partly in shares of the company and partly in cash. The settlement of the reward in shares does not give rise to an accounting transaction.

INCOME TAXES

The income taxes in the income statement include taxes calculated on profit for the period based on Finnish tax legislation and considering losses carried forward, as well as adjustment of taxes from previous financial years.

HYBRID INSTRUMENT

The hybrid instrument is presented in the parent company's balance sheet as liabilities and the related interest is presented as financial expenses in the income statement.

CASH POOL ARRANGEMENT

The Group has a cash pool arrangement, to facilitate an efficient liquid asset management between the parent and its subsidiaries. The cash pool balances of the subsidiaries are presented in the parent company's balance sheet as either cash pool receivables or liabilities.

MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value measurement compliant with Chapter 5, section 2a of the Accounting Act is applied to the accounting treatment of financial derivatives, and changes in their fair value are entered in the income statement. Financial derivatives are measured at the market prices at the balance sheet date..

1.1 Net sales

NET SALES

1,000 EUR	2020	2019
Net sales	**600**	552
Distribution of net sales by market area %		
Finland	**100**	100

1.2 Other operating income

OTHER OPERATING INCOME

1,000 EUR	2020	2019
Rental income from Group companies	**599**	374
Other operating income	**96**	62
Yhteensä	**695**	436

1.3 Information about personnel and management

EMPLOYEE BENEFIT EXPENSES

1,000 EUR	2020	2019
Salaries and remunerations	**1,625**	1,220
Share-based payments	**527**	-6
Profit bonus paid to the personnel fund	**10**	18
Pension expenses	**433**	441
Other social security expenses	**85**	14
Total	**2,680**	1,687

MANAGEMENT EMPLOYEE BENEFITS

1,000 EUR	2020	2019
CEO, salaries	**438**	387
CEO, bonuses	**85**	112
CEO, share-based payments	**468**	33
Members of the Board of Directors, remunerations	**274**	265
Total	**1,265**	797

AVERAGE NUMBER OF PERSONNEL DURING THE FINANCIAL YEAR

	2020	2019
Office staff	**6**	6

The CEO’s retirement age is the lowest possible statutory retirement age less three years.

1.4 Depreciation and amortization

DEPRECIATION AND AMORTIZATION

1,000 EUR	2020	2019
Other long-term expenditure	**26**	26
Machinery and equipment	**22**	22
Total	**48**	48

1.5 Other operating expenses

OTHER OPERATING EXPENSES

1,000 EUR	2020	2019
Rents	**872**	710
Administration and consultancy services	**1,628**	1,950
Other expenses	**736**	1,002
Total	**3,236**	3,662

AUDITOR'S FEES

1,000 EUR	2020	2019
Auditing	**37**	76
Tax advice		6
Other services		54
Total	**37**	136

In year 2020, the auditor of Aspo Plc was Deloitte and in year 2019 the auditor was Ernst&Young. The audit fee of Deloitte was EUR 37,000 in year 2020.

1.6 Financial income and expenses

FINANCIAL INCOME AND EXPENSES

1,000 EUR	2020	2019
Dividend income		
From Group companies	**12,100**	19,300
Income from non-current investments	**12,100**	19,300
Other interest and financial income		
From Group companies	**1,937**	1,866
From others	**1**	
Total interest and other financial income	**1,938**	1,866
Reduction in value of investments held as non-current assets		
Reduction in value of shares	**-22**	
Reduction in value of investments held as non-current assets	**-22**	
Interest expenses and other financial expenses		
To Group companies	**-62**	-98
To others	**-4,428**	-3,832
Total interest and other financial expenses	**-4,490**	-3,930
Total financial income and expenses	**9,526**	17,236

1.7 Appropriations

APPROPRIATIONS

1,000 EUR	2020	2019
Income		
Group contributions	**2,360**	2,630

2.1 Intangible and tangible assets

INTANGIBLE AND TANGIBLE ASSETS

1,000 EUR	Intangible rights	Other long-term expenditure	Total intangibles	Land	Buildings	Machinery and equipment	Other tangible assets	Total tangibles
Acquisition cost, Jan. 1	201	135	336	1	12	168	73	254
Increases			0			3		3
Acquisition cost, Dec. 31, 2020	**201**	**135**	**336**	**1**	**12**	**171**	**73**	**257**
Accumulated depreciation, Jan. 1	-201	-28	-229		-12	-133		-145
Depreciation and amortization for the period		-26	-26			-22		-22
Accumulated depreciation, Dec. 31, 2020	**-201**	**-54**	**-255**		**-12**	**-155**		**-167**
Carrying amount, Dec. 31, 2020	**0**	**81**	**81**	**1**	**0**	**16**	**73**	**90**
Carrying amount, Dec. 31, 2019	0	107	107	1	0	35	73	109

2.2 Investments

INVESTMENTS

1,000 EUR	Subsidiary shares	Other shares	Total
Acquisition cost, Jan. 1	83,244	183	83,427
Decreases		-22	-22
Acquisition cost, Dec. 31, 2020	**83,244**	**161**	**83,405**
Acquisition cost, Dec. 31, 2019	83,244	183	83,427

2.3 Receivables

NON-CURRENT RECEIVABLES

1,000 EUR	2020	2019
Receivables from Group companies		
Loan receivables	**113,224**	120,424
Total non-current receivables	**113,224**	120,424

CURRENT RECEIVABLES

1,000 EUR	2020	2019
Receivables from Group companies		
Accounts receivable		9
Dividend receivables	**7,000**	13,000
Group contribution receivables	**2,360**	2,630
Cash pool accounts	**786**	569
Total	**10,146**	16,208
Other receivables	**140**	103
Deferred receivables		
Interest	**6**	15
Personnel costs		44
Other deferred receivables	**286**	221
Total	**292**	280
Total current receivables	**10,578**	16,591

2.4 Equity

EQUITY

1,000 EUR	2020	2019
Share capital, Jan. 1	**17,692**	17,692
Share capital, Dec. 31	**17,692**	17,692
Share premium, Jan. 1	**4,351**	4,351
Share premium, Dec. 31	**4,351**	4,351
Invested unrestricted equity reserve, Jan. 1	**21,317**	21,305
Share-based payments	**7**	12
Share issue		
Invested unrestricted equity reserve, Dec. 31	**21,324**	21,317
Retained earnings, Jan. 1	**22,693**	20,887
Dividend payment	**-6,862**	-13,694
Share-based payments	**256**	43
Retained earnings, Dec. 31	**16,087**	7,236
Profit for the period	**7,217**	15,457
Total equity	**66,671**	66,053

Distributable funds under unrestricted equity total EUR 44,628,058.04 (EUR 44,009,796.24).

2.5 Non-current liabilities

LIABILITIES TO GROUP COMPANIES

1,000 EUR	2020	2019
Loans	**2,285**	5,654
Total	**2,285**	5,654

In year 2019, Aspo Plc issued a EUR 15 million unsecured private placement bond guaranteed by Garantia Insurance Company. The bond pays fixed interest rate and matures on September 25, 2024.

On April 30, 2020, Aspo Plc issued a EUR 20 million hybrid bond. The bond has no maturity but the company may exercise an early redemption option after two years. The coupon rate of the bond is 8.75% per annum.

In 2015, Aspo Plc issued a EUR 11 million unsecured private placement bond. The bond pays fixed interest rate and matures on September 29, 2022.

2.6 Current liabilities

CURRENT LIABILITIES

1,000 EUR	2020	2019
Liabilities to Group companies		
Accounts payable		6
Cash pool accounts	**19,644**	6,940
Other liabilities	**1,429**	1,428
Deferred liabilities	**11**	16
Total	**21,084**	8,390
Deferred liabilities		
Interest	**1,425**	1,271
Personnel expenses	**481**	369
Other deferred liabilities	**126**	51
Total	**2,032**	1,691

2.7 Other notes

LEASE PAYMENT COMMITMENTS

1,000 EUR	2020	2019
Payable within one year	**124**	126
Payable later	**164**	252
Total	**288**	378

OTHER RENTAL COMMITMENTS

1,000 EUR	2020	2019
Payable within one year	**1,039**	864
Payable later	**2,038**	2,490
Total	**3,077**	3,354

GUARANTEES ON BEHALF OF GROUP COMPANIES

1,000 EUR	2020	2019
Guarantees	**86,128**	94,722
Total	**86,128**	94,722

GUARANTEES ON OWN BEHALF

1,000 EUR	2020	2019
Guarantees	**102**	95
Total	**102**	95

Auditor’s report

(Translation of the Finnish original)

To the Annual General Meeting of Aspo Oyj

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Aspo Oyj (business identity code 1547798-7) for the year ended 31 December, 2020. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company’s balance sheet, income statement, cash flow statement and notes to the financial statements.

In our opinion

- the consolidated financial statements give a true and fair view of the group’s financial performance and financial position in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU; and
- the financial statements give a true and fair view of the parent company’s financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor’s Responsibilities for the Audit of Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

According to our best knowledge and understanding all services other than the statutory audit we have provided for parent company and group companies comply with regulations governing the services other than the statutory audit in Finland. We have not provided any prohibited non-audit services re-ferred to in Article 5(1) of regulation (EU) 537/2014. All services other than the statutory audit which we have provided have been disclosed in note 3.5. to the consolidated financial statements and in note 1.5 to the parent company’s financial statements.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key Audit Matter	How our audit addressed the Key Audit Matter
Goodwill impairment testing We refer to the Aspo Oyj's consolidated financial statements' note 4.3.	
Consolidated financial statements as of 31.12.2020 includes Goodwill amounting to EUR 46,2 million (EUR 43,3 million). Management has conducted goodwill impairment testing and as a result of the testing conducted has not accounted for any impairments over goodwill as at 31.12.2020. Goodwill impairment testing requires substantial management judgment over the recoverable amounts over: • estimations over the projected future cash flow; • long term growth assumptions; and • applied discount rate. For further details over the goodwill impairment testing conducted by the management is presented in the note 4.3. within the consolidated financial statements. This matter is regarded as significant risk of material misstatement in accordance with EU Audit Regulation (537/2014) Article 10 paragraph 2 c.	As part of our audit procedures we have evaluated the estimates over the future recoverable cash flows and we have compared, that the forecasts used in the impairment tests are based on approved long-term forecast and budgets approved. We have assessed appropriateness of impairment testing calculations. We have assessed the impairment testing by: • evaluating the key assumptions applied per segment applied; • assessing the growth estimates and comparing them to historical performance; • comparing applied discount rates to independent third party sources; and • assessing the sensitivity analysis over the long term assumptions and discount rate. We have also assessed the sensitivity analysis, which is disclosed in the consolidated financial statements note 4.3. for the factors where a reasonably possible change in certain variables could lead to significant impairment.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition We refer to the consolidated financial statements' note 3.1	
In the financial year 2020 Aspo Group's turnover amounted to EUR 500,7 million (EUR 587,7 million), which mainly consists of sale of goods, but also from services sold to customers. Minor part of the turnover consists of revenue recognized from order customer specific projects on which revenue is recognized over time in Leipurin-segment. Revenue from sale of goods is recognized when the control of the underlying products have been transferred to the customer. Revenue from services is recognized after the service has been rendered. Revenue is Group's key performance indicator, which may be an incentive for premature revenue recognition.	We have assessed the internal controls relating to sales process and revenue recognition. We have assessed of the compliance of company's accounting policies over revenue recognition and comparison with applicable accounting standards. We have audited correctness of timing and amounts of revenue recognized based on samples and substantive analytical audit procedures and comparison with applicable accounting standards. As part of our audit of revenue recognition policies we have compared of sales transactions in the bookkeeping records against customer contracts and verification of acceptance of deliveries. We have assessed appropriateness and adequacy of consolidated financial statement notes related to revenue.
We have not identified significant risks of material misstatement in accordance with EU Audit Regulation (537/2014) Article 10 paragraph 2 c in the parent company's financial statements.	

Responsibilities of the Board of Directors and the Chief Executive Officer for the financial statements

The Board of Directors and the Chief Executive Officer are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland an comply with statutory requirements. The Board of Directors and the Chief Executive Officer are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Chief Executive Officer are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's responsibilities in the audit of financial statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Chief Executive Officer use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication..

OTHER REPORTING REQUIREMENTS

Information on our audit engagement
We have been appointed as auditors by the Annual General Meeting of Aspo Oyj on 4 May 2020.

Other information
The Board of Directors and the Chief Executive Officer are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Aspo's Year 2020 publication, but does not include the financial statements and our report thereon. We obtained the report of the Board of Directors prior to the date of the auditor's report, and the Aspo's Year 2020 publication is expected to be made available to us after the date of the auditor's report.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement in of the information included in the report of the Board of Directors, we are required to report this fact. We have nothing to report in this regard.

Helsinki, 22 February 2021

Deloitte Oy
Audit Firm

Jukka Vattulainen
Authorised Public Accountant (KHT)

Information for investors

ASPO PLC'S INVESTOR RELATIONS

The disclosure policy of Aspo Plc describes the general principles and procedures that the Company adheres to in its communication with the capital markets and its main stakeholders. The disclosure policy was updated in 2020 and it can be found on company's website.

The key principles of Aspo's investor communications are transparency, accuracy and fairness. Aspo meets and proactively interacts with the capital markets and the media. The aim of Aspo's communications is to support the fair value of the Company's shares by providing the capital markets with correct, sufficient and relevant information on Aspo's operations, strategy, targets, operational environment and financial position.

Aspo's Investor communications manages the arrangements of the Capital Markets Days and other events for investors and analysts, and analyzes market information and investor feedback for the use of Aspo Group's management and Board of Directors.

SILENT PERIOD

Aspo has adopted a silent period of 30 days prior to the publication of results. During this period, no comments on the financial situation, company's outlook or estimates will be made. During this period, the company does not meet investors, analysts or media in events where these issues are discussed.

FURTHER INVESTOR INFORMATION

Aspo's website at www.aspo.com offers also versatile further investor information, such as the latest share information and consensus estimates based on expectations and predictions by the analysts following Aspo. At the web address www.aspo.com it is also possible to order all stock exchange releases and press releases to your e-mail.

ANNUAL SHAREHOLDERS' MEETING

The Aspo Plc Annual Shareholders' Meeting will be held on Thursday, April 8, 2021 at 10 a.m. at Hotel Kämp, Pohjoisesplanadi 29, 00100 Helsinki. It will not be possible to participate in the meeting in person. The Company's shareholders can participate in the Annual Shareholders' Meeting and exercise their rights only by voting in advance. The record date of the Annual Shareholders' Meeting is March 25, 2021.

More detailed instructions regarding the Annual Shareholders' Meeting will be provided in the invitation to the Annual Shareholders' Meeting on March 11, 2021 as well as on the company's website on March 17, 2021, at the latest.

A shareholder wishing to participate in the Annual Shareholders' Meeting by voting in advance shall register for the Annual Shareholders' Meeting and vote in advance no later than at 4 p.m. Finnish time on March 30, 2021 by which time the registration and the advance votes shall be received. A proxy form and advance voting form will be available on the company's website at www.aspo.com/shareholdersmeeting on March 17, 2021, at the latest.

DIVIDEND PAYMENTS

The Board of Directors proposes to the Annual Shareholders' Meeting that a dividend of EUR 0.35 per share be paid for 2020 and that no dividend be paid for treasury shares held by the company. The dividend will be paid in two installments. The first installment of EUR 0.18 per share will be paid to shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd on the record date of April 12, 2021. The Board of Directors proposes that the dividend be paid on April 19, 2021. The second installment of EUR 0.17 per share will be paid in November 2021 to shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd on the record date. At its meeting to be held on October 27, 2021, the Board of Directors will decide on the record and payment dates of the second installment, in accordance with the rules of the Finnish book-entry securities system. According to the current system, the dividend record date would be October 29, 2021 and the payment date would be November 5, 2021.

FINANCIAL REPORTING IN 2021

- Financial Statement Release on February 11, 2021
- Financial Statements and Sustainability report 2020 on March 4, 2021
- Interim Report for January–March on Wednesday, May 5, 2021
- Half Year Financial Report for January–June on Wednesday, August 11, 2021
- Interim Report for January–September on Thursday, October 27, 2021

BASIC SHARE INFORMATION

- Listed on: Nasdaq Helsinki Ltd
- Industry sector: Industrials
- Category: Mid Cap
- Trading code: ASPO
- ISIN code: FI0009008072

Aspo's financial information is published on the company's website at www.aspo.com, including financial statements, interim reports, half year financial reports and stock exchange releases in Finnish and in English. Reports can also be ordered by phone +358 9 521 41 00 or by e-mail from viestinta@aspo.com.

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