FINANCIAL STATEMENTS AND MANAGEMENT REPORT

2019

MANAGEMENT REPORT

FINANCIAL STATEMENTS

MANAGEMENT REPORT 2019

Aspo Plc has prepared a separate 2019 Corporate Governance Statement. In addition, Aspo publishes 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 are 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. Aspo develops its group structure and businesses in the long term in a responsible and sustainable manner.

In 2019, Aspo's reportable segments were ESL Shipping, Leipurin and Telko. On January 1, 2019, Aspo changed its segment reporting so that Kauko is reported as part of Telko. Other operations consist of Aspo Group's administration, the financial and ICT service center, and a small number of other functions not covered by the reportable segments.

OPERATING ENVIRONMENT IN 2019

General political uncertainty in the markets remained unchanged throughout the year. Tensions related to trade policies and the slow progress of Brexit decelerated growth and reduced exports and the investment outlook in Finland and in the EU in general. In Russia, the national economy and industrial production grew slowly, while international sanctions have maintained uncertainties over economic development. Prices of production raw materials, important to Aspo, started to fall during the first quarter, continuing throughout the year.

Dry bulk freight rates in sea transportation fell steeply at the beginning of the year and turned into an increase until September, only to decline to the initial level during the final quarter. During the year, ESL Shipping's main customers faced challenges in their processes, had interruptions in the delivery of raw materials and suffered from equipment breakdowns, causing transportation volumes in the steel industry to fall short of the previous year. Due to the market situation, vessels were also forced to operate in less productive spot markets. The poor market situation also reduced the profitability of ESL Shipping's largest Supramax vessels. Unexpected industrial stoppages and lower transportation volumes in the steel and energy industries, in particular, had a negative impact on the profitability development of our shipping company's operations and, therefore, on Aspo's total results.

In key market areas of Leipurin, the market situation remained challenging throughout the year. For example, several bakeries discontinued their operations in Finland. The market for industrially packed bread continues to decrease in the west, whereas the market of in-store bakeries and baking units has continued to increase. This presents challenges in the operations of industrial and artisanal bakeries. Equipment investments of bakeries and the food industry have not increased in Finland or in the Baltic countries. In Russia, investments increased cautiously.

The deceleration of economic growth and increased uncertainties were reflected, for example, in a decrease in the prices of raw materials sold by Telko, intensifying price competition and more cautious purchases by customers. The consolidation of companies has also continued in Telko's operating environment, resulting in fiercer competition.

KEY FIGURES

ASPO GROUP'S KEY FIGURES

	2019	2018	2017	2016	2015
Net sales, MEUR	**587.7**	540.9	502.4	457.4	445.8
Profit for the period, MEUR	**16.1**	14.2	19.4	15.9	19.8
% of net sales	**2.7**	2.6	3.9	3.5	4.4
Earnings per share (EPS), EUR	**0.47**	0.42	0.56	0.49	0.61
Alternative key figures					
Operating profit, MEUR	**21.1**	20.6	23.1	20.4	20.6
% of net sales	**3.6**	3.8	4.6	4.5	4.6
Profit before taxes, MEUR	**18.2**	16.4	21.1	17.3	21.3
% of net sales	**3.1**	3.0	4.2	3.8	4.8
Return on equity, % (ROE)	**13.5**	12.4	17.1	14.6	19.1
Equity ratio, %	**30.1**	29.5	35.6	37.4	33.8
Gearing, %	**162.2**	154.4	103.9	89.8	101.4
Net cash from operating activities	**52.5**	20.3	17.4	16.2	25.0
Free cash flow	**45.2**	-34.8	0.9	10.1	15.1

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, which decreased earnings per share by approximately 0.16 euro.
3) The decision issued by the Administrative Court in April 2019 to reduce the additional taxes imposed on Telko in 2015 increased the financial income, in particular, and improved earnings per share by EUR 0.05.
4) Calculation principles for the key figures are presented on page 56.

NET SALES BY SEGMENT

	2019 MEUR	2018 MEUR	Change MEUR	Change %
ESL Shipping	**175.0**	120.1	54.9	45.7
Leipurin	**115.7**	121.0	-5.3	-4.4
Telko	**297.0**	299.8	-2.8	-0.9
Total	**587.7**	540.9	46.8	8.7

NET SALES BY MARKET AREA

	2019 MEUR	2018 MEUR	Change MEUR	Change %
Finland	**195.1**	175.7	19.4	11.0
Scandinavia	**84.8**	62.0	22.8	36.8
Baltic countries	**57.9**	60.6	-2.7	-4.5
Russia, other CIS countries + Ukraine	**171.2**	171.9	-0.7	-0.4
Other countries	**78.7**	70.7	8.0	11.3
Total	**587.7**	540.9	46.8	8.7

OPERATING PROFIT BY SEGMENT

	2019 MEUR	2018 MEUR	Change MEUR	Change %
ESL Shipping	**14.6**	15.1	-0.5	-3.3
Leipurin	**3.0**	3.3	-0.3	-9.1
Telko	**8.0**	7.4	0.6	8.1
Other operations	**-4.5**	-5.2	0.7	13.5
Total	**21.1**	20.6	0.5	2.4

Telko's 2018 figures include an impairment loss of EUR 4.8 million recognized on Kauko's goodwill, while ESL Shipping's 2018 figures include EUR 0.9 million in expenses related to the acquisition.

EARNINGS

Aspo Group's net sales increased from the previous year to EUR 587.7 (540.9) million. The positive development of net sales mainly resulted from the significant increase in ESL Shipping's net sales through the acquisition of AtoB@C.

Aspo Group's operating profit amounted to EUR 21.1 (20.6) million. Operating profit for 2018 adjusted by the impairment loss recognized on Kauko's goodwill was EUR 25.4 million.

Earnings per share for the financial year increased to EUR 0.47 (0.42). The decision issued by the Administrative Court in April 2019 to reduce the additional taxes imposed on Telko in 2015 improved earnings per share by EUR 0.05. The impairment loss recognized on Kauko's goodwill in 2018 decreased earnings per share by approximately EUR 0.16. Shareholders' equity per share was EUR 3.92 (3.75).

Net sales increased significantly in Scandinavia and Finland. In Scandinavia, net sales increased by 37%, mainly as a result of the acquisition of AtoB@C. In Finland, net sales grew by 11%. Russia, other CIS countries and Ukraine continue to be a significant market area for Aspo, in which net sales in 2019 remained unchanged from the comparative period, totaling EUR 171.2 (171.9) million. Net sales of both Telko and Leipurin continued to increase in eastern markets. However, the increase in the Group's net sales stopped in the market area of Russia, other CIS countries and Ukraine due to the decrease of more than 90% in ESL Shipping's net sales. This resulted from iron pellet deliveries to Europe being interrupted during 2019.

ESL Shipping's operating profit decreased by approximately 3% to EUR 14.6 (15.1) million. In 2019, unexpected industrial stoppages and lowering transportation volumes in the steel industry, in particular, had a negative impact on the development of the profitability of shipping company operations. In 2018, ESL Shipping's operating profit included EUR 0.9 million in expenses related to the acquisition. Leipurin's operating profit decreased to EUR 3.0 (3.3) million. Instead, Telko's operating profit improved from the comparative period to EUR 8.0 (7.4) million. The operating result of other operations improved to EUR -4.5 (-5.2) million. From the beginning of 2019, the cost structure of other operations has been lighter as a result of lower rents of premises and Aspo no longer being responsible for vacant premises.

CASH FLOW AND FINANCING

The Group's cash and cash equivalents totaled EUR 23.7 (19.3) million at the end of the period. The Group's net cash from operating activities improved from the previous year to EUR 52.5 (20.3) million. The adoption of IFRS 16 improved the net cash from operating activities and the free cash flow by approximately EUR 14 million. The change in working capital was EUR 9.3 (-10.7) million during the period. The improved efficiency of inventory management had a positive impact on the development of the working capital. Net cash from investing activities totaled EUR -7.3 (-55.1) million. The Group's free cash flow was EUR 45.2 (-34.8) million.

Aspo Group's gearing was 162.2% (154.4) and its equity ratio was 30.1% (29.5). As a result of the adoption of IFRS 16 at the beginning of 2019, gearing increased by roughly 30 percentage points and the equity ratio decreased compared with the 2018 financial statements.

The consolidated balance sheet included a total of EUR 221.7 (199.4) million in interest-bearing liabilities. Interest-bearing liabilities recognized on the consolidated balance sheet increased from the 2018 financial statements as a result of the adoption of IFRS 16 Leases at the beginning of 2019. The average rate of interest-bearing liabilities, excluding lease liabilities, was 1.4% (1.6) at the end of the period. Non-interest-bearing liabilities totaled EUR 66.2 (83.7) million.

The amount of committed revolving credit facilities signed between Aspo and its main financing banks was EUR 40 million at the end of the period. At the end of the period, the revolving credit facilities were fully unused. EUR 21 million of Aspo's EUR 80 million commercial paper program were in use. During 2019, a total of approximately EUR 35 million in financing agreements fell due. During 2020, a revolving credit facility of EUR 20 million and a term loan of EUR 25 million will fall due. Aspo has hedged its interest rate risk by means of interest rate swaps. Their fair value on December 31, 2019 was EUR -0.1 (-0.2) million.

In May, Aspo signed a credit agreement of EUR 15 million with a three-year loan period. In June, Aspo also signed a revolving credit facility of EUR 20 million with a maturity of three years. Both credit agreements replaced similar previous credit agreements.

In September 2019, Aspo Plc participated in a bond loan of EUR 40 million guaranteed by Garantia Insurance Company with a loan unit of EUR 15 million. The loan has a maturity of five years and its fixed coupon rate is 0.75% per annum. In addition to the coupon rate, Aspo pays an annual guarantee fee to Garantia. The funds obtained from the loan unit are intended to be used to cover the Group's general needs for financing.

On May 27, 2016, Aspo issued a hybrid bond of EUR 25 million. The fixed coupon rate of the bond is 6.75% per annum. The bond has no maturity, but the company may exercise an early redemption option after four years of its issuance, i.e. in May 2020 at the earliest.

Starting from March 1, 2020, Keijo Keränen (M.Sc. Econ.) has been appointed Aspo's Group Treasurer and member of the Group Executive Committee. Keränen will succeed Harri Seppälä who announced that he will step down from the position of Group Treasurer during spring 2020.

FINANCIAL TARGETS

With its current structure, Aspo is looking for an operating profit rate of 6%, return on equity 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 Aspo's Capital Markets Day in November 2019.

The operating profit rate for the financial year was 3.6% (3.8), return on equity was 13.5% (12.4), and gearing was 162.2% (154.4). As a result of the adoption of IFRS 16 at the beginning of 2019, gearing increased by roughly 30 percentage points. Aspo's good and diversified operational cash flow enables gearing to be temporarily higher than the target level.

EVENTS AFTER THE FINANCIAL YEAR

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

OUTLOOK FOR 2020

General political uncertainty in the markets has increased. The increase in industrial production is expected to continue to slow down or turn into a decrease in the main market areas of Aspo's businesses. Prices of raw materials are expected to remain at the present level. In Russia, a market area important to Aspo, the national economy and industrial production are growing slowly, while international sanctions and potential increases in them maintain uncertainties over economic development in Russia and other CIS countries. General political risks continue to be high. This may cause rapid changes in the operating environment or weaken free trade, also having an impact on the operating conditions of Aspo's customers. The economic trend is expected to continue in Aspo's businesses, although there is always a risk of rapid economic changes. Prices of the industrial raw materials and oil that are important to Aspo are expected to remain at their current low level. Dry bulk freight rates in sea transportation that are important to ESL Shipping are expected to remain at their current level.

GUIDANCE FOR 2020

Aspo's operating profit in 2020 will be higher than in 2019 (EUR 21.1 million).

ASPO'S BUSINESS OPERATIONS

ESL Shipping

ESL Shipping is the leading dry bulk cargo company in the Baltic Sea region. At the end of the financial year, the shipping company's fleet consisted of 51 vessels with a total capacity of 468,000 dwt. Of the vessels, 24 are wholly-owned (75% of the fleet), two are minority-owned (2%) and the remaining 25 are time-chartered (23%). ESL Shipping's competitive edge is based on its ability to secure product and raw material transportation for industries and energy production throughout the year, even under difficult weather conditions. The shipping company also loads and unloads large ocean liners at sea as a special service.

During 2019, the shipping company's vessels mainly operated in contract traffic in the Baltic Sea and in Northern Europe, and also carried out loading and unloading operations at sea. Demand in the steel industry in Northern Europe showed a high variation during the year, with technical stoppages at production plants having a negative impact on deliveries during the first part of the year. The contractual transportation of iron pellets from Russia to Central Europe via Finland were at a standstill during the entire year, due to which Supramax vessels operated in international traffic between third countries. The results of these vessels were not satisfactory. The international freight rates of dry bulk cargo decreased again towards the end of the year in the largest vessel categories.

ESL Shipping's operations in the Baltic Sea and the North Sea are mainly based on long-term customer agreements and established customer relationships. As contractual transportation volumes were significantly lower than what was previously estimated for the whole year, the shipping company's vessels were forced to operate more than expected in weaker spot markets. Weather conditions were unusually warm and windy, due to which there were no market for ice-strengthened vessels with higher returns. In the larger vessel category, operations were excellent when considering the low volume, while the targets set for more effective sales were not reached. Both operational and commercial targets were reached in the smaller vessel category.

Demand for loading and unloading operations for large ocean liners at sea was higher towards the end of the year than in the previous year. The new LNG-fueled vessels proved to be highly economical, although all cranes of both vessels suffered from serious technical problems covered by warranty during the first half of the year. These prevented the cranes from being operated and thus the planned operations of both vessels. The deployment of crane automation has been delayed significantly due to previous extensive long-term warranty repairs.

Even though transportation volumes in the steel industry fell significantly short of forecasts, the total transportation volume increased from the previous year, particularly as a result of the acquisition of AtoB@C. The volume of cargo carried by ESL Shipping in 2019 amounted to 15.9 (13.4) million tons. In the smaller vessel category, raw material and product transportation in the forest industry was largely at the planned level. Raw mineral and fertilizer transportation volumes developed positively from the previous year. Balance in contract traffic developed favorably in the smaller vessel category, while it suffered relatively more in the larger vessel category from strikes and significantly lower transportation volumes in the steel industry.

In 2019, the net sales of ESL Shipping increased by 46% from the previous year to EUR 175.0 (120.1) million. This was mainly due to the acquisition of AtoB@C. The weak first half of the year and the difficult market climate in the steel industry during the last part of the year reduced ESL Shipping's operating profit by 3% to EUR 14.6 (15.1) million.

In August, ESL Shipping acquired m/s Alppila in accordance with the terms and conditions of the leasing agreement signed in 2011. The transfer of the vessel under ESL Shipping's ownership improves the company's profitability. ESL Shipping also improved the efficiency of its operations in 2019 by deploying a new ERP system, which covers all vessel operations and combines cargo operations in Finland and Sweden into a single data system.

Outlook 2020 for ESL Shipping

The global market prices of dry bulk cargo at the beginning of 2020 were as low as at the beginning of the comparative period. Stricter global sulfur regulations on ship fuels entered into force at the beginning of the year, potentially leading to higher fluctuations in price levels and occasional shortages in the availability of fuel that is compliant with the new regulations. However, vessels equipped with a sulfur scrubber can continue to use high-sulfur fuel. The final determination of differences in prices of different fuels may have a particular impact on the competitiveness and profitability of the shipping company's Supramax vessels which primarily operate over longer distances. High fluctuations in prices may have a short-term impact on profitability, even though the fuel price risk is controlled comprehensively through fuel clauses in transportation agreements. All ESL Shipping's vessels are fueled by environmentally friendly low-sulfur oil or nearly sulfur-free liquefied natural gas, which significantly reduces carbon dioxide emissions.

Economic growth is slow in the shipping company's primary market areas. However, the general outlook for industrial sectors important to ESL Shipping has brightened from the situation at the end of last year, and previous restrictions in industrial production have been dissolved. Most of the shipping company's transportation capacity has been secured in the Baltic Sea and Northern Europe through long-term agreements. Production in the steel industry in Northern Europe is expected to settle at a satisfactory level, and estimated transportation volume for 2020 to be higher than the realized volume of 2019. The general transportation volume estimates of contractual partners are at a satisfactory level in the most important customer segments. Transportation volumes in the energy industry will most likely decrease as a result of the exceptionally warm weather in Northern Europe. The transportation of iron pellets from Russia to Central Europe via Finland using ESL Shipping's vessels has restarted.

Markets continue to show signs of general uncertainty in demand and price levels. However, positive or negative measures directed at international free trade and increasing political risks have an impact on global material flows. The general development of cargo markets in 2020 will have the highest impact on the performance of the shipping company's largest Supramax vessels. The cargo prices of large vessels returned to a historically low level at the beginning of 2020.

During spring, Finland may face large-scale strikes that may have a significant impact on the operations of ESL Shipping's customer companies and their supply chains. These potential strikes may also affect the availability of ship fuels in Finland.

Demand for loading and unloading operations for large ocean liners at sea, a segment important to the shipping company, is expected to remain at least satisfactory. Contractual transportation volumes in the shipping company's smaller vessel category are expected to be good and contractual coverage is expected to be better than in the previous year. 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 actively investigating different opportunities to have a broader presence in growing markets in the Russian Arctic. The shipping company will also continue its development activities to offer the most effective and environmentally friendly future transportation solutions in the markets also in the smaller vessel category of AtoB@C. 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.

In 2020, three larger vessel units will be docked as planned during the second quarter and one of the two pusher systems will be docked completely during the third quarter. At least two smaller vessels will be docked during the third quarter. During these scheduled dockages, new ballast water treatment systems that meet new environmental regulations will be installed in the vessels.

ESL Shipping published its new financial targets in November 2019. ESL Shipping aims at net sales of EUR 200 million and an operating profit rate of 12% in 2023.

Leipurin

Leipurin provides solutions particularly for bakery customers and chain customers in the foodservice business, and partly to other food industries and the retail trade. Leipurin's business operations are divided into three areas: the bakery business, the machinery business and the latest addition, the foodservice business. Solutions offered by bakery operations include product range development, recipes, raw materials and training. 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. In the foodservice business, Leipurin's range includes procurement and logistics services, as well as branded concepts. Leipurin uses leading international producers and manufacturers as its raw material and machinery supply partners. Leipurin operates in Finland, Russia, the Baltic countries, Ukraine, Kazakhstan and Belarus.

In 2019, Leipurin's net sales decreased from the previous year to EUR 115.7 (121.0) million. Net sales decreased particularly in the machinery business. In 2019, the operating profit rate was 2.6% (2.7). Net sales in the market area of Russia, other CIS countries and Ukraine increased by approximately 4% to EUR 37.9 (36.3) million.

The bakery business is clearly the largest of Leipurin's business areas, accounting for more than 80% of Leipurin's total net sales. In 2019, net sales of the bakery business remained at the previous year's level, while its profitability increased as a result of efficiency measures and growth in eastern markets. The average market prices of bakery raw materials increased from the previous financial year.

The machinery business produced a loss in 2019, falling clearly short of the comparative period's operating profit level. The operating profit fell due to the postponement of significant machine deliveries planned in Russia for the final quarter to the second quarter of 2020 for reasons independent of the company and changes in principals in the principal machinery business. At the end of 2019, Leipurin's machinery business was reorganized and cooperation negotiations were held in Leipurin's own machine production, among others, as a result of which the employment relationship of six people was terminated. Furthermore, the efficiency of the management structure of the machinery business was improved.

The foodservice market is a new area of growth for Leipurin. As a new business, it has, so far, focused on Finnish markets, and it only accounted for a small portion of Leipurin's total net sales in 2019. The new Baker's Story bakery café concept based on a licensing model was launched in November. The first Baker's Story was opened in Tampere together with a local bakery entrepreneur, and activities to increase business operations will continue.

In 2019, Leipurin's operating profit decreased to EUR 3.0 (3.3) million. The operating profit of the bakery business increased by approximately EUR 1.4 million as a result of the improved operational efficiency and growth in eastern markets, while the operating profit of the machinery business decreased by EUR 1.6 million from the good profit level during the comparative period and was negative.

Outlook 2020 for Leipurin

The market situation is expected to remain challenging in Leipurin's key markets. The development of Leipurin's main customer categories, i.e., bakeries and foodservice chains, continues to vary from one customer to the next. Fluctuation in the market prices of raw material groups important to Leipurin is expected to continue, while market prices of seasonal products of 2019 are expected to increase overall. The market position of Leipurin is expected to remain strong in the industrial baking sector in Finland, Russia and the Baltic region. Continuously improved customer experiences, effective operating methods, growth projects in eastern markets, increasing Baker's Story operations and returning the machinery business back to a profit-making track are focus points in operations in 2020.

In Russia, consumer confidence is low, and international sanctions and their possible increase have added to the uncertainties regarding the development of the country's economy. The development of local production has intensified competition over prices in eastern markets. Leipurin will continue to develop its own production and external procurement of bakery raw materials in the area in order to better respond to any changes in demand. Leipurin's goal is to maintain its high profitability in the region, strengthen its market position, and look for growth in the bread and pastry sectors, as well as in-store bakeries.

Leipurin will continue to invest in the foodservice market, particularly in Finland and more extensively in the western markets, where Leipurin is responding, for example, to the growing demand for cafeteria chains and bakery cafés. The development of Leipurin's foodservice range aims to create new business models and services, such as the Baker's Story licensing concept, which will help Leipurin and its customers to succeed in the growing foodservice market.

In the machinery business, bakeries and the food industry are expected to maintain their current equipment investment level in Finland. In the Baltic countries, equipment investments are expected to decrease in the near future. No significant changes are expected in investment levels in Russia. In Leipurin's own machine production, sales will be expanded to new export markets and the efficiency of operations will be improved by further modifying processes and operating methods. The changes in principals that have taken place in principal machinery operations during 2019 are expected to have a negative impact on principal machinery operations, especially in Russia. In machinery operations, the high fluctuation in net sales and profitability will continue due to the nature of the operations. At the end of the period, the order book was reasonable for the first half of 2020, partly as a result of the postponement of significant machine deliveries planned for the final quarter of 2019 in Russia to the second quarter of 2020 due to reasons independent of the company. The cost efficiency of Leipurin's own machine production has been improved, and the increased focus on new chilling and freezing solutions for the food industry will significantly increase the market potential.

Leipurin published its new financial targets in November 2019. Leipurin aims at net sales of EUR 140 million and an operating profit rate of 5% in 2023.

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 a long-standing customer relationships. The Telko segment has companies in Finland, the Baltic countries, Scandinavia, Poland, Romania, Russia, Belarus, Ukraine, Kazakhstan, Uzbekistan, Azerbaijan, China and Germany.

During the year, Telko's operating environment weakened in all market areas as a result of decelerated economic growth. The deceleration of economic growth and increased uncertainties were reflected, for example, in a decrease in the prices of raw materials sold by Telko, intensifying price competition and more cautious purchases by customers.

Towards the end of the year, in particular, Telko focused on actions to improve the efficiency of its working capital and increase its profitability. In increasing profitability, focus on technical products with a higher added value, more effective purchasing and logistics and stronger relationships with the most significant customers and principals are key factors.

Net sales of the Telko segment decreased by 1% to EUR 297.0 (299.8) million. Operating profit stood at EUR 8.0 (7.4) million. The operating profit rate was 2.7% (2.5). In 2019, the Telko segment's net sales in eastern markets, i.e., Russia, other CIS countries and Ukraine, increased by 3% to EUR 132.8 (128.5) million. Telko segment's net sales in western markets totaled EUR 155.8 (161.7) million. Net sales of the plastic business increased by 3% to EUR 152.3 (147.7) million. Net sales of the chemical business remained unchanged at EUR 118.1 (118.5) million. Net sales of Kauko decreased by 21% to EUR 26.7 (33.6) million. The decrease in Kauko's net sales can be explained by the strategic discontinuation of the energy business in 2019.

Telko's managing director Kalle Kettunen resigned on May 20, 2019, and Telko's Board of Directors appointed the company's CFO Tomi Tanninen the acting managing director. Starting from October 28, Mikko Pasanen (M.Sc. Econ.) was appointed Telko's new managing director, and Tanninen resumed his previous position as the CFO.

Outlook 2020 for Telko

In 2020, Telko will continue the previously started actions aimed at improving the efficiency of working capital and the level of profitability. Telko seeks growth in its current geographic areas from technical products of a higher added value. At the same time, Telko will continue to develop its customer relationships and product portfolio to secure its prerequisites for growth. Telko's Green Portfolio business is expected to gain a commercially significant role in the future.

Uncertainties in international trade and economy will continue. The general economic trend is expected to remain weak, and demand for technical products is not expected to pick up. The exceptionally long negative price development of volume plastics is expected to even out and prices of chemicals are expected to remain unchanged. Strong changes in the price of crude oil may cause even rapid price fluctuations.

Demand in eastern markets, an area important to Telko, is expected to remain unchanged or decrease. Growth in Russian markets is expected to decelerate. Operations in Ukraine are important to Telko, and political and economic problems in the country may affect demand in the area. In Finland, strikes that threaten the sector may, if materialized, have a significant impact on Finland's sales volume and have a negative impact on results.

Telko published its new financial targets in November 2019. Telko aims at net sales of EUR 300 million and an operating profit rate of 6% in 2023.

STRUCTURAL ARRANGEMENTS

During the financial year, Telko established a subsidiary, Telko Romania SRL, in Romania. In Russia, Telko Terminal, a company wholly owned by Telko, merged with OOO Telko. Telko's acquisition of the business operations of Danish HH Plastkombi A/S was completed at the beginning of the year. Leipurin Poland Sp. z o.o., a subsidiary of Leipurin, discontinued its operations, and the company was dissolved during the financial year. AtoB@C Shipping AB acquired the remaining 60% of shares in its associated company Norra Skeppnings Gruppen AB during the financial year. Kauko sold its heat pump business to Panasonic on December 31, 2019.

INVESTMENTS

Aspo Group's investments totaled EUR 19.9 (43.2) million. The redemption of m/s Alppila by ESL Shipping in August was the most significant single investment of the year. Other investments mainly consisted of normal annual docking and other maintenance investments.

INVESTMENTS BY SEGMENT, ACQUISITIONS EXCLUDED

	2019 MEUR	2018 MEUR	2017 MEUR
ESL Shipping	**18.6**	41.9	16.8
Leipurin	**0.5**	0.5	0.5
Telko	**0.7**	0.7	0.6
Other operations	**0.1**	0.1	0.1
Total	**19.9**	43.2	18.0

PERSONNEL

Employee benefit expenses within the Group amounted to EUR 45.1 (43.2) million. More detailed information about the personnel is presented in Aspo's Sustainability Report.

PERSONNEL

	2019	2018	2017
Personnel at year-end	**931**	958	909
Average personnel during the financial year	**945**	919	877
Total salaries and fees during the financial year, MEUR	**38.5**	36.7	34.7

PERSONNEL BY SEGMENT, ON AVERAGE

	2019	2018	2017
ESL Shipping	**274**	254	230
Leipurin	**314**	320	305
Telko	**331**	321	317
Other operations	**26**	24	25
Total	**945**	919	877

Rewarding

Aspo Group applies a profit bonus system which was adopted in 2013. The profit bonus system applied to Finnish personnel 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.

Aspo has three share-based incentive plans in effect: share-based incentive plan 2018–2020, Executive Committee share-based incentive plan 2018–2020 and restricted share-based incentive plan 2018. More information about incentive plans is presented in Note 29 Related parties.

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 without specification in normal operational costs.

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 income and wellbeing. Aspo Group's CEO is in charge of the management of Aspo's responsibility. 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 responsible business in all the Group companies. The Board of Directors of Aspo approved the revised Code of Conduct in December 2019.

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. In 2019, Aspo also joined the corporate responsibility network FIBS. Aspo aims to actively develop its responsibility at the Group and subsidiary level.

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 its employees and stakeholders in a just and equal manner in all countries where it operates. In Aspo's businesses, the main aspects related to sustainability concern the reduction of energy consumption and waste, wellbeing and safe working conditions, as well as equality of personnel and good governance.

RISKS AND RISK MANAGEMENT

Decreases in global trade as a result of decelerated growth in the global economy and increased uncertainties in economic development have reduced exports and the investment outlook. The decrease in global purchasing manager indices has stopped, while the situation continues to deteriorate in key production countries in the EU, such as Germany. These changes have affected industrial production in the Eurozone and can be seen in increased risks in Aspo's market areas, even though Finnish exports are showing signs of growth, particularly in terms of exports outside the EU. Despite growing uncertainties, economic growth has continued in the Eurozone, albeit slowly. However, the continuous, while decelerating, increase in employment and continuously rising salaries support economic stability in the Eurozone. 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 war between the USA and China, including the resulting import duties, which limit international free trade and has already decelerated economic growth in China, have not directly affected Aspo's operations. Aspo does not have any business operations that are or would also be affected directly by Brexit or its implementation, but there may be an indirect impact through the principals or customers of Aspo's businesses.

Following the financial crisis, the global economy has grown simultaneously in all Aspo's market areas, albeit at different rates in different areas, and in general slowly. In the Eurozone, growth has slowed down due to growing political tension related to trade. In addition, the expected Brexit increases uncertainty. The Russian GDP increased by roughly 1% and industrial production by approximately 2%, meaning that both have increased more slowly as a result of decelerated growth in the global economy. The Russian ruble has become stronger, partly as a result of elevated oil prices. Russia's foreign exchange reserves and oil assets have increased as the economy has returned to normal. In logistics chains, the dry bulk freight rates of sea transportation increased steeply during the first half, only to turn into a decline at the beginning of September, ending up at the April level at the end of the year.

Financial risks in all Aspo's businesses are slowly increasing, even though the markets are relatively stable. 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. In Russia, increased real salaries and decelerated inflation supported increases in private consumption. As there have been no structural economic reforms in Russia, economic growth is only expected to be moderate, 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 rapidly impact Aspo's operating environment. Free trade has already decreased, and these changes may also have an impact in the long term. The economic and political situation in Aspo's market areas may have made it more difficult to make 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 set time frame.

The Russian economy has stabilized, and inflation has decelerated, while economic growth is slow. The long-term deterioration in consumption demand has affected trade in general and, after a brief upswing, the natural increase in purchasing power fluctuated, strengthening towards the end of the period. No signs of weakening have been seen in the financial markets and payment transactions of Russia, but they involve risks that are reflected, for example, in the Russian banking sector.

The Ukrainian economy is still in a weak state and the macroeconomy is showing signs of weakening in nearly all sectors, apart from construction. Inflation has slowed down but is still relatively high. The increase in purchasing power, combined with a favorable development in salaries, has increased consumption demand. The central bank's reference rate is still high, although it was lowered considerably at the end of the year.

The promotion of local production has further increased the volume of raw materials and items produced in Russia in industrial production, despite the decrease in quality. This may further reduce the position of imported raw materials in the value chain and the margin level, but, correspondingly, an increase in import volumes may increase demand for 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, social pressures to reduce the use of fossil energy sources in energy production are constantly increasing, which has already reduced coal transport volumes and will continue to reduce them 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, their extended low level and the previous global increase in the number of vessels, particularly in large size categories, 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. ESL Shipping received two new, low-emission vessels with better fuel economy for this region and customer base. These will also be able to operate in ice conditions. The shipping company also completed an acquisition in 2018 that significantly improved its competitiveness.

Strategic risks are influenced by long-term changes in cargo prices, the building of new vessels and the removal of others from the markets, 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 reaction 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 positive or negative, which could significantly change the prevailing operating conditions.

Operational risks

Economic uncertainty in Aspo's operating environment increased compared with the previous year. As a result, operational risks 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, and 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 prolongs, 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 withdraw 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. As changes in credit loss risks are diversified across businesses and customers, Aspo's businesses have not been subject to any significant credit losses related to their customers, even though credit loss risks have increased, and provisions are made for them in accordance with principles of IFRS 9 standard.

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 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 cause 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 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 managed 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 26 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

On February 27, 2015, the Helsinki District Court announced its judgement in the case between ESL Shipping and the Finnish State regarding fairway dues levied during the years 2001–2004. According to the judgement, the Finnish State was required to refund to ESL Shipping approximately EUR 3.0 million in accordance with the company's claim, as well as legal expenses and interest. The State lodged an appeal against the District Court's judgement and, in its ruling issued on August 8, 2016, the Court of Appeal overruled the Helsinki District Court's judgement and dismissed ESL Shipping's legal action as time-barred. The company applied for leave to appeal from the Supreme Court, which rejected the application in February 2018. In June 2018, ESL Shipping filed, together with 13 other shipping companies, an appeal regarding an extraordinary appeal (for nullification) to the Supreme Court. In addition, the company lodged a complaint with the European Court of Human Rights, particularly regarding a breach of protection of property. In September 2019, the European Court of Human Rights announced that it will not process the appeal. The Supreme Court did not authorize any extraordinary appeal, and the case has been closed.

ESL Shipping won legal proceedings against Indian ABG Shipyard concerning the compensation payable for repairs made to m/s Alppila during the warranty period. The vessel was delivered to ESL Shipping in 2011. According to the ruling of the arbitration court, ABG Shipyard was decreed to pay repair expenses and interest to ESL Shipping according to the company's claims. The impact of the ruling will be taken into account during the financial year over which the imposed payment is received.

The administrative court process started by Telko Ltd regarding the tax increase imposed by Finnish Customs ended on June 5, 2019. The administrative court process was related to goods imported by Telko in 2013 and 2014, for which Finnish Customs had imposed a tax increase of EUR 1.7 million. The charges of EUR 1.7 million imposed by Customs were recognized as expenses in 2015. The decision of the administrative court reduced the amount to approximately EUR 60,000. The positive decision improved the operating profit of Telko by approximately EUR 0.2 million, and the financial income by approximately EUR 1.4 million.

In 2018, Telko took legal action in Korea against a former principal (Korea Engineering Plastics Co. LTD) regarding unpaid commission. In October 2019, the court confirmed the settlement reached between the parties and that the legal process has been discontinued.

In spring 2017, Kauko took legal action in civil court against two individuals who worked in leading positions in the mobile knowledge work unit that provides IT solutions for the healthcare sector due to breaches of the non-solicitation and non-compete clauses. On February 2018, the district court decided the matter for the benefit of the defendants and Kauko appealed against the judgement to the Court of Appeal. In 2018, Kauko dropped its claims against one of the defendants. The Court of Appeal issued its decision on February 8, 2019, and confirmed that the non-compete clause was valid as regards the defendant, and a contractual penalty, plus interest on arrears, was imposed on the defendant for the violation of the clause. In addition, the Court of Appeal confirmed that the clause for the non-use of trade and professional secrets and the non-solicitation clause were binding. The Court of Appeal held that these were also violated. Kauko applied for leave to appeal from the Supreme Court against a contractual penalty related to confidentiality and unpaid legal expenses. The Supreme Court did not grant leave to appeal, which means that the rulings of the Court of Appeal are legally valid.

MANAGEMENT AND AUDITORS

Mammu Kaario, Mikael Laine, Gustav Nyberg, Salla Pöyry and Risto Salo were re-elected to the Board of Directors, and Tatu Vehmas was elected as a new member of the Board, at Aspo Plc's Annual Shareholders' Meeting on April 9, 2019. 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, the Board decided to establish a Remuneration Committee and appointed Gustav Nyberg the Chairman of the committee, and Risto Salo and Tatu Vehmas ordinary members. At the meeting, the Board also decided to appoint Mammu Kaario the Chairman of the Audit Committee, and Mikael Laine and Salla Pöyry ordinary members. More information about the activities of the Board of Directors in 2019 and the Nomination Committee is presented in Aspo Plc's Corporate Governance Statement.

eMBA Aki Ojanen acted as the CEO of the company in 2019.

The authorized public accountant firm Ernst & Young Oy has been the company's auditor. Toni Halonen, APA, has acted as 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 April 9, 2019 authorized the Board of Directors to decide on the acquisition of no more than 500,000 of the 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 2020 but not more than 18 months from the approval at the 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 April 9, 2019 authorized the Board of Directors to decide on a share issue, through one or several installments, 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 2020 but not more than 18 months from the approval at the Shareholders' Meeting. The authorization was not used during the financial year.

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

The Annual Shareholders' Meeting on April 9, 2019 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 2020 but not more than 18 months from the approval at the Shareholders' Meeting. The authorization was not used during the financial year.

In March 2019, Aspo Plc transferred 7,711 treasury shares held by the company to individuals belonging to the share-based incentive plan 2018–2020 in share-based payments. The transfer was based on the authorization given by the Annual Shareholders' Meeting on April 10, 2018. The shares were transferred gratuitously in accordance with the terms and conditions of the share-based incentive plan.

SHARE CAPITAL AND PAYMENT OF DIVIDENDS

Aspo Plc's share capital on December 31, 2019 was EUR 17,691,729.57, and the total number of shares was 31,419,779, of which the company held 296,650 shares; that is, 0.9% of the share capital.

In 2019, Aspo paid EUR 0.44 per share in dividends. The dividend was paid in two installments. The payment date for the first installment of EUR 0.22 per share was April 18, 2019 and the payment date for the second installment of EUR 0.22 per share was November 7, 2019. Aspo revised its dividend policy in November 2018. According to its new dividend policy, Aspo's goal is to annually increase the amount of dividends.

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 2019, a total of 2,453,714 Aspo Plc shares were traded at EUR 20.1 million, meaning that 7.8% of all shares changed owners. During the financial year, the share reached a high of EUR 9.42 and a low of EUR 7.52. The average price was EUR 8.20 and the closing price at year-end was EUR 7.62. At the end of the financial year, the market value excluding treasury shares was EUR 237.2 million.

Shareholders

Aspo's shares are included in the book-entry system maintained by Euroclear Finland Ltd. At the end of 2019, Aspo had 10,260 shareholders. Of all shares, 97.8% were held directly, and 2.2% were held via nominee registrations. A total of 1.8% of the company's shares were held by foreign enti-

MAJOR SHAREHOLDERS ON DECEMBER 31, 2019

	Number of shares	% of shares and voting rights
Havsudden Oy Ab	3,162,941	10.07
Vehmas Tatu	2,306,676	7.34
Varma Mutual Pension Insurance Company	1,438,412	4.58
Vehmas Tapio	1,375,827	4.38
Ilmarinen Mutual Pension Insurance Company	915,578	2.91
Nyberg Gustav	801,667	2.55
Robinson Joanna	754,259	2.40
Investment fund Nordea Nordic Small Cap	721,040	2.29
Procurator-Holding Oy	514,882	1.64
Madremar Ab	444,255	1.41
Ten major shareholders, total	**12,435,537**	**39.57**

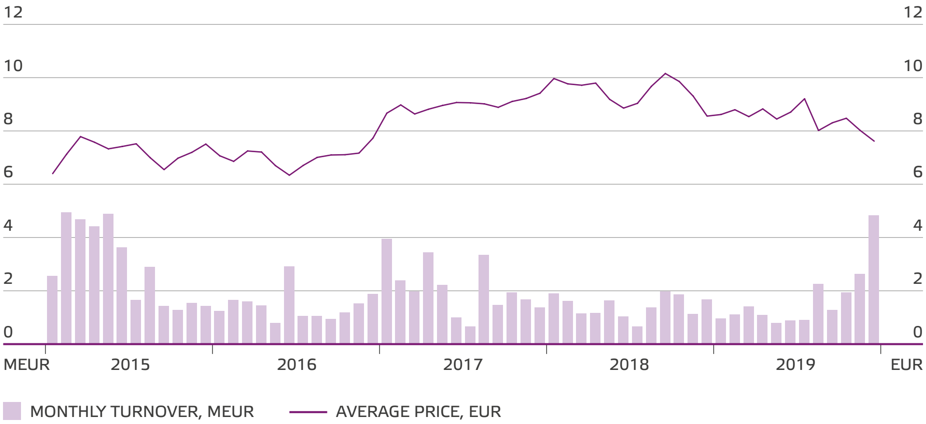
DISTRIBUTION OF SHARE OWNERSHIP ON DECEMBER 31, 2019 BY NUMBER OF SHARES

Number of shares	Number of owners	Share of owners %	Total shares	% of shares
1–100	2,060	20.08	112,361	0.36
101–500	3,886	37.88	1,070,305	3.41
501–1,000	1,686	16.43	1,296,109	4.12
1,001–5,000	2,102	20.49	4,557,221	14.50
5,001–10,000	307	2.99	2,167,806	6.90
10,001–50,000	170	1.66	3,465,675	11.03
50,001–100,000	15	0.14	1,139,533	3.63
100,001–500,000	24	0.23	5,615,023	17.87
500,001–	9	0.09	11,991,282	38.17
Total in joint accounts	1	0.01	4,464	0.01
Total	**10,260**	**100.00**	**31,419,779**	**100.00**

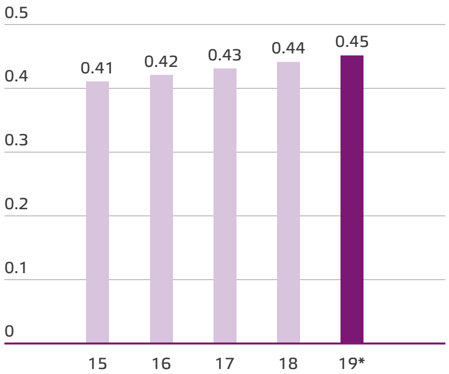
DISTRIBUTION OF SHARE OWNERSHIP ON DECEMBER 31, 2019 BY OWNER GROUPS

	Ownership %	Shares %
Households	94.8	60.8
Companies	3.8	17.3
Financial and insurance institutions	0.2	7.9
Non-profit organizations	0.8	4.5
Public organizations	0.1	7.7
Non-domestic	0.3	1.8
Total	**100.0**	**100.0**

SHARE TRADING AND AVERAGE PRICES

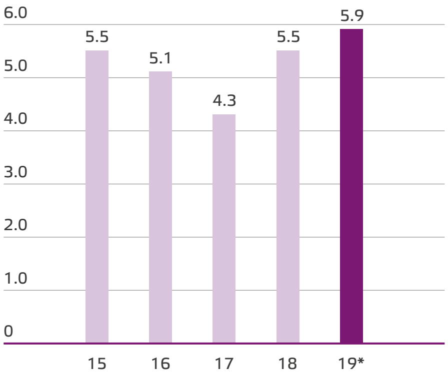


DIVIDEND PER SHARE,EUR



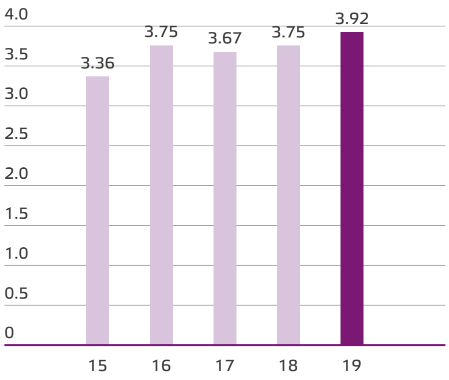
* Board proposal to the AGM

EFFECTIVE DIVIDEND YIELD, %

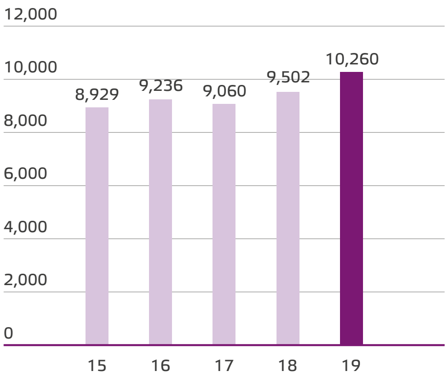


* Board proposal to the AGM

EQUITY/SHARE EUR



NUMBER OF SHAREHOLDERS



ties. On December 31, 2019, the ten largest shareholders owned a total of 39.6% of the company's shares and voting rights.

A monthly updated list of Aspo's major shareholders is available on the company's website.

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

On December 31, 2019, the total number of shares owned by the members of Aspo Plc's Board of Directors with entities under their control was 6,972,898 shares, which represents 22.2% of the company's shares and voting rights.

On December 31, 2019, Aspo Plc's CEO and the other members of the Group Executive Committee held a total of 211,513 shares, which represents 0.7% of the company's shares and voting rights.

SHARE-SPECIFIC ALTERNATIVE KEY FIGURES

	2019	2018	2017	2016	2015
Shareholders' equity per share, EUR	**3.92**	3.75	3.67	3.75	3.36
Dividend per share, EUR (2019 proposal by the Board of Directors)	**0.45**	0.44	0.43	0.42	0.41
Dividend/earnings, %	**94.8**	106.7	76.3	85.4	67.1
Effective dividend yield, %	**5.9**	5.5	4.3	5.1	5.5
Price/earnings ratio (P/E)	**16.1**	19.1	17.7	16.6	12.3
Share price performance, EUR					
Average price	**8.20**	9.51	8.91	6.95	7.23
Lowest price	**7.52**	7.90	8.20	6.00	5.92
Highest price	**9.42**	10.80	10.00	8.21	8.16
Closing price	**7.62**	7.96	10.00	8.18	7.50
Market value of shares, Dec. 31, MEUR	**237.2**	247.7	306.1	250.1	228.7
Share trading, 1,000 shares	**2,454**	1,809	2,851	2,491	4,886
Share trading, MEUR	**20.1**	17.2	25.4	17.3	35.3
Share trading/number of shares, %	**7.8**	5.8	9.2	8.0	15.8
Total number of shares on the closing date, 1,000 shares	**31,420**	31,420	30,976	30,976	30,976
Treasury shares	**297**	304	370	396	480
Outstanding shares on Dec. 31	**31,123**	31,115	30,605	30,579	30,496
Average number of shares (outstanding), 1,000 shares	**31,121**	30,809	30,599	30,564	30,479

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) = $\dfrac{\text{profit for the period} \times 100}{\text{equity (average of the current and previous financial years)}}$

Equity ratio, % = $\dfrac{\text{shareholders' equity} \times 100}{\text{balance sheet total – advances received}}$

Gearing, % = $\dfrac{\text{(interest-bearing liabilities – cash and cash equivalents)} \times 100}{\text{shareholders' equity}}$

Interest-bearing liabilities = loans and overdraft facilities used + lease liabilities

Free cash flow = net cash from operating activities + net cash from investing activities

Earnings per share (EPS), EUR = $\dfrac{\text{profit for the period – hybrid interest, net of tax}}{\text{average number of shares, excluding treasury shares}}$

Shareholders' equity per share, EUR = $\dfrac{\text{shareholders' equity}}{\text{number of shares on the closing date, excluding treasury shares}}$

Dividend/earnings, % = $\dfrac{\text{dividend per share} \times 100}{\text{(profit for the period – hybrid interest, net of tax) / number of shares on the closing date, excluding treasury shares}}$

Effective dividend yield, % = $\dfrac{\text{dividend per share} \times 100}{\text{closing price}}$

Price/earnings ratio (P/E) = $\dfrac{\text{closing price}}{\text{earnings per share}}$

Market value of shares = 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 7, 2020, that a dividend of EUR 0.45 per share is paid for the financial year ended December 31, 2019, based on the balance sheet to be confirmed and that the remaining distributable funds are retained in the unrestricted shareholders' equity.

The dividend will be paid in two installments. The first installment of EUR 0.22 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 9, 2020. The Board of Directors proposes that the dividend is paid on April 20, 2020. The second instalment of EUR 0.23 per share will be paid in November 2020 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 29, 2020, 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 November 2, 2020 and the payment date would be November 9, 2020.

The company's registered number of shares on February 13, 2020 was 31,419,779, of which the company held, directly or indirectly, 296,650. No dividend will be paid for Aspo Plc's treasury shares. Based on this proposal, a total of EUR 14.0 million would be paid in dividends.

On December 31, 2019, the parent company's distributable funds totaled EUR 44,009,796.24, with the profit for the financial year being EUR 15,456,798.52. 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 27, 2020

Gustav Nyberg	Mammu Kaario
Mikael Laine	Salla Pöyry
Risto Salo	Tatu Vehmas

Aki Ojanen
CEO

FINANCIAL STATEMENTS, IFRS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1,000 EUR	Notes	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Net sales	1	**587,689**	540,935
Other operating income	3	**907**	4,110
Share of profits accounted for using the equity method	16	**7**	-131
Materials and services	6	**-389,070**	-382,182
Employee benefit expenses	4	**-45,116**	-43,247
Depreciation, amortization and impairment losses	5	**-14,920**	-16,484
Depreciation, right-of-use assets	5	**-13,705**	
Other operating expenses	7	**-104,669**	-82,446
Operating profit		**21,123**	20,555
Financial income	8	**2,175**	933
Financial expenses	8	**-5,050**	-5,053
Total financial income and expenses		**-2,875**	-4,120
Profit before taxes		**18,248**	16,435
Income taxes	9	**-2,130**	-2,251
Profit for the period		**16,118**	14,184
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Translation differences		**4,435**	-1,939
Cash flow hedges		**36**	2,572
Income tax on other comprehensive income	9		-125
Other comprehensive income for the period, net of taxes		**4,471**	508
Total comprehensive income		**20,589**	14,692
Profit for the period attributable to			
Parent company shareholders		**16,118**	14,184
Total comprehensive income attributable to			
Parent company shareholders		**20,589**	14,692
Earnings per share attributable to parent company shareholders, EUR	10		
Basic earnings per share		**0.47**	0.42
Diluted earnings per share		**0.47**	0.42

CONSOLIDATED BALANCE SHEET

ASSETS

1,000 EUR	Notes	Dec 31, 2019	Dec 31, 2018
Non-current assets			
Intangible assets	11	**7,943**	8,887
Goodwill	12	**43,301**	43,011
Tangible assets	13	**180,184**	175,053
Right-of-use assets	14	**21,494**	
Investments accounted for using the equity method	16	**1,438**	1,512
Other financial assets	15	**170**	170
Receivables	19	**31**	250
Deferred tax assets	17	**382**	2,391
Total non-current assets		**254,943**	231,274
Current assets			
Inventories	18	**55,894**	71,295
Accounts receivable and other receivables	19	**74,572**	77,496
Current tax assets		**832**	323
Cash and cash equivalents	20	**23,667**	19,333
Total current assets		**154,965**	168,447
Total assets		**409,908**	399,721

EQUITY AND LIABILITIES

1,000 EUR	Notes	Dec 31, 2019	Dec 31, 2018
Equity attributable to parent company shareholders			
Share capital	21	**17,692**	17,692
Share premium	21	**4,351**	4,351
Invested unrestricted equity reserve	21	**16,483**	16,482
Fair value reserve	21	**-86**	-122
Other reserves	21	**25,000**	25,000
Translation differences		**-19,182**	-23,616
Retained earnings		**77,811**	76,862
Total equity		**122,069**	116,649
Non-current liabilities			
Deferred tax liabilities	17	**4,849**	7,158
Loans and overdraft facilities	22	**141,696**	170,921
Lease liabilities	14	**8,769**	
Other liabilities	23	**86**	266
Total non-current liabilities		**155,400**	178,345
Current liabilities			
Provisions	25	**128**	385
Loans and overdraft facilities	22	**58,155**	28,526
Lease liabilities	14	**12,980**	
Accounts payable and other liabilities	23	**60,344**	75,338
Current tax liabilities		**832**	478
Total current liabilities		**132,439**	104,727
Total liabilities		**287,839**	283,072
Total equity and liabilities		**409,908**	399,721

CONSOLIDATED CASH FLOW STATEMENT

1,000 EUR	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Cash flows from operating activities		
Operating profit	**21,123**	20,555
Adjustments to operating profit:		
Depreciation, amortization and impairment losses	**28,625**	16,484
Gains and losses on sale of tangible assets	**-35**	-25
Gains and losses on sale of business operations	**-179**	24
Share of profits accounted for using the equity method	**-7**	131
Employee benefits	**183**	70
Change in provisions	**-257**	-822
Unrealized foreign exchange gains and losses on operating activities	**-281**	-14
Change in working capital:		
Inventories	**18,453**	-10,645
Current receivables	**5,634**	-4,530
Non-interest-bearing current liabilities	**-14,773**	4,438
Interest paid	**-5,014**	-3,655
Interest received	**1,744**	525
Income taxes paid	**-2,664**	-2,263
Net cash from operating activities	**52,552**	20,273
Cash flows from investing activities		
Investments in tangible and intangible assets	**-5,402**	-43,054
Proceeds from sale of tangible assets	**195**	392
Acquisitions, net of cash	**-2,511**	-12,528
Dividends received	**59**	1
Proceeds from sale of business operations	**300**	104
Net cash from investing activities	**-7,359**	-55,085
Cash flows from financing activities		
Proceeds from current loans	**698**	17,289
Proceeds from non-current loans	**29,951**	58,018
Repayments of non-current loans	**-29,463**	-25,391
Payment of lease liabilities	**-27,729**	
Hybrid instrument, interests	**-1,687**	-1,687
Dividends distributed	**-13,694**	-13,287
Net cash from financing activities	**-41,924**	34,942
Change in cash and cash equivalents	**3,269**	130
Cash and cash equivalents Jan. 1	**19,333**	19,923
Translation differences	**1,064**	-720
Cash and cash equivalents at year-end	**23,666**	19,333

Cash flows relating to lease contracts have been transferred to a material extent from cash flows from operating activities to cash flows from financing activities starting from January 1, 2019 as a result of the adoption of IFRS 16 standard. This improved the cash flows from operating activities by approximately EUR 14 million.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1,000 EUR	Share capital	Share premium	Invested unrestricted equity reserve	Fair value reserve	Other reserves	Translation differences	Treasury shares	Retained earnings	Total
Equity January 1, 2019	17,692	4,351	16,482	-122	25,000	-23,616	-1,738	78,600	116,649
Impact of transition to IFRS 16								29	29
Adjusted equity January 1, 2019	**17,692**	**4,351**	**16,482**	**-122**	**25,000**	**-23,616**	**-1,738**	**78,629**	**116,678**
Comprehensive income									
Profit for the period								16,118	16,118
Other comprehensive income, net of taxes									
Cash flow hedges				36					36
Translation differences			1			4,434			4,435
Total comprehensive income			**1**	**36**		**4,434**		**16,118**	**20,589**
Transactions with owners									
Dividend payment								-13,694	-13,694
Hybrid instrument, interests								-1,687	-1,687
Share-based incentive plan							50	133	183
Total transactions with owners							**50**	**-15,248**	**-15,198**
Equity December 31, 2019	**17,692**	**4,351**	**16,483**	**-86**	**25,000**	**-19,182**	**-1,688**	**79,499**	**122,069**
Equity January 1, 2018	17,692	4,351	12,061	-2,569	25,000	-21,681	-2,169	79,582	112,267
Impact of IFRS 2 amendment								566	566
Adjusted equity January 1, 2018	**17,692**	**4,351**	**12,061**	**-2,569**	**25,000**	**-21,681**	**-2,169**	**80,148**	**112,833**
Comprehensive income									
Profit for the period								14,184	14,184
Other comprehensive income, net of taxes									
Cash flow hedges				2,447					2,447
Translation differences			-4			-1,935			-1,939
Total comprehensive income			**-4**	**2,447**		**-1,935**		**14,184**	**14,692**
Transactions with owners									
Dividend payment								-13,287	-13,287
Share issue			4,425						4,425
Hybrid instrument, interests								-1,687	-1,687
Share-based incentive plan							431	-758	-327
Total transactions with owners			**4,425**				**431**	**-15,732**	**-10,876**
Equity December 31, 2018	**17,692**	**4,351**	**16,482**	**-122**	**25,000**	**-23,616**	**-1,738**	**78,600**	**116,649**

Changes in equity are discussed in more detail in Note 21.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BASIC INFORMATION

Aspo Plc is a Finnish public corporation domiciled in Helsinki. Aspo Plc's shares are listed on Nasdaq Helsinki Ltd.

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 are seeking the leading position in their respective markets. Aspo develops its group structure and businesses in the long-term and in a responsible and sustainable manner.

The Group's parent company is Aspo Plc. 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.

Aspo Plc's Board of Directors and CEO have approved these consolidated financial statements for issue. Pursuant to the Finnish Companies Act, shareholders may either adopt or reject the consolidated financial statements at the Annual Shareholders' Meeting held after the issue, or it may also decide to have them modified.

ACCOUNTING PRINCIPLES

Basis of accounting

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, 2019. 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.

New and amended standards adopted by the Group

The following standards, amendments and interpretations have been applied by the Group for the first time in the annual reporting period commencing January 1, 2019:

- IFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Interpretation 23 Uncertainty over Income Tax Treatments.

The Group had to change its accounting policies as a result of adopting IFRS 16. Aspo has chosen a simplified method of transition to IFRS 16, according to which the right-of-use assets and lease liabilities were recognized in the opening balance sheet of January 1, 2019. The transition has been described in note 14.2 Adoption of IFRS 16 Leases standard. The other changes listed above did not have any impact on the amounts recognized in prior periods and did not significantly affect the current period or future periods.

Principles of consolidation

The consolidated financial statements include the parent company Aspo Plc and all its subsidiaries. Subsidiaries are all 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% of the voting rights and at least a 20% shareholding, or in which the Group otherwise holds significant influence. 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 fulfil 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 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.

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.

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 Telko's 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.

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 also the parent company's functional and presentation currency. In the consolidated financial statements, the income statements of foreign subsidiaries are translated into euro using the average rate of the financial year. Balance sheet items are translated into euro 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. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Segment reporting

In year 2019 Aspo's reportable segments were ESL Shipping, Leipurin and Telko. Aspo changed its segment reporting so that Kauko is reported as part of the Telko segment starting from January 1, 2019. The operating segments remain ESL Shipping, Leipurin, Telko and Kauko and they are reported separately to the chief operating decision maker. The Board of Directors, which is responsible for allocating resources to the operating segments and evaluating their performance, has been designated as the chief operating decision maker. Inter-segment transactions are carried out at market prices.

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

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:

- Buildings and structures 15–40 years
- Vessels 17–30 years
- Pushers 18 years
- Dockings 2–3 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.

The value of an asset is impaired if its carrying amount exceeds its recoverable amount. A previously recognized impairment loss on tangible assets 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 item if no impairment loss had been recognized in previous years. Gains and losses arising from the discontinued use and disposal of tangible assets are included in other operating income and expenses.

Goodwill and other intangible assets

Goodwill arising from the acquisition of a subsidiary is not amortized, instead it is tested for impairment at least annually by using value in use calculations (see Goodwill impairment test, Note 12).

Intangible assets with indefinite useful lives are not amortized, instead they are tested for impairment at least annually. The useful lives of the brands in Leipurin and Telko segments are estimated to be indefinite. The strong image and history of the brands support management's view that the brands will generate cash flows over an indefinable period.

Other intangible assets are measured at cost and amortized on a straight-line basis over their useful lives. The amortization periods for other intangible assets 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 Group assesses the carrying amounts of goodwill and intangible assets annually, or more often if there is any indication of potential impairment. If such indication exists, the recoverable amount of the asset in question is determined. Impairment of goodwill is assessed at the level of cash-generating units.

The recoverable amount is the fair value less costs to sell, or the value in use, if higher. The cash-flow-based value in use is determined by calculating the discounted present value of predicted cash flows. The discount rate of the calculations is based on the average cost of capital (WACC), which reflects the market's view of the time value of money and the risks involved in Aspo's business operations.

An impairment loss is recognized in the statement of comprehensive income if the carrying amount of the asset is higher than its recoverable amount. Where an impairment loss is recognized for an asset subject to depreciation, the asset's useful life is re-estimated. 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.

Research and development costs

Aspo Group's R&D focuses, according to the nature of each segment, on developing operations, procedures and products as part of customer-specific operations, which means that development inputs are included without specification in normal operational costs.

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. The cost of finished goods and work in progress includes raw material purchase costs, direct manufacturing wages, other direct manufacturing costs, and a share of manufacturing overheads (based on normal operating capacity), borrowing costs excluded. Net realizable value is the actual sales price in the ordinary course of business less the costs of completion and sale.

Leases

The Group has changed its accounting policies and applied IFRS 16 Leases standard from January 1, 2019. Comparative figures have not been restated, i.e. they have been prepared in accordance with IAS 17 Leases standard. The new accounting principles are described below and the impact of the transition is explained in note 14.2 Adoption of IFRS 16 Leases standard.

The Group has customary, business related lease contracts, e.g. relating to offices, warehouses, vessels and cars. Also, part of the office technique is leased. 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. Leased assets may not be used as security for borrowing purposes.

Until December 31, 2018, leasing agreements where the Group assumes an essential part of the risks and benefits inherent in ownership were classified as financial leasing agreements. Assets acquired through financial leasing agreement were recognized in the balance sheet at an amount equalling the fair value at the start of the agreement or at the present value of minimum lease payments, if lower. Lease payments are divided into financial expenses and loan repayment. Corresponding leasing liabilities, less financial expenses, are included in interest-bearing liabilities. The interest of finance is recognized in profit or loss over the leasing period so that the interest rate for the remaining liability is the same for each financial year. Assets leased under financial leasing agreements are depreciated either over their useful lives or over the term of the leasing agreement, if shorter. Financial leasing agreements include leasing agreements of machinery and equipment and IT software. Leasing agreements in which the material part of risks and benefits inherent in ownership remain with the lessor were classified as operating leases, the leasing payments of which were recognized in profit or loss as expenses over the leasing period.

From January 1, 2019, 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 stand-alone price given in the agreement or by using estimates.

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. Further, lease contracts relating to intangible assets are excluded from the scope of IFRS 16. Payments associated with low-value assets and short-term leases as well as rents charged for intangible assets 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.

Management judgements

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). By applying the 13-month lease term Aspo attempts to achieve financial statements that provide a true and fair view of the obligations associated with the lease liabilities and the significance of the right-of-use assets regardless of whether the vessels are rented or owned by the company.

In case of lease agreements where the lease term is defined to be valid until further notice, the expected lease term is based on management judgement. The financial impact of contract penalties, e.g. sanctions arising from terminating the lease, are taken into account when determining the expected lease term.

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.

Employee benefits

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 only has defined contribution pension schemes. The related payments are recorded in the statement of comprehensive income of the financial year to which they pertain.

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. Note 29 includes more information on the share-based arrangements. 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 capital

Share capital includes ordinary shares. 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.

Dividend

The dividend proposed by the Board of Directors to the Annual Shareholder's Meeting is not recognized in the financial statements. Dividend is recognized only based on the Shareholder's Meeting resolution.

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. 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.

The amount recognized as provisions is the present value of the costs that are expected to occur when settling the obligation.

Income taxes

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. 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. 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.

A limited liability company which is obliged to pay taxes in Finland and is practising 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 transferred from business taxation to tonnage taxation retrospectively from January 1, 2011.

Revenue recognition

Aspo's revenue from contracts with customers mainly consists of the following income flows:

- Sales of raw materials in the plastics and chemical industries
- Sales of raw materials and machines in the bakery and other food industries
- Sales of ship transportation services mainly in the energy and metal industries
- Sales of tools and applications for mobile knowledge work

The majority of Aspo's net sales comes from the sale of products 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. 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 because they are related, for example, to the development and design of product concepts and customized solutions. 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.

Revenue and expenses from construction contracts produced in accordance with individual orders are recognized based on the completion method when the outcome of the project can be assessed reliably. The completion stage is determined as the proportion of realized planning, production and installation hours accumulated by the time of review of the project's total estimated planning, production and installation hours. Accrued costs from construction contracts not recognized as revenue yet, are recognized as incomplete construction contracts in inventories. When it is likely that a project generates losses, the losses are recognized as expenses immediately. Aspo Group's construction contracts are related to Leipurin's own machine production, which comprises only a small part of the Group's net sales.

According to the IFRS 15 standard, an entity must recognize revenue once it has satisfied its performance obligation by transferring the promised goods or services to the customer. The Group's sales agreements mainly concern the sale of products to customers, and they include one performance obligation. The transaction price is mainly fixed. Income is recognized once products have been delivered to the customer at a specific point in time.

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.

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 revenue to be recognized. These accruals are recorded on a monthly basis, and the estimates are updated when more information about the situation is obtained. 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.

Aspo specifies revenue from contracts with customers according to market areas, product groups and the timing of revenue recognition.

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.

Financial assets

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

Financial assets recognized at fair value through other comprehensive income include any derivatives in hedge accounting. They are recognized at fair value on the settlement date and measured later at fair value on the closing date of each financial year.

Financial assets measured at fair value through profit or loss include any derivatives outside hedge accounting, and other non-current financial assets. They are recognized at fair value on the settlement date and measured later at fair value on the closing date of each financial year. Other non-current financial assets include equity investments. They are measured at fair value using quoted market prices and rates or the imputed present value. Changes in fair value are recognized in financial items in the consolidated statement of comprehensive income. Purchases and sales of other non-current financial assets are recognized on the settlement date at fair value. If no reliable market value is available, other non-current financial assets are measured at cost less possible impairment losses.

Loan receivables are recognized on the settlement date and are initially measured at fair value. Subsequently loan receivables are measured at amortized cost using the effective interest rate method. Their cash flows consist of the payment of capital and interest, and it is planned to hold them until the date of maturity. 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 considered when measuring receivables over each 12-month period or when the credit loss risk increases throughout the contractual period. The amount of the Group's loan receivables is not significant.

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.

Cash and cash equivalents are measured at amortized cost. They include cash funds, bank deposits and other highly liquid investments of no more than three months. Overdraft facilities used are presented under current or non-current liabilities.

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

The Group's financial liabilities recognized at fair value through other comprehensive income include derivatives in hedge accounting. They are recognized on the settlement date and measured at fair value at the end of the reporting period.

Group's financial liabilities recognized at fair value through profit or loss include derivatives, to which hedge accounting is not applied. They are recognized on the settlement date and measured at fair value at the end of the reporting period.

Financial liabilities measured at amortized cost are recognized on the settlement date and measured at amortized cost, less transaction costs. Interest expenses are recognized in the statement of comprehensive income over the contractual term of the loan using the effective interest method. Financial liabilities are classified as current when they fall payable within twelve months after the end of the reporting period.

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. Profits 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.

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.

Management judgement and use of estimates

When preparing the consolidated financial statements in accordance with IFRS, the Group management must use judgements including the recognition of transactions, selection and application of relevant IFRS standard or accounting principle, determination of the appropriate financial statement presentation, and estimates and assumptions the recognition of items is based on. This judgement affects the amounts and presentation of assets and liabilities in the balance sheet at the time of preparation, the reporting of contingent assets and liabilities, and the amounts and presentation of income and expenses during the financial year.

Estimates are used, for instance, to determine the carrying amounts of goodwill and brands and their expected yields, the useful lives of tangible and intangible assets, the recoverable amounts of inventories and other assets and liabilities as well as the application of the terms and conditions of lease agreements. Judgement also relates to the recognition of the revenue from long-term projects and recognition of deferred tax receivables.

The estimates are based on the information compiled from the business units related to the respective markets and development of the businesses and their impact on the Group's net sales and cost level; the experience of management; and other justifiable assumptions that constitute the best current assessments of management. Due to changes in the factors that form the basis for estimates, it is possible that final figures may, sometimes significantly, deviate from the estimations in the consolidated financial statements.

According to the Group management, goodwill and brand impairment testing and recognition of deferred tax assets involve the most significant estimates and assumptions, these are discussed below in more detail. Management judgement regarding leases are described above under Leases.

Goodwill and brand impairment testing

The Group tests the carrying amounts of goodwill and brands annually or more often if there is any indication of potential impairment. Goodwill is allocated to the Group's cash-generating units identified on the basis in which the management monitors goodwill in the internal management reporting. The unit's recoverable amount is calculated on the basis of value-in-use calculations. The cash-flow-based value in use is determined by calculating the discounted present value of predicted cash flows. The cash flows include, among others projections of future sales, profitability and maintenance capital expenditures. The discount rate of the calculations is determined through the weighted average cost of capital (WACC) that depicts the overall costs of equity and liabilities, taking into account the particular risks related to asset items and location of operations. The weighted average cost of capital reflects the Group's average non-current financial structure. Different estimates and assumptions could significantly affect the amounts of goodwill and brands reported in the consolidated financial statements. An impairment loss is recognized in profit or loss if the asset's carrying amount is higher than its recoverable amount. An impairment loss recognized for goodwill is not reversed under any circumstances. Goodwill, brands and their impairment testing are discussed in more detail in Note 12.

Deferred tax assets

At the end of each financial year, the Group estimates if it is sufficiently probable that deferred tax assets will be available in the future. The estimates are based on management projections on future results. The amount of deferred tax assets in the consolidated financial statements would be impacted if, for example, future taxable income deviated from projections or related tax legislation changed.

Adoption of new or amended IFRS standards and IFRIC interpretations

In 2020, the Group will adopt the following changes in standards and Conceptual Framework:

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 clarifies, whether an acquisition is accounted for as a business combination or as asset acquisition.

Revised Conceptual Framework for Financial Reporting. IASB has issued a revised Conceptual Framework, which will be applied from January 1, 2020 in determining the accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

The changes are not expected to have a significant impact on the consolidated financial statements.

1. Net Sales and Segment Information

Aspo's reportable segments are ESL Shipping, Leipurin and Telko. From the beginning of 2019 Kauko is reported as part of the Telko segment. Comparative figures have been restated.

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 and chemicals to industry. Its extensive customer service also covers technical support and the development of production processes. Kauko, which is reported in Telko segment, 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 centre, and a small number of other operations not covered by the reportable segments.

The assessment of each segment's profitability is based on the segment's operating profit and net sales to external customers. The Board of Directors is responsible for assessing the segments and making resourcing decisions.

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. Investments consist of increases in tangible assets and intangible assets that will be used in more than one financial year. Transactions between segments are based on fair market prices. There are no considerable inter-segment net sales.

NET SALES BY MARKET AREA

1,000 EUR	2019	2018
ESL Shipping		
Finland	**79,570**	48,285
Scandinavia	**46,963**	28,730
Baltic countries	**8,107**	6,267
Russia, other CIS countries + Ukraine	**447**	7,150
Other countries	**39,870**	29,643
Total	**174,957**	120,075
Leipurin		
Finland	**43,870**	45,485
Scandinavia	**690**	269
Baltic countries	**31,487**	33,491
Russia, other CIS countries + Ukraine	**37,923**	36,309
Other countries	**1,759**	5,475
Total	**115,729**	121,029
Telko		
Finland	**71,629**	81,897
Scandinavia	**37,213**	33,061
Baltic countries	**18,281**	20,834
Russia, other CIS countries + Ukraine	**132,834**	128,462
Other countries	**37,046**	35,577
Total	**297,003**	299,831
Total		
Finland	**195,069**	175,667
Scandinavia	**84,866**	62,060
Baltic countries	**57,875**	60,592
Russia, other CIS countries + Ukraine	**171,204**	171,921
Other countries	**78,675**	70,695
Total	**587,689**	540,935

NET SALES

Aspo Group's net sales in 2019 increased by 9% from the previous year. Net sales increased particularly as a result of the acquisition of AtoB@C by ESL Shipping and the deployment of two new vessels.

Net sales grew in Finland, Scandinavia and Other countries market areas. The growth was 11% in Finland and 37% in Scandinavia, accelerated by higher transportation volumes due to the acquisition of AtoB@C in August 2018. In 2019, Finland accounted for 33% (33) and the market area of Russia, other CIS countries and Ukraine for 29% (32) of net sales.

The majority of the Group's net sales, 70% (76), is recognized 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 173.4 (120.1) million and Leipurin's construction contracts in machinery operations of EUR 4.2 (8.3) million.

Of Leipurin's net sales, raw material operations accounted for 87% (83) and machinery operations for 13% (17). Of Telko's net sales, plastics operations accounted for 51% (49), chemical operations for 40% (40) and Kauko of for 9% (11).

NET SALES BY TIMING OF RECOGNITION

1,000 EUR	2019	2018
ESL Shipping		
At a point in time	**1,550**	
Over time	**173,407**	120,075
Total	**174,957**	120,075
Leipurin		
At a point in time	**111,510**	112,748
Over time	**4,219**	8,281
Total	**115,729**	121,029
Telko		
At a point in time	**296,120**	298,885
Over time	**883**	946
Total	**297,003**	299,831
Total		
At a point in time	**409,180**	411,633
Over time	**178,509**	129,302
Total	**587,689**	540,935

NET SALES BY PRODUCT CATEGORY

1,000 EUR	2019	2018
ESL Shipping	**174,957**	120,075
Raw materials	**100,448**	100,355
Machinery	**15,281**	20,674
Leipurin	**115,729**	121,029
Plastics	**152,188**	147,737
Chemicals	**118,141**	118,458
Kauko	**26,674**	33,636
Telko	**297,003**	299,831
Total	**587,689**	540,935

CONTRACT ASSETS AND LIABILITIES

Contract assets include revenue from construction contracts performed in accordance with individual orders which have not yet been delivered to customers. Revenue from construction contracts is recognized over time, and the amounts show annual variation depending on project completion schedules. Construction contracts outstanding on the closing date are expected to be delivered to customers during the first and second quarter of 2020. The duration of projects is usually less than one year.

Contract liabilities comprise advance payments received from construction contracts and other advance payments received, the products or services related to which have not been delivered or rendered.

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.

CONTRACT ASSETS

1,000 EUR	2019	2018
The cumulative revenue of non-delivered construction contracts	**785**	430
Total	**785**	430

CONTRACT LIABILITIES

1,000 EUR	2019	2018
Advances received	**4,767**	4,722
Total	**4,767**	4,722

INFORMATION RELATED TO GEOGRAPHICAL REGIONS

	Net sales		Non-current assets*	
1,000 EUR	2019	2018	2019	2018
Finland	**195,069**	175,667	**241,058**	175,455
Scandinavia	**84,866**	62,060	**11,690**	20,954
Baltic countries	**57,875**	60,592	**386**	388
Russia, other CIS countries + Ukraine	**171,204**	171,921	**1,394**	1,176
Other countries	**78,675**	70,695	**33**	30,909
Total	**587,689**	540,935	**254,561**	228,882

* Non-current assets other than financial assets and assets related to taxes.

OPERATING SEGMENTS

2019

1,000 EUR	ESL Shipping	Leipurin	Telko	Unallocated items	Group total
Sales to external customers	174,957	115,729	297,003		587,689
Inter-segment sales			90		
Net sales	174,957	115,729	297,093		587,689
Operating profit	14,563	2,995	8,047	-4,482	21,123
Net financial expenses					-2,875
Profit before taxes					18,248
Income taxes					-2,130
Profit for the period					**16,118**
Depreciation, tangible assets	13,392	312	801	49	14,554
Amortization, intangible assets	172	122	73	68	435
Depreciation, right-of-use assets	10,120	1,641	1,511	432	13,704
Segment's assets	222,736	65,514	94,238	27,420	**409,908**
Segment's liabilities	26,356	20,194	32,194	209,096	**287,840**
Investments	18,558	520	705	130	**19,913**

2018

1,000 EUR	ESL Shipping	Leipurin	Telko	Unallocated items	Group total
Sales to external customers	120,075	121,029	299,831		540,935
Inter-segment sales			122		
Net sales	120,075	121,029	299,953		540,935
Operating profit	15,114	3,267	7,387	-5,213	20,555
Net financial expenses					-4,120
Profit before taxes					16,435
Income taxes					-2,251
Profit for the period					**14,184**
Depreciation, tangible assets	9,407	296	768	24	10,495
Amortization, intangible assets	120	443	558	68	1,189
Segment's assets	206,780	58,936	109,228	24,777	**399,721**
Segment's liabilities	17,293	14,179	41,756	209,844	**283,072**
Investments	41,848	509	740	92	**43,189**

2. Acquisitions and Divestments

ACQUISITIONS

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 Skeppings 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.

Acquisition of the shipping company AtoB@C in 2018

ESL Shipping acquired the operations of AtoB@C, a Swedish shipping company, by acquiring all shares in its key companies AtoB@ Shipping AB and AtoB@C Holding AB through a transaction completed on August 31, 2018. The consideration was EUR 25.5 million. Part of the consideration was paid by transferring 444,255 new shares in Aspo Plc to the seller at the rate prevailing on the acquisition date and rest of the consideration was paid in cash. In 2018 EUR 19.1 million of the cash consideration was paid and the rest EUR 2.0 million was paid in February 2019.

Through the acquisition, ESL Shipping strengthened its position in the smaller vessel category. The shipping company's operations diversified significantly as it expanded its service range and customer base from the transportation of raw materials to industrial products. The cargo carried by AtoB@C includes forest industry raw materials and products, steel industry products, fertilizers, recycled materials, biofuels and minerals.

The fair values of the assets acquired and liabilities assumed in the acquisition on the transaction date are presented in the following table. The fair values of receivables correspond the gross contractual amounts of receivables. The goodwill of EUR 5.5 million arising from the acquisition is based on a higher operational competitiveness and synergies related to sourcing and more comprehensive organization. The goodwill is not deductible in taxation.

ACQUISITION OF THE SHIPPING COMPANY ATOB@C

1,000 EUR	2018
Consideration	
Paid in cash	19,127
Unpaid consideration	2,000
Paid in shares of Aspo Plc	4,425
Total consideration	**25,552**

Recognized amounts of identifiable assets acquired and liabilities assumed	Fair value
Intangible assets (customer relationships)	1,874
Tangible assets	23,100
Investments accounted for using the equity method	1,643
Inventories	1,308
Accounts receivable and other receivables	7,890
Cash and cash equivalents	6,909
Total assets	**42,724**
Loans and overdraft facilities	12,826
Accounts payable and other liabilities	5,531
Deferred tax liabilities	4,345
Total liabilities	**22,702**
Net assets acquired	**20,022**
Goodwill	**5,530**
Total	**25,552**
Transaction costs related to the acquisition	879

Expenses have been recognized in other operating expenses in the ESL Shipping segment.

Other acquisitions in 2018

On August 10, 2018 Telko completed the acquisition of the business of Square Oil, a Danish distribution company for lubricants. Square Oil is a specialist in BP Castrol's industrial lubricants, and it operates in Denmark and Norway. Square Oil's annual net sales are approximately EUR 3 million. The acquisition increased Telko's goodwill by EUR 0.3 million.

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.

No businesses were divested during the financial year 2018.

3. Other Operating Income

1,000 EUR	2019	2018
Gains on sale of tangible assets	**51**	119
Rents and related remunerations	**19**	301
Compensations for delays and discontinuations of agreements		2,608
Gains on sale of business operations	**300**	
Lease agreement related compensation	**60**	88
Other income	**477**	994
Total	**907**	4,110

4. Employee Benefits and Personnel Information

At the end of the financial year, the number of employees of Aspo Group was 931 (958), while the average during the financial year was 945 (919).

EMPLOYEE BENEFIT EXPENSES

1,000 EUR	2019	2018
Wages and salaries	**38,261**	35,946
Pension expenses, defined contribution plans	**4,575**	4,482
Share-based payments	**247**	742
Other employee benefit expenses	**2,033**	2,077
Total*	**45,116**	43,247
*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	**5,312**	4,792

Information regarding the employee benefits of key management personnel is presented in Note 29. Related Parties.

PERSONNEL BY SEGMENT AT YEAR-END

	2019	2018
ESL Shipping	**277**	276
Leipurin	**297**	323
Telko	**330**	334
Other operations	**27**	25
Total	**931**	958

PERSONNEL BY SEGMENT, ON AVERAGE DURING THE FINANCIAL YEAR

	2019	2018
ESL Shipping	**274**	254
Leipurin	**314**	320
Telko	**331**	321
Other operations	**26**	24
Total	**945**	919

PERSONNEL BY GEOGRAPHICAL AREA AT YEAR-END

	2019	2018
Finland	**451**	452
Scandinavia	**38**	40
Baltic countries	**86**	81
Russia, other CIS countries + Ukraine	**329**	340
Other countries	**27**	45
Total	**931**	958

5. Depreciation, Amortization and Impairment Losses

DEPRECIATION AND AMORTIZATION, TANGIBLE AND INTANGIBLE ASSETS

1,000 EUR	2019	2018
Intangible assets	**367**	1,189
Buildings	**378**	330
Vessels	**13,357**	9,394
Machinery and equipment	**786**	739
Other tangible assets	**32**	32
Total	**14,920**	11,684

IMPAIRMENT LOSSES

1,000 EUR	2019	2018
Goodwill		4,800
Total		4,800
Total depreciation, amortization and impairment losses	**14,920**	16,484

DEPRECIATION, RIGHT-OF-USE ASSETS

1,000 EUR	2019	2018
Land	**84**	
Buildings	**2,757**	
Vessels	**9,807**	
Machinery and equipment	**1,045**	
Other tangible assets	**12**	
Total	**13,705**	

6. Materials and Services

1,000 EUR	2019	2018
Purchases during the period		
ESL Shipping	**37,903**	28,889
Leipurin	**90,527**	90,072
Telko	**235,190**	267,059
Total	**363,620**	386,020
Change in inventories	**18,095**	-11,652
Outsourced services		
Leipurin	**3,216**	3,933
Telko	**4,139**	3,881
Total	**7,355**	7,814
Total materials and services	**389,070**	382,182

7. Other Operating Expenses

1,000 EUR	2019	2018
ESL Shipping	**82,590**	56,062
Leipurin	**7,124**	9,480
Telko	**11,439**	12,569
Other operations	**3,516**	4,335
Total	**104,669**	82,446

AUDITORS' FEES

1,000 EUR	2019	2018
Auditing	**381**	346
Tax advice	**23**	64
Other services	**124**	81
Total	**528**	491

8. Financial Income and Expenses

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

The items above operating profit include EUR 0.4 (-0.2) million of exchange rate differences from sales and purchase transactions.

1,000 EUR	2019	2018
Dividend income from other non-current financial assets	**1**	1
Interest income from loans and other receivables	**1,630**	434
Foreign exchange gains	**544**	498
Total financial income	**2,175**	933
Interest expenses from leases	**-729**	
Interest and other financial expenses	**-3,899**	-3,996
Foreign exchange losses	**-422**	-1,057
Total financial expenses	**-5,050**	-5,053
Total financial income and expenses	**-2,875**	-4,120

9. Income Taxes

TAXES IN THE STATEMENT OF COMPREHENSIVE INCOME

1,000 EUR	2019	2018
Taxes for the period	**-2,515**	-2,038
Change in deferred tax assets and liabilities	**380**	-174
Taxes from previous financial years	**5**	-39
Total	**-2,130**	-2,251

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

1,000 EUR	2019	2018
Profit before taxes	**18,248**	16,435
Taxes calculated using the parent company's tax rate	**-3,650**	-3,287
Impact of foreign subsidiaries' tax rates	**174**	312
Impact of tonnage taxation	**2,432**	3,594
Losses for which no deferred tax asset was recognized	**-1,193**	-996
Utilization of previously unrecognized tax losses	**121**	36
Allowance for deferred tax assets	**-1,941**	-490
Taxes from previous financial years	**5**	-39
Withholding taxes	**-88**	-128
Timing differences, tax-free and non-deductible items	**2,011**	-1,253
Taxes in the statement of comprehensive income	**-2,129**	-2,251
Effective tax rate	**12%**	14%

The tonnage based taxation of ESL Shipping Ltd reduces significantly the effective tax rate of the Group.

INCOME TAX ON OTHER COMPREHENSIVE INCOME

1,000 EUR	2019	2018
Cash flow hedges		-125

10. 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 have been no dilution effects in 2019 and 2018.

1,000 EUR	2019	2018
Basic		
Profit for the period attributable to parent company shareholders	**16,118**	14,184
Interest of the hybrid bond (adjusted by tax effect)	**-1,350**	-1,350
Average number of shares during period (1,000)	**31,121**	30,809
Basic earnings per share, EUR	**0.47**	0.42
Diluted		
Diluted earnings per share, EUR	**0.47**	0.42

11. Intangible Assets

Intangible rights mainly consist of corporate brands described in Note 12. Other intangible assets include software and associated licenses, as well as principal and customer relationships and new technology acquired in business combinations.

2019

1,000 EUR	Intangible rights	Other intangible assets	Advance payments of intangible assets	Total
Acquisition cost, Jan. 1	7,909	17,529	42	25,480
Translation differences	3	7		10
Increases, business combinations		371		
Increases	122	1	109	232
Decreases	-647	-3,032	-50	-3,729
Acquisition cost, Dec. 31	**7,387**	**14,876**	**101**	**22,364**
Accumulated amortization, Jan. 1	-2,313	-14,280		-16,593
Translation differences	-2	-8		-10
Accumulated amortization of decreases	647	1,902		2,549
Amortization for the period	-74	-293		-367
Accumulated amortization, Dec. 31	**-1,742**	**-12,679**		**-14,421**
Carrying amount, Dec. 31	**5,645**	**2,197**	**101**	**7,943**

2018

1,000 EUR	Intangible rights	Other intangible assets	Advance payments of intangible assets	Total
Acquisition cost, Jan. 1	7,886	16,300	118	24,304
Translation differences	-4	72		68
Increases, business combinations		1,874		1,874
Increases	28	139	42	209
Decreases	-1	-856		-857
Transfers between classes			-118	-118
Acquisition cost, Dec. 31	**7,909**	**17,529**	**42**	**25,480**
Accumulated amortization, Jan. 1	-2,241	-14,069		-16,310
Translation differences	3	47		50
Accumulated amortization of decreases	1	855		856
Amortization for the period	-76	-1,113		-1,189
Accumulated amortization, Dec. 31	**-2,313**	**-14,280**		**-16,593**
Carrying amount, Dec. 31	**5,596**	**3,249**	**42**	**8,887**

INTANGIBLE ASSETS LEASED UNDER FINANCE LEASE ARE INCLUDED IN INTANGIBLE ASSETS AS FOLLOWS

Other intangible assets

1,000 EUR	2019	2018
Acquisition cost, Jan. 1		3,580
Increases		140
Transfers between classes		118
Decreases		-855
Acquisition cost, Dec. 31		2,983
Accumulated amortization, Jan. 1		-2,034
Accumulated amortization of decreases		855
Amortization for the period		-673
Accumulated amortization, Dec. 31		-1,852
Carrying amount, Dec. 31		1,131

In 2019, as a result of the adoption of IFRS 16 standard, finance leases were derecognized. The impacts of the adoption of IFRS 16 standard are explained in Note 14.

12. Goodwill

Goodwill is allocated to the Group's cash-generating units on operating segment level. Goodwill is allocated to the segments as follows: ESL Shipping EUR 6.3 million (6.3), Leipurin EUR 26.7 million (26.7), Telko EUR 5.5 million (5.3), and Kauko EUR 4.7 million (4.7). During the 2018 financial year, an impairment loss of EUR 4.8 million was recognized on Kauko's goodwill in accordance with the strategic decision made by Aspo's Board of Directors in December to restructure Kauko's energy operations either by divesting or discontinuing the operations, which was accomplished in 2019.

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. According to test results, there is no need for impairment.

IMPAIRMENT TESTING

Future cash flows in impairment calculations have been defined on the basis of value in use. Cash flow projections are based on the three-year financial plans approved by the Board of Directors. In testing, cash flow projections are prepared for five years, after which the cash flow is assumed to grow steadily. The terminal value has been calculated by using a growth assumption of 1% (1). The recoverable amounts indicated by the tests clearly exceed the carrying values of goodwill. The proportion of the terminal value to the recoverable amount ranged from 59% to 77% (53–76) and was the highest in ESL Shipping.

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

GOODWILL

1,000 EUR	2019	2018
Acquisition cost, Jan. 1	**49,158**	43,360
Business combinations	**293**	5,839
Translation differences	**-3**	-41
Acquisition cost, Dec. 31	**49,448**	49,158
Accumulated impairment losses, Jan. 1	**-6,147**	-1,347
Impairment loss for the financial year		-4,800
Accumulated impairment losses, Dec. 31	**-6,147**	-6,147
Carrying amount, Dec. 31	**43,301**	43,011

ALLOCATION OF GOODWILL

1,000 EUR	2019	2018
ESL Shipping	**6,337**	6,319
Leipurin	**26,683**	26,683
Telko	**5,541**	5,269
Kauko	**4,704**	4,704
Other operations	**36**	36
Total	**43,301**	43,011

BRANDS

1,000 EUR	2019	2018
Leipurin	**3,148**	3,148
Telko	**2,155**	2,155
Total	**5,303**	5,303

overall costs of equity and liabilities, taking into account the particular risks related to the assets and location of operations. The post-tax discount rate (WACC) used in the calculations was 6.9–12.2% (10.3–13.4).

FACTORS INFLUENCING IMPAIRMENT TESTING AND SENSITIVITY ANALYSIS

Slow economic growth, changes in exchange rates and heavy fluctuation in the operating environment make it more difficult to evaluate the assumptions used in impairment testing. Management believes that the assumptions used are appropriate and that the tested business units have a sustainable basis. There are no indications of impairment in the business operations' goodwill, however, the results of the impairments tests will depend on the realization of estimated future cash flows. A substantial negative change in future cash flows, a significant increase in interest rates or a high tying-up rate of capital may result in an impairment loss of goodwill. According to management's view the estimated future cash flows and the tying-up rate of capital used in the tests are likely.

Each segment has undergone a sensitivity analysis in which the values of basic assumptions used in the tests were lowered one by one while other factors remained the same. As a result, the future cash flows generated by the businesses declined and the recoverable amounts decreased:

- Increase in WACC of 20% decreased the recoverable amount by 18–20% (17–21).
- Decrease in operating profit of 10% decreased the recoverable amount by 7–22% (7–14).

13. Tangible Assets

2019

1,000 EUR	Land	Buildings	Machinery and equipment	Vessels	Other tangible assets	Work in progress and advance payments	Total
Acquisition cost, Jan. 1	54	6,332	7,448	282,884	751	8	297,477
Translation differences		15	301				316
Increases		268	974	18,314	5	127	19,688
Decreases		-26	-540	-2,917			-3,483
Transfers between classes			7			-7	0
Acquisition cost, Dec. 31	**54**	**6,589**	**8,190**	**298,281**	**756**	**128**	**313,998**
Accumulated depreciation, Jan. 1		-3,453	-5,576	-113,045	-350		-122,424
Translation differences		-3	-198				-201
Accumulated depreciation of decreases		26	421	2,917			3,364
Depreciation for the period		-378	-786	-13,357	-32		-14,553
Accumulated depreciation, Dec. 31		**-3,808**	**-6,139**	**-123,485**	**-382**		**-133,814**
Carrying amount, Dec. 31	**54**	**2,781**	**2,051**	**174,796**	**374**	**128**	**180,184**

The most significant acquisition in 2019 was the redemption of m/s Alppila by ESL Shipping in August. The EU subsidizes the energy-efficiency and environmental investments made by ESL Shipping in LNG-fueled vessels, which were deployed in 2018. 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. The received subsidy reduces the acquisition cost of the vessels. 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.

2018

1,000 EUR	Land	Buildings	Machinery and equipment	Vessels	Other tangible assets	Work in progress and advance payments	Total
Acquisition cost, Jan. 1	54	6,335	7,109	187,461	728	24,264	225,951
Translation differences		-13	-225			-5	-243
Increases, business combinations				30,076			30,076
Increases		10	1,122	41,821	23	7	42,983
Decreases			-558	-635		-97	-1,290
Transfers between classes				24,161		-24,161	0
Acquisition cost, Dec. 31	**54**	**6,332**	**7,448**	**282,884**	**751**	**8**	**297,477**
Accumulated depreciation, Jan. 1		-3,125	-5,498	-97,091	-319		-106,033
Accumulated depreciation, business combinations				-6,976			-6,976
Translation differences		2	154				156
Accumulated depreciation of decreases			507	417			924
Depreciation for the period		-330	-739	-9,395	-31		-10,495
Accumulated depreciation, Dec. 31		**-3,453**	**-5,576**	**-113,045**	**-350**		**-122,424**
Carrying amount, Dec. 31	**54**	**2,879**	**1,872**	**169,839**	**401**	**8**	**175,053**

TANGIBLE ASSETS LEASED UNDER FINANCE LEASE ARE INCLUDED IN TANGIBLE ASSETS AS FOLLOWS

Machinery and equipment

1,000 EUR	2019	2018
Acquisition cost, Jan. 1		308
Decreases		-237
Acquisition cost, Dec. 31		71
Accumulated depreciation, Jan. 1		-238
Accumulated depreciation of decreases		237
Depreciation for the period		-27
Accumulated depreciation, Dec. 31		-28
Carrying amount, Dec. 31		43

In 2019, as a result of the adoption of IFRS 16 standard, finance leases were derecognized as they were low-value assets. The impacts of the adoption of IFRS 16 standard are explained in Note 14.

14. Leases

14.1 LEASES

RIGHT-OF-USE ASSETS

1,000 EUR	Land	Buildings	Machinery and equipment	Vessels	Other assets	Total
Opening balance, Jan. 1	652	9,528	1,670	26,647	36	38,533
Increases		2,147	1,450	8,709	15	12,321
Decreases		-698	-334	-15,793		-16,825
Accumulated depreciation of decreases		100	278	569		947
Translation differences		217			6	223
Depreciation for the period	-84	-2,757	-1,045	-9,807	-12	-13,705
Carrying amount, Dec. 31	**568**	**8,537**	**2,019**	**10,325**	**45**	**21,494**

At the end of the financial year the most significant right-of-use assets were vessels EUR 10.3 million and office and warehouse premises (including land) EUR 9.1 million. Depreciation of right-of-use assets amounted to EUR 13.7 million, of which EUR 9.8 million related to vessels and EUR 2.8 million to office and warehouse premises. The decreases arose mainly from ESL Shipping's acquisition of the previously rented ms Alppila vessel in August 2019. Other lease agreements do not include significant purchase options.

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

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.

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.

AMOUNTS RECOGNIZED IN PROFIT OR LOSS

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

MATURITY OF LEASE LIABILITIES

1,000 EUR	Dec. 31, 2019
Within one year	**13,295**
1–2 years	**4,187**
2–3 years	**2,714**
3–4 years	**1,268**
4–5 years	**381**
After five years	**513**
Total	**22,358**

14.2 ADOPTION OF IFRS 16 LEASES STANDARD

IFRS 16 Leases standard was effective starting from January 1, 2019. Under IFRS 16, all leases are in general recognized on the lessee's balance sheet, and the classification between operating and finance leases according to IAS 17 is no longer valid. In accordance with the new standard, all assets related to lease agreements (right-of-use assets) and future discounted lease payment obligations (lease liabilities) are recognized on the balance sheet. Exemptions include short-term leases and leases for which the underlying asset is of low value, which are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Transition

Aspo has chosen the simplified transition approach in the adoption of IFRS 16 standard, according to which the right-of-use assets and lease liabilities have been recognized to the opening balance sheet as per January 1, 2019 and the cumulative effect of adopting the standard has been recognized as an adjustment to the opening balance of equity. Comparatives have not been restated.

The lease liabilities recognized at the date of transition were measured at the present value of the remaining lease payments. The right-of-use assets were measured at an amount equal to the lease liabilities, adjusted by the amount of prepaid rents recognized in the consolidated balance sheet at the date of initial application.

Aspo applied the following exemptions and practical expedients in the adoption of IFRS 16:

- Leases with a lease term less than 12 months remaining at the date of transition on January 1, 2019 were accounted for as short-term leases and not recognized on the balance sheet. The selection was made by class of underlying asset, and was applied to all other classes except cars, which were recognized on the balance sheet even if their remaining lease term would have been less than 12 months at the time of transition.
- The lease liability and the right-of-use-asset were not recognized on the balance sheet in respect of leases relating to low value assets. Aspo uses a threshold of EUR 5,000 for low value assets.
- Lease agreements with reasonably similar characteristics were subject to one predetermined discount rate. The criteria used to determine the discount rate were 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. At the time of the transition, the weighted average of interest on incremental borrowing was 2.33%.
- In case of leases in which the lease term included extension options or termination options, current knowledge was used in the determination of the lease term.
- The initial direct costs were not included in the right-of-use asset's value at the time of transition on January 1, 2019.

Other impacts of the adoption of IFRS 16

The adoption of the standard had a significant impact on the balance sheet of Aspo Group and key figures derived from it, as well as the presentation of the statement of comprehensive income and cash flow statement. The Group's interest-bearing liabilities and non-current assets recognized on the balance sheet according to the standard are significantly higher than when applying IAS 17. With regard to key figures, the adoption has had the most significant impact on gearing, which increased by approximately 30 percentage points. Lease expenses previously recognized in the statement of comprehensive income have been replaced by depreciation expense arising from the right-of-use asset, and interest expense arising from the lease liabilities. In the cash flow statement, the transfer of payments of lease liabilities to cash flows from financing activities increases cash flows from operating activities, while the total cash flows remain unchanged.

The enclosed table presents the conversion of the IAS 17 lease commitments to IFRS 16 lease liabilities and discloses the amounts of the low-value assets, short-term leases and leased intangible assets, which have not been recognized in the balance sheet as lease liabilities.

1,000 EUR	
Operating lease commitments as at December 31, 2018	**48,050**
Discounted using the lessee's incremental borrowing rate on January 1, 2019	**46,738**
Less short-term leases	**-377**
Less low-value leases	**-917**
Less non-lease components of lease agreements	**-23,004**
Add adjustments as a result of management's determination of lease terms	**5,989**
Add adjustment as a result of a different treatment of purchase options	**9,146**
Add finance lease liabilities recognized as at December 31, 2018	**1,203**
Less IAS 17 finance lease liabilities relating to intangible assets and low-value assets	**-1,203**
Lease liability recognized as at January 1, 2019	**37,575**
Of which:	
Non-current lease liabilities	**10,350**
Current lease liabilities	**27,225**

The impact of the adoption of IFRS 16 standard to Aspo Group's opening balance January 1, 2019 is displayed in the attached table. The right-of-use assets recognized in the balance sheet were EUR 38.5 million, prepaid rents amounted to EUR 0.9 million and lease liabilities were EUR 37.6 million. Right-of-use assets are presented in the consolidated balance sheet as a single line item and lease liabilities are presented divided into non-current and current liabilities. In the opening balance sheet the non-current lease liabilities amounted to EUR 10.4 million and current lease liabilities amounted to EUR 27.2 million.

Aspo had as per December 31, 2018, when applying IAS 17, recognized finance leases relating to some tangible and intangible assets, the related assets and liabilities amounted both to EUR 1.2 million. The value of the finance lease liabilities exceeded slightly the value of the assets. Thus, the small difference of EUR 0.0 million was recognized to equity in the opening balance sheet as per January 1, 2019. The tangible assets were derecognized as they were low-value assets. The intangible assets were derecognized as they are excluded from the scope of IFRS 16 standard. Starting from January 1, 2019 the lease payments relating to these lease agreements are recognized in other expenses on a straight line basis over the lease term.

IMPACT OF THE ADOPTION OF IFRS 16 STANDARD ON THE OPENING BALANCE SHEET

MEUR	Dec. 31, 2018	Add right-of-use assets and lease liabilities	Less IAS 17 finance leases	Jan. 1, 2019
Assets				
Intangible assets	8.9		-1.2	7.7
Goodwill	43.0			43.0
Tangible assets	175.1		0.0	175.1
Right-of-use assets		38.5		38.5
Investments accounted for using the equity method	1.5			1.5
Other non-current assets	2.8			2.8
Total non-current assets	**231.3**	**38.5**	**-1.2**	**268.6**
Inventories	71.3			71.3
Accounts receivable and other receivables	77.8	-0.9		76.9
Cash and cash equivalents	19.3			19.3
Total current assets	**168.4**	**-0.9**		**167.5**
Total assets	**399.7**	**37.6**	**-1.2**	**436.1**
Equity and liabilities				
Share capital	17.7			17.7
Other equity	98.9		0.0	98.9
Total equity	**116.6**		0.0	**116.7**
Loans and overdraft facilities	170.9		-0.7	170.2
Lease liabilities		10.4		10.4
Other liabilities	7.4			7.4
Total non-current liabilities	**178.3**	**10.4**	-0.7	**188.0**
Loans and overdraft facilities	28.5		-0.5	28.0
Lease liabilities		27.2		27.2
Accounts payable and other liabilities	76.3			76.3
Total current liabilities	**104.8**	**27.2**	-0.5	**131.5**
Total equity and liabilities	**399.7**	**37.6**	**-1.2**	**436.1**

15. Other Financial Assets

Other long-term financial assets are unlisted shares. Because their fair value cannot be reliably determined, they have been recognized at their acquisition cost less possible impairment losses.

UNLISTED SHARES

1,000 EUR	2019	2018
Acquisition cost, Jan. 1	170	170
Acquisition cost, Dec. 31	**170**	**170**
Carrying amount, Dec. 31	**170**	**170**

16. Investments Accounted for using the Equity Method

On December 31, 2019, Aspo Group had two associated companies that were acquired in conjunction with the acquisition of AtoB@C. These German limited partnership companies Auriga KG and Norma KG are domiciled in Leer. Both of the companies own one dry bulk cargo vessel. Aspo Group holds 49% of the shares of these companies. Their income consists of lease income from renting vessels. Their combined total assets 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 IN ASSOCIATED COMPANIES

1,000 EUR	2019	2018
Balance Jan. 1	1,512	
Investments in associated companies		1,643
Transfer to group companies	-23	
Dividends received	-58	
Share of associated companies' profits for the the financial year	7	-131
Carrying amount Dec. 31	**1,438**	**1,512**

17. Deferred Taxes

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 2019, and cumulatively EUR 5.4 million in 2011–2018.

The deferred tax assets related to losses carried forward that were included in the consolidated balance sheet in 2018 of EUR 1.9 million have been written off during the financial year based on management's assessment. No deferred tax assets have been recognized on the taxable losses carried forward of EUR 41.0 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 1.7 million (2.5) in unused taxable losses 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 2020, while some losses do not have any expiry period set out within the scope of the current legislation. A deferred tax liability of EUR 2.3 million (1.7) has not been recognized based on the retained earnings of subsidiaries abroad because they are permanently invested in the countries in question.

DEFERRED TAX ASSETS

1,000 EUR	2019	2018
Derivatives		26
Employee benefits		3
Losses carried forward	**84**	2,111
Other temporary differences	**298**	251
Total	**382**	2,391

DEFERRED TAX LIABILITIES

1,000 EUR	2019	2018
Depreciation in excess of plan	**1,467**	3,026
Deferred tax liability due to tonnage taxation	**618**	1,235
Tangible and intangible assets	**2,724**	2,844
Other temporary differences	**40**	53
Total	**4,849**	7,158

CHANGES IN DEFERRED TAX ASSETS

1,000 EUR	2019	2018
Deferred tax assets, Jan. 1	**2,391**	3,267
Items recognized in the statement of comprehensive income		
Unutilized tax losses	**-2,027**	-617
Employee benefits	**-3**	-27
Other temporary differences	**21**	-107
Items recognized in other comprehensive income		-125
Deferred tax assets, Dec. 31	**382**	2,391

CHANGES IN DEFERRED TAX LIABILITIES

1,000 EUR	2019	2018
Deferred tax liabilities, Jan. 1	**7,158**	3,300
Items recognized in the statement of comprehensive income		
Depreciation in excess of plan	**-1,559**	242
Deferred tax liability due to tonnage taxation	**-617**	-618
Tangible and intangible assets	**-202**	-133
Other temporary differences	**-19**	22
Business combinations	**88**	4,345
Deferred tax liabilities, Dec. 31	**4,849**	7,158

18. Inventories

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

1,000 EUR	2019	2018
Materials and supplies	**3,847**	4,038
Finished goods	**49,149**	64,129
Other inventories	**2,898**	3,128
Total	**55,894**	71,295

19. Accounts Receivable and Other Receivables

According to management's judgement accounts receivable do not involve significant credit loss risks. A total of EUR 0.3 million (0.5) was recognized as impairment losses from accounts receivable.

When measuring accounts receivable, Aspo applies the simplified segment-specific model to determine the expected credit losses as allowed by the IFRS 9 standard. The Group evaluates 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.

NON-CURRENT RECEIVABLES

1,000 EUR	2019	2018
Loan receivables	**31**	149
Deferred receivables		101
Total	**31**	250

ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

1,000 EUR	2019	2018
Accounts receivable	**59,498**	64,797
Accounts receivable on construction contracts, non-delivered	**785**	430
Refund from the Ministry of Transport and Communications	**3,143**	2,535
Advance payments	**2,118**	2,013
VAT receivable	**1,212**	1,055
Loan receivables	**85**	50
Other deferred receivables	**7,731**	6,616
Total	**74,572**	77,496

AGEING ANALYSIS OF ACCOUNTS RECEIVABLE

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**

2018 1,000 EUR	Accounts receivable	Allowance for credit losses	Carrying amount
Not matured	49,089	-37	49,052
Matured 1–30 days ago	11,591	-70	11,521
Matured 31–60 days ago	2,459	-98	2,361
Matured 61–90 days ago	650	-10	640
Matured 91–180 days ago	895	-185	710
Matured more than 181 days ago	1,953	-1,440	513
Total	66,637	-1,840	64,797

20. Cash and Cash Equivalents

1,000 EUR	2019	2018
Bank accounts and deposits	**23,667**	19,333

21. Equity

On December 31, 2019, Aspo Plc's number of shares was 31,419,779 and the share capital was EUR 17.7 million. In 2018, the number of Aspo Plc's registered shares increased by 444,255 shares with respect to the acquisition of AtoB@C.

Equity consists of the share capital, share premium, fair value reserve, translation differences, invested unrestricted equity reserve, other reserves, and retained earnings. 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. 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. The fair value reserve includes accumulated changes in the fair value of derivative instruments under hedge accounting. Other reserves include hybrid instruments.

On May 27, 2016, Aspo issued a EUR 25 million hybrid bond. The coupon rate of the bond is 6.75% per annum. The bond has no maturity but the company may exercise an early redemption option after four years from the issuing date. 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. A hybrid bond is an instrument which is subordinated to the company's other debt obligations. In the consolidated financial statements, the loan is classified as equity, and the interest paid is presented in equity according to its nature. The hybrid bond does not confer to its holders the rights of a shareholder and does not dilute the holdings of the shareholders. An interest of EUR 1.7 million has been paid on the hybrid instrument annually.

DIVIDENDS

The Board of Directors proposes that a dividend of EUR 0.45 per share is distributed for the financial year 2019, and that the dividend is paid in two installments, EUR 0.22 per share in April and EUR 0.23 per share in November. A dividend of EUR 0.44 was distributed for 2018 in two installments: EUR 0.22 per share in April and EUR 0.22 per share in November.

EQUITY

2019

1,000 EUR	in 1,000s	Share capital	Share premium	Invested unrestricted equity reserve	Hybrid instrument	Treasury shares	Total
January 1, 2019	31,115	17,692	4,351	16,482	25,000	-1,738	61,787
Share-based incentive plan	7					50	50
Translation differences				1			1
December 31, 2019	**31,122**	**17,692**	**4,351**	**16,483**	**25,000**	**-1,688**	**61,838**
Treasury shares held by the Group	297						
Total number of shares	**31,420**						

2018

1,000 EUR	in 1,000s	Share capital	Share premium	Invested unrestricted equity reserve	Hybrid instrument	Treasury shares	Total
January 1, 2018	30,605	17,692	4,351	12,061	25,000	-2,169	56,935
Share-based incentive plan	66					431	431
Share issue	444			4,425			4,425
Translation differences				-4			-4
December 31, 2018	**31,115**	**17,692**	**4,351**	**16,482**	**25,000**	**-1,738**	**61,787**
Treasury shares held by the Group	304						
Total number of shares	**31,420**						

Share-based incentive plans are discussed in more detail in Note 29.

22. Loans

In September 2019, Aspo Plc participated in a bond loan of EUR 40 million guaranteed by Garantia Insurance Company with a loan unit of EUR 15 million. 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.

Due to the adoption of IFRS 16 standard finance lease liabilities were derecognised in 2019. The impact of the adoption is disclosed in Note 14, where also the maturity of the lease liabilities is presented.

NON-CURRENT LOANS AND OVERDRAFT FACILITIES

1,000 EUR	2019	2018
Loans	**111,163**	152,826
Pension loans	**2,857**	4,286
Bonds	**25,832**	10,945
Financial leasing liabilities		700
Overdraft facilities in use	**1,844**	2,164
Total	**141,696**	170,921

CURRENT LOANS AND OVERDRAFT FACILITIES

1,000 EUR	2019	2018
Loans	**53,875**	23,206
Pension loans	**1,429**	1,429
Financial leasing liabilities		503
Overdraft facilities in use	**2,851**	3,388
Total	**58,155**	28,526

MATURING OF FINANCE LEASE LIABILITIES

1,000 EUR	2019	2018
Finance lease liabilities – total amount of minimum lease payments		
Within one year		522
After one year and within five years		715
Total		1,237
Finance lease liabilities – present value of minimum lease payments		
Within one year		503
After one year and within five years		700
Total		1,203
Future financial expenses		34

23. Accounts Payable and Other Liabilities

OTHER NON-CURRENT LIABILITIES

1,000 EUR	2019	2018
Derivative contracts	**86**	66
Other non-interest-bearing liabilities		200
Total	**86**	266

ACCOUNTS PAYABLE AND OTHER LIABILITIES

1,000 EUR	2019	2018
Accounts payable and other liabilities	**33,085**	45,520
Advances received	**4,767**	4,722
Salaries and social security contributions	**6,912**	7,419
Employer contributions	**1,554**	1,286
Accrued interest	**1,461**	1,566
Derivative contracts		128
VAT liability	**3,749**	4,096
Other current liabilities	**200**	200
Other current deferred liabilities	**8,616**	10,401
Total	**60,344**	75,338

24. Pensions

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 treated as defined contribution plans in the consolidated financial statements.

PENSION EXPENSES IN THE STATEMENT OF COMPREHENSIVE INCOME

1,000 EUR	2019	2018
Defined contribution plans	**4,575**	4,482

25. Provisions

The recognized provisions are based on best estimates on the reporting date. Warranty provisions are mainly associated with the Group's product warranties and pension provisions to direct pension liabilities granted by the Group.

1,000 EUR	Warranties and maintenance services	Pension commit-ments	Total
December 31, 2018	380	5	385
Decrease in provisions	-257		-257
December 31, 2019	**123**	**5**	**128**

26. Financial Risks and Financial Risk Management

26.1 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.

LOANS AND OVERDRAFT FACILITIES BY CURRENCY

1,000 EUR	2019	2018
EUR	**195,156**	193,561
RUB		2,497
USD	**1,844**	
PLN	**2,851**	3,389
Total	**199,851**	199,447

ACCOUNTS RECEIVABLE BY CURRENCY

1,000 EUR	2019	2018
EUR	**40,551**	45,508
SEK	**818**	1,164
DKK	**2,270**	1,361
PLN	**840**	911
RUB	**3,732**	4,549
UAH	**5,708**	5,611
USD	**3,289**	4,029
Other	**2,290**	1,664
Total	**59,498**	64,797

ACCOUNTS PAYABLE AND ADVANCES RECEIVED BY CURRENCY

1,000 EUR	2019	2018
EUR	**30,052**	38,874
SEK	**903**	1,148
DKK	**344**	284
PLN	**142**	305
RUB	**1,674**	1,386
UAH	**109**	589
USD	**3,897**	7,061
Other	**731**	595
Total	**37,852**	50,242

26.2 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 strengthened against euro in 2019.

The currency risks of ESL Shipping are mainly related to dollar-denominated investments. In 2019, 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.

Most of Aspo Group's accounts receivable are denominated in euro. Ruble- and hryvnia-denominated receivables comprise the second largest item. Because a significant part of the operations of Telko and Leipurin takes place in Russia and Ukraine, ruble- and hryvnia-denominated accounts receivable make up a significant item.

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 44.1 million (36.1). Ruble-denominated investments of EUR 17.9 million (14.8) in subsidiaries operating in Russia were the biggest investment in regard to the currency amount. Despite the significant share of equity being denominated in the Russian ruble, the Group deems that diversifying 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 million (12.5).

INVESTMENTS IN FOREIGN SUBSIDIARIES

1,000 EUR	Equity 2019	Equity 2018
EUR	**14,156**	12,898
SEK	**-242**	-540
DKK	**6,538**	5,812
RUB	**17,907**	14,836
NOK	**5**	18
UAH	**4,995**	2,260
PLN	**1,639**	1,929
BYN	**-984**	-990
CNY	**831**	492
KZT	**-193**	-474
AZN	**-212**	
IRR	**-178**	-174
UZS	**-215**	16
RON	**43**	
Total	**44,090**	36,083

CASH AND CASH EQUIVALENTS AND UNUTILIZED COMMITTED REVOLVING CREDIT FACILITIES

1,000 EUR	2019	2018
Cash and cash equivalents	**23,667**	19,333
Revolving credit facilities	**40,000**	40,000
Total	**63,667**	59,333

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 as a result of changes in the interest rate level. 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, 2019, the Group's interest-bearing liabilities totaled EUR 221.7 million (199.4) and cash and cash equivalents stood at EUR 23.7 million (19.3). The share of lease liabilities included in the amount of interest-bearing liabilities was EUR 21.8 million. Aspo Group's credit portfolio is reviewed with regard to average interest rate, the duration of interest rate position, average loan maturity, and relation between fixed-rate and floating-rate borrowings. On the balance sheet date, the average interest rate on interest-bearing liabilities, excluding lease liabilities, was 1.4% (1.6), the duration of interest rate position was 1.1 years (1.1), the average loan maturity was 2.7 years (3.5), and the share of fixed-rate borrowings was 27% (30). In 2019, the average interest rate of interest-bearing liabilities decreased, the average maturity shortened and the share of fixed-rate borrowings decreased.

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.

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.

SENSITIVITY ANALYSIS FOR FOREIGN CURRENCY AND INTEREST RATE RISK

	2019		2018	
1,000 EUR	Statement of comprehensive income	Equity	Statement of comprehensive income	Equity
Currency risk				
+ 30% strengthening of euro against RUB	**474**	**-4,132**	1,136	-3,424
- 30% weakening of euro against RUB	**-255**	**7,674**	-612	6,358
Interest rate risk				
Change of +100 basic points in the market interest rates	**-1,483**		-1,378	
Change of -100 basic points in the market interest rates	**1,476**		1,377	

Hedge accounting

The fair value of Group's interest rate swaps to which hedge accounting is applied was EUR -0.1 million (-0.1) on December 31, 2019. The effective portion of the changes in their fair value, EUR 0.0 million, was recognized in other comprehensive income, and interest expenses for the financial year were recognized in the financial items.

26.3 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.

Aspo Group's need for financing decreased significantly in 2019 compared with the previous year. This is due to the low investment needs in shipping operations. 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.

At the end of the financial year, the Group's cash and cash equivalents were EUR 23.7 (19.3) million. At the reporting date, Aspo Plc had a EUR 80 million domestic commercial paper program of which EUR 21 million were in use. At the reporting date, Aspo Plc also had revolving credit facilities granted by selected cooperation banks in the amount of EUR 40 million which were fully unutilized. During the financial year, Aspo signed a term loan facility agreement of EUR 15 million with a three-year loan period. In addition, Aspo signed a revolving credit facility agreement of EUR 20 million, with a maturity of three years. Both credit agreements were used to replace similar earlier credit agreements. Aspo Plc participated in a EUR 40 million group bond guaranteed by Garantia Insurance Company with a loan unit of EUR 15 million. The loan has a maturity of five years.

26.4 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 domestic banks as counterparties.

26.5 CAPITAL MANAGEMENT

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 acquisitions and divestments, Aspo Plc's dividend policy, the vessel investments of ESL Shipping and the profitability of the subsidiaries' business operations.

The development of the Group's capital structure is mainly monitored through the equity ratio and gearing. On December 31, 2019, the equity ratio was 30.1% (29.5) and gearing was 162.2% (154.4). In the beginning of 2019 as result of the adoption of IFRS 16 standard gearing increased approximately 30 percentage points and the equity ratio decreased compared with the 2018 financial statements.

MATURITY ANALYSIS

2019

1,000 EUR	Balance sheet 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				
Derivative instruments						
Interest rate swaps						
Hedge accounting applied						
Cash flows to be paid		-48	-32	-6		

2018

1,000 EUR	Balance sheet value Dec 31,2018	Cash flow 2019	2020	2021	2022	2023–
Loans	-192,692	-40,769	-38,110	-23,173	-26,188	-72,236
Overdraft facilities	-5,552	-3,388	-2,164			
Other liabilities	-200		-200			
Financial leasing liabilities	-1,203	-522	-357	-271	-68	-19
Accounts payable and other liabilities	-52,668	-52,668				
Derivative instruments						
Interest rate swaps						
Hedge accounting applied						
Cash flows to be paid		-46	-24			
Cash flows to be received					4	
Hedge accounting not applied						
Cash flows to be paid		-128				

FINANCIAL ASSETS AND LIABILITIES 2019

1,000 EUR	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	Measured at amortized cost	Carrying amount
Non-current financial assets				
Other non-current financial assets		170		170
Non-current receivables*			31	31
Current financial assets				
Accounts receivable and other receivables*			60,795	60,795
Cash and cash equivalents			23,667	23,667
Total		**170**	**84,493**	**84,663**
Non-current financial liabilities				
Loans and overdraft facilities			141,696	141,696
Lease liabilities			8,769	8,769
Derivatives	86			86
Current financial liabilities				
Loans and overdraft facilities			58,155	58,155
Lease liabilities			12,980	12,980
Accounts payable and other liabilities*			40,049	40,049
Total	**86**		**261,649**	**261,735**

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

FINANCIAL ASSETS AND LIABILITIES 2018

1,000 EUR	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	Measured at amortized cost	Carrying amount
Non-current financial assets				
Other non-current financial assets		170		170
Non-current receivables*			149	149
Current financial assets				
Accounts receivable and other receivables*			65,902	65,902
Cash and cash equivalents			19,333	19,333
Total		**170**	**85,384**	**85,554**
Non-current financial liabilities				
Loans and overdraft facilities			170,921	170,921
Derivatives	66			66
Other non-current liabilities			200	200
Current financial liabilities				
Loans and overdraft facilities			28,526	28,526
Derivatives		128		128
Accounts payable and other liabilities*			52,668	52,668
Total	**66**	**128**	**252,315**	**252,509**

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

Accounting Principles include a description on how the Group classifies the determination of fair values of financial assets and liabilities to different levels of the fair value hierarchy. Group's derivatives include interest rate swaps and they fall into level 2 of the fair value hierarchy. Other long-term financial assets fall into hierarchy level 3.

Financial assets and liabilities not measured at fair value fall into hierarchy level 2. Their fair values are not materially different from their carrying amounts. The fair values of non-current loans are based on discounted future cash flows taking into account Aspo's credit margin.

27. Derivative Contracts

	2019		2018	
1,000 EUR	Nominal value	Fair values, net	Nominal value	Fair values, net
Interest rate derivatives				
Interest rate swaps	**11,538**	**-86**	28,462	-194
Total		**-86**		-194

28. Contingent Assets and Liabilities, and Other Commitments

COLLATERAL FOR OWN DEBT

1,000 EUR	2019	2018
Mortgages given	**129,000**	155,837
Guarantees	**21,928**	31,970
Total	**150,928**	187,807
Other commitments*	**26,449**	314

OPERATING LEASE COMMITMENTS*

1,000 EUR	2019	2018
Within one year		31,851
After one year and within five years		16,173
After five years		26
Total		48,050

* Other commitments 2019 consists mainly of commitments relating to temporary maritime personnel of time-chartered vessels. In 2018 these commitments were reported as part of Operating lease commitments. The change in presentation is due to the adoption of IFRS 16 Leases standard on January 1, 2019.

OTHER 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.

CONTINGENT ASSETS AND LIABILITIES

Hybrid instrument

On May 27, 2016, Aspo issued a EUR 25 million hybrid bond. The coupon rate of the bond is 6.75% per annum. The bond has no maturity but the company may exercise an early redemption option after four years from the issuing date.

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

ESL Shipping won legal proceedings against Indian ABG Shipyard concerning the compensation payable for repairs made to m/s Alppila during the warranty period. The vessel was delivered to ESL Shipping in 2011. According to the ruling of the arbitration court, ABG Shipyard was decreed to pay repair expenses and interest to ESL Shipping according to the company's claims. The impact of the ruling will be taken into account during the financial year over which the imposed payment is received.

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.

Legal proceedings finalized in 2019 are disclosed in the Management Report in section Legal proceedings.

29. Related Parties

The subsidiaries and associated companies of Aspo Group are presented in the attached table. Additional information about the associated companies is presented in Note 16. The related parties also include key management personnel, i.e. members of the Board of Directors and the Group Executive Committee, and any entities under their control. Information about the members of the Board and the Group Executive Committee is available in the Aspo's Year 2019 publication in the Corporate Governance section.

GROUP COMPANIES

Company	Domicile	Holding %
Aspo Plc, parent company	Finland	
Aspo Palvelut Ltd	Finland	100.00
AtoBatC Holding AB	Sweden	100.00
AtoBatC Shipping AB	Sweden	100.00
Oy AtoBatC Shipping Ab	Finland	100.00
Oy Bomanship Ab	Finland	100.00
Bomanship Europe Unipessoal Lda	Portugal	100.00
Bothnia Bulk AB	Sweden	100.00
ESL Shipping Ltd	Finland	100.00
Kauko GmbH	Germany	100.00
Kauko Ltd	Finland	100.00
LeiConcept Oy	Finland	100.00
OOO Leipurien Tukku	Russia	100.00
Leipurien Tukku Oy	Finland	100.00
Leipurin Plc	Finland	100.00
FLLC Leipurin	Belarus	100.00
LLC Leipurin	Ukraine	100.00
SIA Leipurin	Latvia	100.00
TOO Leipurin	Kazakhstan	100.00
UAB Leipurin	Lithuania	100.00
Leipurin Estonia AS	Estonia	100.00
Norra Skeppnings Gruppen AB	Sweden	100.00
OOO NPK Leipurin	Russia	100.00
Rauma Terminal Services Oy	Finland	100.00
Suhi-Suomalainen Hiili Oy	Finland	100.00
Telko Ltd	Finland	100.00
FLLC Telko	Belarus	100.00
LLC Telko	Ukraine	100.00
OOO Telko	Russia	100.00
Telko UAB	Lithuania	100.00
Telko Caucasus LLC	Azerbaijan	100.00
LLC Telko Central Asia	Kazakhstan	100.00
Telko Estonia OÜ	Estonia	100.00
Telko Denmark A/S	Denmark	100.00
Telko Latvia SIA	Latvia	100.00
Telko Middle East Co.	Iran	100.00
Telko Norway AS	Norway	100.00
Telko-Poland Sp. z o.o.	Poland	100.00
Telko Romania SRL	Romania	100.00
Telko Shanghai Ltd.	China	100.00
Telko Solution LLC	Uzbekistan	100.00
Telko Sweden AB	Sweden	100.00
Oy Troili Ab	Finland	100.00
Vulganus Oy	Finland	100.00

ASSOCIATED COMPANIES

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

MANAGEMENT EMPLOYEE BENEFITS

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 potential reward of the plan from the earnings period 2019 is based on the Group's earnings per share (EPS). The share-based incentive plan covers approximately 15 people, including the members of the Group Executive Committee during the earnings period 2019. 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. 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.

The reward from the earnings period 2018 was based on the Group's earnings per share (EPS). 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 equalling the value of the shares, at most, in order to pay taxes.

The reward from the earnings period 2018–2020 correspond to the value of a maximum total of 500,000 Aspo Plc shares, including the portion to be paid in cash.

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

SHARE-BASED PAYMENTS RECOGNIZED IN THE PERIOD

	2019	2018
Total expenses recognized in employee benefit expenses	**247**	742
Accrued expenses in the balance sheet related to the proportion paid in cash	**0**	118

SHARE-BASED INCENTIVE PLAN

	Grant date	Transfer date	Number of shares granted	Market value of share on grant date, EUR	Market value of share on transfer date, EUR
Share-based incentive plan 2018–2020	Apr. 9, 2018				
the share of year 2018	Jun. 8, 2018	Mar. 26, 2019	7,711	8.76	8.64
the share of year 2019	Mar. 26, 2019		0	8.64	
Executive committee share-based incentive plan 2018–2020	Apr. 9, 2018				
	Jun. 8, 2018			8.76	

KEY MANAGEMENT PERSONNEL COMPENSATION

1,000 EUR	2019	2018
Salaries and other short-term employee benefits	**1,867**	1,869
Post-employment benefits	**506**	517
Termination benefits	**138**	72
Share-based payments	**127**	591
Total	**2,638**	3,049

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.

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 2018–2019.

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 80,964 and the voluntary pension cost was EUR 102,835. 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.

Information on Aspo's hybrid bond subscribed by the related parties is presented in Aspo's Year 2019 publication in the Corporate Governance section.

SALARIES AND BENEFITS OF BOARD MEMBERS AND CEO

	2019		2018	
1,000 EUR	**Salaries and remunerations**	**Pensions**	**Salaries and remunerations**	**Pensions**
Ojanen Aki, CEO		**184**		193
CEO, salaries	**387**		381	
CEO, bonuses	**112**		151	
CEO, share-based payments	**33**		290	
Board of Directors:				
Nyberg Gustav, Chairman of the Board	**67**		65	
Kaario Mammu, Vice Chairman of the Board	**54**		48	
Laine Mikael	**37**		36	
Lencioni Roberto*			13	
Pöyry Salla	**37**		36	
Salo Risto	**35**		33	
Vehmas Tatu **	**35**		26	
Total	**797**	**184**	1,079	193

*Member of the Board and Vice Chairman until April 10, 2018
**Member of the Board since April 10, 2018

Pension benefits include both statutory and voluntary pension payments.

TRANSACTIONS WITH RELATED PARTIES ASSOCIATED COMPANIES

1,000 EUR	2019	2018
Services sold		1,471
Services purchased		34
Rents for time-chartered vessels	**2,528**	782
Accounts receivable and other receivables	**26**	427
Accounts payable and other liabilities		1

30. Events After the Financial Year

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

PARENT COMPANY'S FINANCIAL STATEMENTS, FAS

PARENT COMPANY'S INCOME STATEMENT

1,000 EUR	Notes	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Other operating income	1.1	**988**	1,671
Employee benefit expenses	1.2	**-1,687**	-1,862
Depreciation and amortization	1.3	**-48**	-22
Other operating expenses	1.4	**-3,662**	-4,759
Operating loss		**-4,409**	-4,972
Financial income and expenses	1.5	**17,236**	17,742
Profit before appropriations and taxes		**12,827**	12,770
Appropriations	1.6	**2,630**	3,870
Profit before taxes		**15,457**	16,640
Income taxes		**0**	0
Profit for the period		**15,457**	16,640

PARENT COMPANY'S BALANCE SHEET

ASSETS

1,000 EUR	Notes	Dec 31, 2019	Dec 31, 2018
Non-current assets			
Intangible assets	2.1	**107**	51
Tangible assets	2.1	**109**	127
Investments	2.2	**83,427**	83,427
Total non-current assets		**83,643**	83,605
Current assets			
Non-current receivables	2.3	**120,424**	99,475
Current receivables	2.3	**16,591**	21,398
Cash and cash equivalents		**3,214**	202
Total current assets		**140,229**	121,075
Total assets		**223,872**	204,680

EQUITY AND LIABILITIES

1,000 EUR	Notes	Dec 31, 2019	Dec 31, 2018
Equity			
Share capital	2.4	**17,692**	17,692
Share premium	2.4	**4,351**	4,351
Invested unrestricted equity reserve	2.4	**21,317**	21,305
Retained earnings	2.4	**7,236**	4,247
Profit for the period		**15,457**	16,640
Total equity		**66,053**	64,235
Provisions	2.5		60
Liabilities			
Non-current liabilities			
Loans from Group companies	2.6	**5,654**	7,089
Bonds	2.6	**25,953**	11,000
Loans from financial institutions	2.6	**45,000**	70,000
Hybrid instrument	2.6	**25,000**	25,000
Total non-current liabilities		**101,607**	113,089
Current liabilities			
Loans from financial institutions	2.7	**46,000**	17,000
Liabilities to Group companies	2.7	**8,390**	8,212
Accounts payable	2.7	**77**	203
Other liabilities	2.7	**54**	37
Deferred liabilities	2.7	**1,691**	1,844
Total current liabilities		**56,212**	27,296
Total liabilities		**157,819**	140,385
Total equity and liabilities		**223,872**	204,680

PARENT COMPANY'S CASH FLOW STATEMENT

1,000 EUR	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Cash flows from operating activities		
Operating loss	**-4,409**	-4,973
Adjustments to operating loss	**8**	-516
Change in working capital	**-185**	62
Interest paid	**-3,946**	-3,484
Interest received	**1,867**	1,255
Dividends received	**20,300**	20,700
Net cash from operating activities	**13,635**	13,044
Cash flows from investing activities		
Investments in tangible and intangible assets	**-151**	-27
Proceeds from sale of investments	**50**	
Net cash from investing activities	**-101**	-27
Cash flows from financing activities		
Proceeds from non-current loans from Group companies		1,375
Repayment of non-current loans from Group companies	**-1,436**	
Proceeds from non-current loans	**15,000**	30,000
Repayment of non-current loans	**-15,000**	
Proceeds from issuance of a bond loan	**14,954**	
Change in non-current receivables from Group companies	**-20,949**	-44,500
Proceeds from issuance of a commercial paper	**4,000**	
Change in current receivables	**2,537**	-3,116
Change in current liabilities	**162**	9,807
Group contributions received	**3,870**	3,560
Dividends distributed	**-13,694**	-13,287
Purchase of treasury shares		-42
Proceeds from sale of treasury shares	**34**	412
Net cash from financing activities	**-10,522**	-15,791
Change in cash and cash equivalents	**3,012**	-2,774
Cash and cash equivalents Jan 1	**202**	2,976
Cash and cash equivalents at year-end	**3,214**	202

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. When the reward is paid, the share of the reward settled in shares is recognized as an increase in equity.

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 receivables from or liabilities to Group companies.

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 Other Operating Income

1,000 EUR	2019	2018
Other operating income from Group companies	**552**	495
Rental income from Group companies	**374**	793
Other rental income		293
Other operating income	**62**	90
Total	**988**	1,671

1.2 Personnel and Board Members

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

EMPLOYEE BENEFIT EXPENSES

1,000 EUR	2019	2018
Salaries and remunerations	**1,220**	1,343
Share-based payments	**-6**	63
Profit bonus paid to the personnel fund	**18**	21
Pension expenses	**441**	417
Other social security expenses	**14**	18
Total	**1,687**	1,862

MANAGEMENT EMPLOYEE BENEFITS

1,000 EUR	2019	2018
CEO, salaries	**387**	381
CEO, bonuses	**112**	151
CEO, share-based payments	**33**	290
Members of the Board of Directors, remunerations	**265**	244
Total	**797**	1,066

AVERAGE NUMBER OF PERSONNEL DURING THE FINANCIAL YEAR

	2019	2018
Office staff	**6**	5

1.3 Depreciation and Amortization

1,000 EUR	2019	2018
Other long-term expenditure	**26**	1
Machinery and equipment	**22**	21
Total	**48**	22

1.4 Other Operating Expenses

1,000 EUR	2019	2018
Rents	**710**	1,777
Administration and consultancy services	**1,950**	1,892
Other expenses	**1,002**	1,090
Total	**3,662**	4,759

AUDITOR'S FEES

1,000 EUR	2019	2018
Auditing	**76**	80
Tax advice	**6**	32
Other services	**54**	60
Total	**136**	172

1.5 Financial Income and Expenses

1,000 EUR	2019	2018
Dividend income		
From Group companies	**19,300**	19,700
Income from non-current investments	**19,300**	19,700
Other interest and financial income		
From Group companies	**1,866**	1,265
From others		3
Total interest and other financial income	**1,866**	1,268
Interest expenses and other financial expenses		
To Group companies	**-98**	-119
To others	**-3,832**	-3,107
Total interest and other financial expenses	**-3,930**	-3,226
Total financial income and expenses	**17,236**	17,742

1.6 Appropriations

1,000 EUR	2019	2018
Income		
Group contributions	**2,630**	3,870

2.1 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	243	11	254	1	12	164	73	250
Increases	8	124	132			4		4
Decreases	-50		-50					0
Acquisition cost, Dec. 31, 2019	**201**	**135**	**336**	**1**	**12**	**168**	**73**	**254**
Accumulated depreciation, Jan. 1	-201	-2	-203		-12	-111		-123
Depreciation and amortization for the period		-26	-26			-22		-22
Accumulated depreciation, Dec. 31, 2019	**-201**	**-28**	**-229**		**-12**	**-133**		**-145**
Carrying amount, Dec. 31, 2019	**0**	**107**	**107**	**1**	**0**	**35**	**73**	**109**
Carrying amount, Dec. 31, 2018	**42**	**9**	**51**	**1**	**0**	**53**	**73**	**127**

2.2 Investments

1,000 EUR	Subsidiary shares	Other shares	Total
Acquisition cost, Jan. 1	83,244	183	83,427
Acquisition cost, Dec. 31, 2019	**83,244**	**183**	**83,427**
Acquisition cost, Dec. 31, 2018	**83,244**	**183**	**83,427**

2.3 Non-current and Current Receivables

NON-CURRENT RECEIVABLES

1,000 EUR	2019	2018
Receivables from Group companies		
Loan receivables	**120,424**	99,475
Total	**120,424**	99,475

CURRENT RECEIVABLES

1,000 EUR	2019	2018
Receivables from Group companies		
Accounts receivable	**9**	
Dividend receivables	**13,000**	14,000
Group contribution receivables	**2,630**	3,870
Cash pool accounts	**569**	213
Loan receivables		2,895
Deferred receivables		8
Total	**16,208**	20,986
Other receivables	**103**	109
Deferred receivables	**280**	303
Total	**383**	412
Total current receivables	**16,591**	21,398

2.4 Equity

1,000 EUR	2019	2018
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	**21,305**	16,706
Share-based payments	**12**	174
Share issue		4,425
Invested unrestricted equity reserve, Dec. 31	**21,317**	21,305
Retained earnings, Jan. 1	**20,887**	17,175
Dividend payment	**-13,694**	-13,287
Share-based payments	**43**	401
Returned share-based payments		-42
Retained earnings, Dec. 31	**7,236**	4,247
Profit for the period	**15,457**	16,640
Total equity	**66,053**	64,235

Distributable funds under unrestricted equity total EUR 44,009,796.24 (42,191,625.81).

2.5 Provisions

1,000 EUR	2019	2018
Share-based incentive plan		60
Total	**0**	60

2.6 Non-current Liabilities

In September 2019, Aspo Plc participated in a bond loan of EUR 40 million guaranteed by Garantia Insurance Company with a loan unit of EUR 15 million. The bond pays fixed interest rate and matures on September 25, 2024.

On May 27, 2016, Aspo Plc issued a EUR 25 million hybrid bond. The bond has no maturity but the company may exercise an early redemption option after four years. The coupon rate of the bond is 6.75% 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.

1,000 EUR	2019	2018
Loans from Group companies	**5,654**	7,089
Bonds	**25,953**	11,000
Hybrid instrument	**25,000**	25,000
Loans from financial institutions	**45,000**	70,000
Total non-current loans	**101,607**	113,089
Total non-current liabilities	**101,607**	113,089

2.7 Current Liabilities

1,000 EUR	2019	2018
Loans from financial institutions	**46,000**	17,000
Accounts payable	**77**	204
Unpaid dividend	**11**	9
Other liabilities	**43**	37
Deferred liabilities*	**1,691**	1,834
Total	**47,822**	19,084
Liabilities to Group companies		
Accounts payable	**6**	6
Cash pool accounts	**6,940**	6,756
Other liabilities	**1,428**	1,450
Deferred liabilities	**16**	
Total	**8,390**	8,212
Total current liabilities	**56,212**	27,296

* Main items		
Accrued interests	**1,271**	1,302
Accrued salaries	**326**	476

2.8 Other Notes

FUTURE LEASE PAYMENTS

1,000 EUR	2019	2018
Payable within one year	**126**	94
Payable later	**252**	143
Total	**378**	237

OTHER RENTAL LIABILITIES

1,000 EUR	2019	2018
Payable within one year	**864**	602
Payable later	**2,490**	3,426
Total	**3,354**	4,028

GUARANTEES ON BEHALF OF GROUP COMPANIES

1,000 EUR	2019	2018
Guarantees	**94,722**	112,316
Total	**94,722**	112,316

GUARANTEES ON OWN BEHALF

1,000 EUR	2019	2018
Guarantees	**95**	95
Total	**95**	95

DERIVATIVE CONTRACTS

1,000 EUR	2019	2018
Interest rate swap		
Nominal value		15,000
Fair value		-128

AUDITOR'S REPORT

To the Annual General Meeting of Aspo Oyj

(Translation of the Finnish original)

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, 2019. The financial statements comprise the consolidated balance sheet, 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, statement of cash flows and notes.

In our opinion

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

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

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.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 7 to the consolidated financial statements.

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

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 fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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
Valuation of goodwill We refer to the consolidated financial statements' accounting policies and to the note 12	
At the balance sheet date 31.12.2019, the value of goodwill amounted to EUR 43,3 million representing 11% of total assets and 35% of total equity. Annually performed impairment tests were considered as a key audit matter, because: • the estimation process is complex and includes judgmental areas • impairment test is based on assumptions in relation to market and economic conditions: • goodwill is significant relative to the financial statements. The Group's cash-generating units' recoverable amount is determined by and based on the value in use calculations, which may vary significantly when the underlying assumptions included in the calculations changes. The determination of value in use is affected by several assumptions, such as for example revenue growth, gross margin, and the discount rate applied on discounting the cash flows. Changes in the above mentioned assumptions may result in an impairment of goodwill. Valuation of goodwill was a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).	Our audit procedures, which take into account significant risk of material misstatement in valuation of goodwill, included among others: • as part of audit, valuation specialist assisted us in evaluating the assumptions and methodologies used by the Group; • assessment of management's forecasting accuracy and comparison of projections to the latest budgets approved by the Board; • assessment of appropriateness of sensitivity analyses and whether any reasonably possible change in key assumptions could cause the carrying amount to exceed its recoverable amount; • assessment of the adequacy of the notes related to sensitivity analyses for assumptions used in impairment tests presented in the note 12.
Revenue recognition We refer to the consolidated financial statements' revenue recognition accounting policies and to the note 1	
In the financial year 2019 Aspo Group's turnover amounted to 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 customer specific long-term projects. 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. Sales contract terms and practices vary in different markets. Turnover is Group's key performance indicator, which may be an incentive for premature revenue recognition. Revenue recognition was a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2) due to risk related to correct timing of revenue recognition.	Our audit procedures, which take into account significant risk of material misstatement in revenue recognition, included among others: • assessment of the compliance of company's accounting policies over revenue recognition and comparison with applicable accounting standards; • testing of the revenue recognition including testing of internal controls when applicable. Our tests included among others external confirmations, reconciliation of sales against customer contracts and verification of acceptance of deliveries; • analytical substantive audit procedures relating to revenue recognition; • assessment of the adequacy of financial statement notes related to revenues.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of inventories We refer to the consolidated financial statements' accounting policies and to the note 18	
At the balance sheet date 31.12.2019, the value of inventory amounted to EUR 55,9 million representing 14% of total assets and 46% of total equity. Inventories are measured at acquisition cost or net realizable value if lower. Net realizable value is the sales price in the ordinary course of business less sales costs and the costs needed to finish the production of the goods. Impairment due to obsolescence is considered when assessing the valuation of inventories. Aspo has segment and market specific procedures to identify impairment due to obsolescence. Inventory is a key audit matter due to the size of the account balance and because inventory valuation involves management judgement.	Our audit procedures, which take into account risk related to valuation of inventories, included among others: • assessment of the compliance of company's accounting policies on inventory valuation and comparison with applicable accounting standards; • assessment of the processes and practices related to inventory valuation, and in major locations testing of the controls related to processes; • test of detail procedures related to acquisition cost of inventory: • assessment of the compliance of obsolescence provisions with the group accounting policies: • assessment of the appropriateness and correctness of management judgement included in obsolescence provisions: • assessment of the notes related to inventories.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of 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

Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

OTHER REPORTING REQUIREMENTS

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 10.4.2013, and our appointment represents a total period of uninterrupted engagement of 7 years.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Aspo's Year 2019 publication, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Aspo's Year 2019 publication is expected to be made available to us after that date.

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

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 4th March, 2020

Ernst & Young Oy
Authorized Public Accountant Firm

Toni Halonen
Authorized Public Accountant