FINANCIAL STATEMENTS AND RESPONSIBILITY REPORT 2017

ASPO

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ASPO

Operating profit with the current structure

7%

Average return on equity of over

20%

Gearing of up to

100%

Last year Aspo took the next planned steps in order to reach its financial targets set for 2020.

RIGHT THINGS AT THE RIGHT TIME

The year 2017 was a year of great successes for Aspo. Our record high net sales were over EUR 0.5 billion, and our earnings per share also improved considerably. According to our strategy, we continued to develop our businesses in order to create the best possible shareholder value.

Being a conglomerate, Aspo's value comes from the profitability of the businesses we own and their appreciation in their own respective sectors. Making our businesses larger and more international is at the core of our operations. This is possible by supporting the management of each business by using Boards of Directors consisting of external members. One of Aspo's strengths is its broad strategic vision which is based not only on the working of Group Executive Committee and the business unit management teams of each business, but also on cooperation with professional Boards of Directors. For example, the Board of Directors of Telko changed last year to support the new targets set for the company's growth.

In 2017, development within Aspo Group focused on the ability of leadership. In a complicating world, this is expressed, above all, as a need to focus on what matters today in order to secure profitability, growth and sustainable operations in the future. The ability of leadership also means doing the right things at the right time and effective communication between employees and managers and between businesses.

We have already taken determined steps to reach our Group's long-term financial targets. We are looking for an operating profit rate of 7 percent with current structure, ROE of over 20 percent on average and gearing of up to 100 percent by 2020. In 2016, we announced the targets set for the profitability of our shipping company. ESL Shipping's new LNG-fueled vessels that will start operating in 2018 and its expansion to new customer groups, such as bioenergy transportation, help it to reach these targets. Investments in additional eco-friendly capacity will offer a significant competitive edge.

In autumn 2017, Telko announced its target of doubling its operating profit by the end of 2020. During the financial crisis in Russia, Telko invested in its regional strategy in the eastern markets and in expanding to new countries. Now that the market environment has developed positively, Telko has succeeded in growing rapidly and profitably.

Leipurin's operating profit grew significantly. According to our previous estimates, the company has been able to return to its normal profit level and stabilize the profitability of its machine operations. Leipurin's new management and personnel have succeeded in developing the company's operations determinedly, particularly in the demanding Russian market.

Kauko has streamlined its operations by focusing on two areas. The mobile knowledge work unit has continued to invest in the development of total solutions, whereas the energy-efficiency equipment unit has grown strongly after Kauko made well-timed investments in the solar power market. Kauko's structure has been clarified further by discontinuing its operations in China.

Regardless of challenging conditions in 2017, Aspo was able to produce good operational results in all of its businesses. Economic trends are slowly becoming more favorable and general uncertainty has decreased in the markets. In 2017, industrial production increased in all main market areas of Aspo's businesses, and the important eastern markets and global sea freight markets showed signs of returning to normal. In Finland, industrial competitiveness increased notably.

As a result, we expect that our profitability increases clearly, also in the future. Being proactive and systematic, Aspo has a significant capacity in reserve. I would like to thank all of our employees, partners and other stakeholders for our successes. Every one of you has been able to recognize what is important, following our theme of the year, and showing the ability of leadership in order to reach our targets.

Helsinki, February 15, 2018
Aki Ojanen, CEO of Aspo Group

A RESPONSIBLE DEVELOPER OF BUSINESSES

Aspo is a conglomerate that specializes in demanding B-to-B customers. It owns and develops its business operations in Northern Europe and in selected growth markets. Aspo's wholly-owned subsidiaries ESL Shipping, Leipurin, Telko and Kauko operate under their own strong brands and provide value for their customers. The objective of the subsidiaries in trade and logistics business is to be market leaders in their sectors. Together they generate Aspo's goodwill.

The CEO of Aspo Group leads the responsibility work and reports to the Board of Directors in compliance with the company's risk management policy. Ensuring responsibility is of primary importance for securing the long-term development of the company. Aspo takes climate change seriously and seeks to mitigate its effects with its actions. In 2018, the company also aims to join the Global Compact initiative, where companies commit to acting in compliance with the ten principles related to human rights, standards of working life, the environment and eradication of corruption. In the future, Aspo will report its progress in implementing the ten principles annually as part of the responsibility report.

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. Only a responsibly managed, growing company can create jobs, tax revenues and wellbeing. Aspo treats its employees and stakeholders in a just and equal manner in all countries where it operates.

The Aspo Group's Code of Conduct and environmental policy form a common set of rules for all businesses. The development of business operations representing trade and logistics is part of Aspo's core activities. Above all, Aspo approaches corporate responsibility through responsible

management. In the sectors of Aspo's businesses, the main aspects related to corporate responsibility concern the reduction of energy consumption and waste, wellbeing and safe working conditions of personnel, equality and good governance.

The Code of Conduct, common to all Aspo companies, describes the rules that the personnel of the Group are expected to follow in their work. The code of conduct addresses the legality of operations, business relations, personnel and safety and the company's assets and property. Aspo has built an online training course on questions related to ethics which every Aspo employee must successfully complete. In 2017, 63% of Aspo's employees (34% in 2016) completed the Code of Conduct training. From 2018, the goal is to have all employees successfully complete the training every year. The course material is based on questions and answers related to situations where the personnel must make personal and ethical decisions.

ENVIRONMENTAL SUSTAINABILITY

Aspo Group's environmental policy lays the common rules for all businesses. Environmental sustainability is reflected in Aspo's selections and the concrete actions it takes for the good of the environment. Continuous improvement of operations is the core principle of the environmental policy. Aspo always aims to address critical environmental issues beyond the minimum requirements of laws and regulations.

Environmental management is an important element of Aspo's corporate responsibility, and a good reputation in environmental matters is an important competitive factor for the company. There are both possibilities and risks regarding a reputation associated with environmental issues, affecting the operating prerequisites of businesses. Regarding environmental matters, all businesses are reporting their energy consumption and CO_2 emissions for the first time in 2017.

ESL Shipping

ESL Shipping specializes in northern shipping and operations particularly in the sensitive waters of the Baltic Sea and in arctic regions. Climate change is opening up northern sea areas for commercial shipping. The essential environmental issues concerning the operations of ESL Shipping are energy efficiency and a reduction of emissions. In addition, ESL Shipping reports the SO_x emissions of ships and the CO_2 emissions per ton-miles.

Potential risks have been identified in the reputation management of Aspo and ESL Shipping, which, if they materialize, may also lead to compensation liability. Such risks include environmental damage caused by accident situations, fuel leakages or environmental damage created in connection with bunkering or washing cargo holds. Good environmental management is particularly important for avoiding accidents. ESL Shipping has its own environmental management system in use.

In addition, the business of ESL Shipping may be affected by changes in the operating environment, such as stricter environmental legislation, changes in energy policy and higher fuel taxes. If these factors materialize, they will cause investment expenditure for ESL Shipping, the management of which requires well-timed and cost-effective actions. They may lead to changes in operations, but may also provide opportunities as the competitive situation changes.

ESL Shipping is systematically working to protect the environment and to improve the energy efficiency of its fleet, for example, by optimizing the sailing speed and fuel consumption of its vessels. Two new LNG-fueled dry cargo vessels of ESL Shipping will start operations in 2018. The ships produce over 50% less CO_2 emissions than the previous-generation vessels. Correspondingly, the total particle emissions produced by them will be 98% smaller. Furthermore, the vessels have a ballast water treatment system that prevents the proliferation of invasive non-native species.

ESL Shipping was granted the ISO 14001 environmental certificate that acts as the basis of continuous improvement of environmental matters by the company. All vessels are operated and maintained in compliance with the following international conventions administering global emissions: the IMO Ballast Water Convention and the MARPOL Convention.

All the company's vessels use low-sulfur fuel – having a sulfur content of less than 0.1% – when operating in the Sulphur Emission Control Areas (SECAs) that are the company's most important areas of operation. ESL Shipping complies the EU's MRV Regulation (Monitoring, Reporting, Verification) for monitoring, reporting and verifying the CO_2 emissions of its vessels.

The environmental deviations recorded in 2017 included a case in which the sulfur content of fuel slightly exceeded the limit and four minor oil spills that occurred in connection with port visits. In 2017, the vessels of ESL Shipping visited ports almost 1,500 times. The ship's captain was ordered to pay a small fine for exceeding the sulfur limit. The technical fault causing the excess has been identified and rectified. One of the oil spills was caused by an overflow when filling up the lubrication oil tank, the other was caused by the failure of the ship's hydraulic winch system, the third by a handling error in the valve system of the suction truck removing waste oil and the fourth by a rupture of the oil vessel when moving it aboard. All oil spills were cleaned off and did not cause any consequences or further actions by authorities.

Telko

Aspo Plc and Telko Ltd are members of the Association of Finnish Technical Traders. Telko is a member of Chemistry and Raw Materials Trade section of the association. The section is the national coordinator of the Responsible Care program for chemical traders. Membership of the section requires commitment to the RC program which obligates the company to take for example environmental

THE USE OF ENERGY

	ESL Shipping[5]			Leipurin[6]		
	2017	**2016**	**Change, %**	**2017**	**2016**	**Change, %**
Purchased energy[2], Mwh	**23.9[4]**	23.9[4]	0.0[4]	**2,858.40**	2,840.35	0.6
Total use of fuel[3], MJ	**1,252,187**	1,227,099	2.0			
tCO_2[3]	**93,224**	91,550	1.8	**1,276.04**	1,277.70	-0.1
g-CO_2 per ton-miles[3]	**0.023**	0.024	-4.0			
tSO_x[3]	**95.28**	124.26	-23.3			

1 Only Finland, electricity only from Lintulahdenkuja office
2 Purchased energy mainly measured, if not possible to measure the figures were estimated
3 Excluding vessels on time and voyage charter
4 Only electricity

matters into account in its operations. The program must be verified by a third party. Telko's commitment to the RC program is regularly verified by a Safety & Quality Assessment System/European Single Assessment Document (SQAS/ESAD) created in cooperation by the European Chemical Industry Council (CEFIC) and the European Association of Chemical Distributors (FECC).

Telko is actively looking for alternatives to plastics and promotes transparency in its subcontracting chain for sourcing raw materials. An efficient material cycle is also important for Telko, and the company seeks to reduce both the raw material quantities used by its customers and its own inventories.

Telko has supplier selection criteria in place for ensuring the transparency of the supply chain. The criteria are revised and developed as the needs and requirements change. Most of the partners in Telko's supply chain are major international raw material producers.

In its supply chain, Telko conveys information on the raw materials used by it in compliance with the legal requirements and the customers' wishes. In the EU, the REACH Regulation requires great openness in the supply chain of raw materials. Furthermore, the Responsible Care program of Finnish chemical distributors to which Telko is committed, sets stricter requirements than legislation for the transparency of operations, for example.

The perspective of sustainable development is taken into account when developing the product range of Telko. In 2017, Telko identified product lines in its portfolio where the sustainability aspects have particularly been taken into account. In 2017, they accounted for 1.2% of the net sales of plastics and 6.7% of the net sales of chemicals. Telko intends to increase the share of this product portfolio for both businesses.

The plastic products where sustainability aspects have been taken into account are mainly recycled plastics and products containing considerable amounts of recycled material. Of these products, 96.8% are recycled plastics. Telko seeks to identify pioneers of sustainable development from among its raw material producers and to increase the relative share of their products in its sales.

Telko's sustainable chemical products have a clear perspective of environmental protection. Such products include those that are intended for handling chemical and oil spills and products that are not harmful to the environment or the atmosphere or replace conventional, more harmful substances. Telko has a strategic project in progress for further specifying the chemical product portfolio during 2018, whilst taking the sustainability aspects into account.

Telko is constantly comparing its operations with the current environmental requirements. No cases of environmental misconduct related to Telko's operations were reported in 2017.

Leipurin

In the operations of Leipurin, the main environmental issue is that of reducing food loss, which the company also has the best possibilities of affecting with its own activities. Furthermore, better efficiency of waste treatment and recycling, as well as an improvement in the energy efficiency and material efficiency

WASTE – LEIPURIN INDICATOR

Amount of waste, tons*

2017
229.0

2016
196.0

CHANGE
+16.8%

* Do not include machine operations, test cafés and G'lato Fresco gelateria

Telko[1]			Kauko			Other operations		
2017	2016	Change, %	2017	2016	Change, %	2017	2016	Change, %
645.30	578.42	11.6	**144.85**	214.30	-32.4	**38.01[4]**	38.23[4]	-0.6[4]
115.38	103.62	11.4	**29.53**	44.43	-33.5	**6.88**	6.92	-0.6

[5] Excluding Raahe depot
[6] Do not include machine operations, test cafés and G'lato Fresco gelateria

in Leipurin's own production are particular objectives.

In 2017, the quantity of waste increased in Finland due to unexpected changes in demand.

Reducing the quantity of raw materials used is important for the environment and for cost control. The company constantly seeks to enhance the inventory turnover of products in different ways (such as by optimizing the purchase and delivery lots and the size of safety stocks). The company also aims to pay more attention to the sales forecasts of seasonal products and new products.

USED MATERIAL, PLASTIC – LEIPURIN INDICATOR

Amount of used plastic, tons*

2017
24.0

2016
33.0

CHANGE
-27.3%

* Do not include machine operations, test cafés and G'lato Fresco gelateria

Plastic is only used for tying pallet loads to the extent necessary. If the amount of cling film used is further reduced, it may lead to the pallet load tipping and being destroyed. The goal is to further increase the share of recycled plastic.

Although Leipurin's operations are not very energy-intensive, the company tries to reduce energy consumption for economic reasons alone. In the Vantaa facility, for example, attention was already paid to the k values of structures and cooling during the construction phase. In the storage hotels used by Leipurin, the energy consumption is directly proportional to the storage space required – and Leipurin has succeeded in reducing that space by significantly improving the inventory turnover rate e.g. in Russia and other CIS countries.

Kauko

The core business of Kauko includes supporting activities critical for society with reliable solutions promoting efficiency. Kauko is involved in digitalizing the work of public authorities and improving efficiency in sectors important to society, such as rail, road and air traffic, healthcare and waste management. Kauko focuses on enhancing the customers' processes e.g. with mobile IT work solutions, which for its part helps reduce the customers' environmental loading and footprint. Software solutions allow for example optimizing the routes travelled by waste collection trucks, thus reducing the need for driving back and forth. The environmentally friendly services constituting part of Kauko's core business often also make good sense from the business point of view.

Kauko's environmentally friendly products and services, such as solar power solutions and advanced air source heat pumps, promote sustainable development and energy efficiency. The long service life of the products also reduces the strain on the environment. Furthermore, Kauko has moved into business premises in a building that in 2017 achieved the GOLD level LEED environmental certification for its energy efficiency. The move is also reflected in Kauko's energy consumption, which has decreased by 32% from 2016.

SOCIAL RESPONSIBILITY

Aspo's Code of Conduct and HR policy guide the Group's operations as a responsible employer. Occupational safety is the most important factor for the wellbeing of Aspo Group's employees. Health- and safety-related matters must not be neglected in any circumstances for achieving cost savings or profits, particularly not on vessels and in warehouses containing chemicals, other raw materials or food products. In occupational safety, Aspo's goal is zero accidents.

More than 50% energy efficient ships

According to Aspo's survey, LNG-fueled ships are more than 50% energy-efficient than the old vessels.

Aspo does everything in its power to promote professional development and create a supportive working atmosphere. The satisfaction of employees with their work, quality of management and Aspo as an employer is measured through annual employee surveys. Their results are reported at Aspo level in five different categories, see Table Employee Satisfaction Index. Job satisfaction has improved in all categories from the previous year and is at a good level.

Regular development discussions form a key tool in HR management. In 2017, 99% of personnel had their development discussions. Investments are made in training and professional development at all organizational levels. Aspo takes care of its employees' wellbeing at work by arranging the best possible physical and mental working environment. At Aspo level, the average years of service were 8.54 years (7.63).

The materialization of equality is important for Aspo. The result of the personnel atmosphere survey question "Are men and women treated equally?" was 4.53 on a scale of 1 to 5 (4.45).

The purpose of occupational safety and health is to preserve the physical and mental working ability of personnel and, thus, their good quality of life. This has a direct link to the company's prosperity and profitability. In Finland, the occupational safety and health matters are dealt with by the occupational safety and health committee. The committee of Aspo had two meetings in 2017 (two meetings in 2016). In addition, meetings were held at places of work. Furthermore, one training day was organized in 2016 for the occupational safety and health committee.

All businesses report the following details regarding personnel:

- Number of personnel by geographical area
- Number of personnel by contract type
- Number of personnel by category
- Age distribution
- Gender distribution
- LTIF and sick leaves of Finnish personnel
- Average age of employees
- Employee turnover rate

ESL Shipping

At ESL Shipping, the risks of social responsibility are mainly associated with occupational safety and wellbeing, but also with finding and retaining competent personnel, maintenance of competence and maintenance of industrial peace. They are all pivotal for the success of business. Personnel-related risks may lead to the deterioration of the company's competitiveness and reputation.

Good safety management is the key factor in risk management. To this end,

EMPLOYEE SATISFACTION INDEX (SCALE 1–5)

	2017	2016	Change, %
Aspo Group	**4.17**	4.07	2.5
Business segment	**4.13**	4.04	2.2
Employee's own unit	**4.25**	4.16	2.2
Employee's work	**4.21**	4.15	1.5
Employee's superior	**4.11**	4.09	0.5

NUMBER OF PERSONNEL BY GEOGRAPHICAL AREA[1]

	ESL Shipping		Leipurin		Telko		Kauko		Other operations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Finland[2]	**236**	226	**108**	87	**64**	58	**47**	46	**26**	25	**481**	442
Scandinavia					**23**	23					**23**	23
Baltic countries			**50**	49	**31**	28					**81**	77
Russia, Ukraine + other CIS countries			**212**	201	**169**	176					**381**	377
Other countries			**14**	15	**32**	32	**13**	15			**59**	62

[1] The figures contain all persons employed during the year

[2] Including marine personnel

NUMBER OF PERSONNEL BY CONTRACT TYPE[1]

	ESL Shipping		Leipurin		Telko		Kauko		Other operations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Number of personnel	**236[2]**	226[2]	**384**	352	**319**	317	**60**	61	**26**	25	**1,025**	981
Full-time contract	**25[3]**	22[3]	**326**	330	**313**	316	**45**	56	**25**	24	**734[2]**	748[2]
Part-time contract	**8[3]**	5[3]	**58**	22	**6**	1	**15**	5	**1**	1	**88[2]**	34[2]

[1] The figures contain all persons employed during the year
[2] ESL Shipping all personnel

[3] Excluding marine personnel

NUMBER OF PERSONNEL BY CATEGORY[1]

	ESL Shipping[2]		Leipurin		Telko		Kauko		Other operations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Office staff	**21**	17	**272**	262	**256**	256	**47**	41	**19**	19	**615**	595
Non-office workers	**6**	4	**66**	57	**20**	20	**6**	10	**1**		**99**	91
Supervisors	**3**	3	**20**	8	**18**	19	**3**	4	**2**	2	**46**	36
Management	**3**	3	**26**	25	**25**	22	**4**	6	**4**	4	**62**	60

[1] The figures contain all persons employed during the year

[2] Excluding marine personnel

AGE DISTRIBUTION[1]

	ESL Shipping		Leipurin		Telko		Kauko		Other operations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
> 24	**15**	13	**20**	8	**9**	2	**2**	6			**46**	29
25–39	**82**	78	**173**	164	**157**	162	**13**	13	**6**	3	**431**	420
40–54	**96**	97	**141**	135	**123**	121	**35**	34	**10**	11	**405**	398
55 <	**43**	38	**50**	49	**30**	32	**10**	8	**10**	11	**143**	138

1 The figures contain all persons employed during the year

GENDER DISTRIBUTION[1]

	ESL Shipping		Leipurin		Telko		Kauko		Other operations		The Boards of Aspo and segments		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Women	**21**	21	**228**	202	**162**	162	**14**	12	**13**	13	**8**	6	**446**	416
Men	**215**	205	**156**	150	**157**	155	**46**	49	**13**	12	**11**	13	**598**	584

1 The figures contain all persons employed during the year

LTIF AND SICK LEAVES (FINLAND ONLY)

	ESL Shipping Office staff		ESL Shipping Marine personnel		Telko		Kauko		Leipurin		Other operations	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
LTIF[1]		19.9	**8.9**	27.0	**10.1**	31.6	**12.6**	29.5	**21.5**	18.3	**20.7**	20.7
Sick leaves, %[2]	**0.7**	1.5			**1.4**	1.9	**0.9**	0.8	**1.9**	1.7	**1.1**	0.8

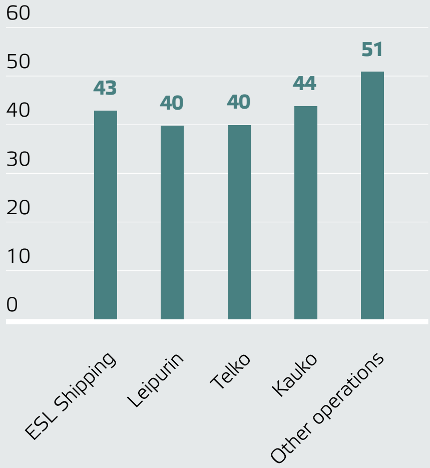
1 Lost-time injury frequency is presented per 1,000,000 working hours
2 Information on sick leaves is not available for marine personnel

EMPLOYEE TURNOVER RATE

	ESL Shipping[1]		Leipurin		Telko		Kauko		Other operations		Aspo Group	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Average turnover rate, %	**15**	21	**18**	20	**13**	21	**16**	35	**8**	14	**15**	21

1 Excluding marine personnel

AVERAGE AGE OF EMPLOYEES



ESL Shipping carries out risk surveys on its ships and maintains a safety management manual. Training and appropriate equipment, occupational healthcare, the early intervention model and sufficient rest periods also support responsible activities and are a natural part of risk management. In addition, ESL Shipping seeks to maintain its reputation as an attractive and reputable employer and maintains active contacts with educational institutes.

The principle of continuous improvement is the basis of ESL Shipping's safety culture. The Finnish Transport Safety Agency (Trafi) has audited and certified the company's operations and vessels in accordance with the International Safety Management Code (SOLAS Ch. IV, ISM-code) published by IMO, the International Maritime Organization. The code constitutes an international standard for the safe management and operations of ships and for the prevention of emissions.

VELHO, the internal reporting system of ESL Shipping, is intended for analyzing the potentially hazardous near misses and accidents in order to establish their root causes. On the basis of the information collected, the entire personnel of the company's fleet is informed of the events, and the information is utilized for taking preventive actions in order to prevent any recurrence of similar situations.

ESL Shipping also takes action in case of any adverse effects of alcohol and narcotics, and as an employer, it is entitled to carry out surprise inspections at the ships. In 2017, one case of a ship's officer being intoxicated during a work shift was detected in such inspections. ESL Shipping also organizes training related to the subject. However, the vessels cannot currently be kept totally intoxicant-free zones, due to the opposition of labor unions.

All members of ESL Shipping's marine personnel must hold international certifcates. Personnel are also trained in compliance with the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW). In 2017, there were 264 training days (342).

The shipping company had 40 occupational safety and health committee meetings in 2017 (4.4 meetings per ship). In 2016, there were 31 meetings (3.4 meetings per ship). The goal is to organize annually at least four meetings per ship.

Telko

Telko observes the Ethical and Business Principles of the European Association of Chemical Distributors FECC. The company's commitment to the continuous voluntary development of occupational safety and health has been verified in an external SQAS/ESAD audit.

The wellbeing of personnel and prevention of accidents are essential for Telko. The work towards developing wellbeing concentrates particularly on preventive measures. The company's accident frequency and absences due to illness have decreased, particularly in Finland. Telko has also trained its own personnel and those of external service providers in occupational safety and health matters.

Leipurin

Leipurin observes the principle of continuous improvement in matters related to wellbeing at work and occupational safety and looks after the continuous competence development of its employees. The personnel-related risks include that of losing experienced employees. At Leipurin, long careers are a tradition, and the company relies on competent and experienced employees in its operations. Therefore, Leipurin considers it to be particularly important that information is shared, employees are given induction training and a good level of turnover is maintained.

The wellbeing of employees and safety of operations are the basis of Leipurin's operations. Leipurin invests resources into the wellbeing of its employees, preventive measures and flexible work arrangements. Training sessions related to occupational health and safety are organized for the personnel. The monthly safety rounds at Leipurin's premises are also part of the activities.

The more risk-prone duties related to Leipurin's operations concern service and production processes, for example, the installations and repairs of lines. The persons working in these operations have special training.

The most essential social responsibility matters for Leipurin are to do with product safety and quality. The most significant risks include those of counterfeit food, products of poor quality and health risks to consumers, such as those related to allergens. Leipurin has processes and operating models in place for minimizing the risks.

In Finland, the operating model of Leipurin has been granted the ISO 9001:200 quality certificate. In compliance with the certificate, the company has committed to continuous developing its operations and ensuring food safety.

In order to ensure product safety, Leipurin uses the certification follow-up process for monitoring its products. The products are classified on the basis of risks, countries and product categories, and their risk factors are assessed.

Leipurin also has in place a remote monitoring and withdrawal process for products. It allows individual batches to be identified and returned, if required.

In addition, some of Leipurin's customers and public authorities also implement their own quality assurance audits. In Finland, public authorities perform annual OIVA inspections. One of them was carried out at Leipurin's Vantaa facility in 2017. The grading received for the inspection was 5 out of 5. In 2016, there were two such assessments (grading 4/5 and 5/5, respectively).

Kauko

In addition to Aspo's HR policy, Kauko has its own operational guidelines, where, e.g., the principle of respecting others has been recorded. The personnel participate in the process of creating common rules of engagement.

The personnel are Kauko's most important asset, which is why HR-related risks, such as coping with and commitment to work, are essential for the company's operations. The availability of a competent workforce and recruitment of suitable persons also constitute risks.

Amidst the changes taking place in Kauko's business, it has been particularly important to look after the wellbeing and coping of personnel. Kauko invests resources into wellbeing at work, preventive measures and flexible work arrangements. The personnel are encouraged to have physical exercise, their career development is supported and training sessions and development discussions are arranged on a regular basis. Kauko also monitors job satisfaction through its own job satisfaction questionnaires, in addition to Aspo's annual surveys. The company also has an active employee workgroup developing and promoting different personnel-related projects.

HUMAN RIGHTS

Aspo treats its employees in a just and equal manner in all countries where it operates. The applicable local legislation and regulations are complied with in all contracts of employment. These concern, among other things, working hours, remuneration, opportunities, human rights and working conditions. There is a whistleblowing channel in place for reporting any human rights violations. The matters reported through the whistleblowing channel are received by the Group's Legal Counsel and discussed at Aspo's Board of Directors' meetings. In 2017, no confirmed cases of violation were reported through the channel. One case of discrimination was reported to HR, where a photograph targeting a single group of people was pinned on the notice board of an ESL Shipping vessel. The photograph was ordered to be removed, and the matter was discussed among the ship's personnel.

In the annual employee survey, the employees are asked if they are aware of the whistleblowing channel, where an opportunity is provided for reporting any observations. In the 2017 survey, 76% of employees said they were aware of the Group's internal whistleblowing procedure in possible misconduct situations. The objective is to make the entire personnel aware of the whistleblowing channel.

Aspo's Code of Conduct absolutely prohibits any discrimination of employees on the basis of race, color of skin, religion, gender, sexual orientation, nationality, age or any other factor. Aspo Group does not use child labor. Aspo is aware of the seriousness of the risk of human trafficking at the supply chain level and of the human rights violations related to conflict minerals, for example, in raw material trade. Aspo intends to further improve the supply chain monitoring in 2018 by carrying out audits, for example. In 2017, a Supplier Code of Conduct document was prepared in all Aspo's businesses for ensuring appropriate methods of operation.

ESL Shipping

Equality is a very important value for ESL Shipping. The respect and equal treatment of colleagues are basic requirements of activities. Although the crews of ESL Shipping's vessels mainly consist of Finnish persons, there are also mixed crews on the vessels. The crewing management company used by ESL Shipping has ISO 14001 and ISO 9001 quality certificates granted by DNV GL, and it also observes the international Maritime Labour Convention (MLC) independently verified by DNV. ESL Shipping is aware of the challenges related to mixed crews, and in order to obtain a deeper understanding on the subject, the company has participated in a survey regarding mixed crews in vessels operating under the Finnish flag.

The general job satisfaction of ESL Shipping's personnel has remained high for several years now, and its development is regularly monitored in the Group's empolyee surveys.

Telko

In its operations, Telko is paying attention to the respect of human rights in all countries where it operates. Responsible management of the supply chain is the key issue regarding suppliers. In China, for example, the purchasing officer in Telko's employment audits the suppliers' activities. Possible risks in human rights, like use of forced labor, are seen to be connected with the management of the supply chain.

Leipurin and Kauko

Most of the suppliers of Leipurin and Kauko are long-term partners. Any risks regarding human rights in the operations of Leipurin and Kauko are associated with the supply chain, and its responsible management is of pivotal importance for managing the risks. However, the risk is not considered to be too relevant with Kauko, because the company's supply chain mainly includes major companies with their own established processes and high standards of corporate responsibility
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ANTI-CORRUPTION AND ANTI-BRIBERY MEASURES

Aspo's Code of Conduct absolutely prohibit any activities fulfilling the characteristics of corruption or bribery. The annual Code of Conduct training applicable to all employees includes anti-corruption issues and provides guidance for identifying any suspicious situations and methods considered unethical. In 2017, two separate cases of suspected misconduct related to the company's own personnel were discovered in Telko's foreign units. They were thoroughly investigated, but did not lead to any legal actions. The persons concerned are no longer employed by the company. Aspo also has a whistleblowing channel in place for reporting any misconduct. No confirmed cases of corruption or bribery were reported in 2017.

Aspo is aware that it operates in countries like Russia, the Ukraine and Iran, where corruption is commonplace according to Transparency International. Cash, for example, is not handled at all in Aspo's business transactions in order to avoid any misconduct. Regarding risk surveys, Aspo carries out internal inspections of internal control and legal matters in its businesses. Training is also provided in order to improve the employees' motivation to utilize the whistleblowing channel.

In 2017, a Supplier Code of Conduct document was produced in all Aspo's businesses for ensuring appropriate methods of operation.

ESL Shipping

In the operating environment of ESL Shipping, the risks of corruption and bribery are primarily associated with major investments and acquisitions. Responsible management of the entire supply chain is the key in this respect.

Telko

In Telko's own operations and supply chain, the risks of corruption and bribery are primarily associated with operations in the eastern market. In addition to Aspo's Code of Conduct, Telko also has its own guidelines regarding bribery, and it complies with the Ethical and Business Principles of the European Association of Chemical Distributors FECC. Responsible management of the supply chain is carried out regarding Telko's suppliers, including risk assessments and audits of and self-assessments by the suppliers, as well as their own Codes of Conduct. Furthermore, Telko is also committed to observing its customers' requirements, and the suppliers are also reciprocally auditing Telko's operations.

Leipurin

For Leipurin, the key tool in anti-corruption and anti-bribery work is the responsible management of supply chain. The risk of corruption and bribery is present in its extensive supply chain including approximately 550 suppliers of different sizes.

Leipurin is committed to observing the Codes of Conduct of its customers, and in 2017, it also made preparations for introducing its own code.

Kauko

Kauko has not identified a relevant risk of corruption and bribery in its business operations, because the company's supply chain mainly includes major companies with their own established processes and high standards of corporate responsibility. Most of Kauko's suppliers are also its long-term partners.

DEVELOPMENT AND REPORTING OF RESPONSIBILITY

Aspo is committed to surveying the standard of responsibility, as well as the risks and obligations associated with its operations, in accordance with internationally accepted auditing methods. Aspo intends to join the Global Compact initiative during 2018, which for its part helps to develop the Group's risk management and to plan further actions.

This report was implemented in compliance with the requirements of the Finnish Accounting Act and EU Directive 2014/95/EU. The Board of Directors of Aspo approves and signs this information annually when approving the financial statements.

Helsinki, March 1, 2018

ASPO PLC
Board of Directors

CORPORATE GOVERNANCE

Aspo Plc's task is to own, lead and develop the operations of its subsidiaries and its structure, as well as to take care of issues related to financing and strategic planning.

Aspo's decision-making and administration comply with the Finnish Companies Act, securities market legislation, other regulations concerning public companies, Aspo Plc's Articles of Association, and the rules and regulations of Nasdaq Helsinki Ltd. Aspo follows the Finnish Corporate Governance Code, which is available on the Securities Market Association's website www.cgfinland.fi.

GROUP STRUCTURE

Aspo Group's parent company, Aspo Plc, is a Finnish public company domiciled in Helsinki. The main responsibility for Aspo Group's administration and operations lies with Aspo Plc's governing bodies, which are the Shareholders' Meeting, the Board of Directors and the CEO. The highest decision-making power is exercised by the shareholders at the Shareholders' Meeting.

Aspo Plc's task is to own, lead and develop the operations of its subsidiaries and other Group companies, centrally administer the Group companies, take care of issues related to financing and strategic planning, and plan and implement financially expedient investments.

The Group's operational business is carried out in the Group companies, ESL Shipping Ltd, Leipurin Plc, Telko Ltd and Kauko Ltd, and in their subsidiaries in Finland and abroad.

SHAREHOLDERS' MEETING

The Annual Shareholders' Meeting is arranged every year on a date set by the Board of Directors and it deals with the issues that are the Annual Shareholders' Meeting's responsibility as outlined in the Articles of Association, the proposals of the Shareholders' Nomination Board and the Board of Directors and possible other proposals to the Shareholders' Meeting. The Annual Shareholders' Meeting, for instance, approves the financial statements, elects the Board members and the auditor, and decides on profit distribution and the remuneration of the Board members and the auditor.

Shareholders are, according to the Companies Act, entitled to bring issues falling within the domain of the Shareholders' Meeting to be dealt with at the Shareholders' Meeting if they demand this in writing from the Board of Directors well in advance so that the issue can be included in the notice of the meeting.

The Board of Aspo Plc convenes the Shareholders' Meetings. The notice of the meeting is published in a stock exchange release and on the company's website not earlier than two months and not later than twenty-one (21) days prior to the meeting, however, at least nine (9) days prior to the record date for the shareholders' meeting. In addition, the Board of Directors may at their discretion decide to announce about the shareholders' meeting in one or several newspapers. In addition, the following information is published on the company's website 21 days before the Shareholders' Meeting at the latest:

- total number of shares and votes by share class on the date of the notice of the meeting
- documents to be presented to the Shareholders' Meeting
- decision proposal of the Board of Directors or some other competent body
- any issue that is included in the agenda of the Shareholders' Meeting but for which no decision is proposed

The decisions of the Shareholders' Meeting are published after the meeting in a stock exchange release. The minutes of the Shareholders' Meeting with the voting results and appendices related to the decisions are published on the company's website within two weeks of the Shareholders' Meeting.

SHAREHOLDERS' NOMINATION BOARD

Aspo has a permanent Shareholders' Nomination Board to prepare proposals to the Annual Shareholders' Meeting for the election and remuneration of the members of the Board of Directors and the remuneration of the Board committees. The Nomination Board comprises representatives of the four largest shareholders of the company and, in addition, the Chairman of the company's Board as an expert member.

The following representatives of the largest shareholders were members of the Nomination Board which prepared proposals for the Annual Shareholders' Meeting 2018: Reima Rytsölä, Chairman (Varma Mutual Pension Insurance Company); Veronica Timgren (Nyberg family, including Oy Havsudden Ab); Tapio Vehmas (Vehmas family) and Mikko Mursula (Ilmarinen Mutual Pension Insurance Company). In addition, Gustav Nyberg, Chairman of Aspo Board of Directors, has acted as an expert member of the Nomination Board.

BOARD OF DIRECTORS

According to the Articles of Association, Aspo Plc's Board of Directors comprises no fewer than five and no more than eight members. The number of members of the Board is determined at the Shareholders'

Meeting, where its members are also elected. The members of the Board of Directors elect a chairman and a vice chairman from amongst themselves. In the 2017 Annual Shareholders' Meeting, six Board members were elected. The term of the members ends at the conclusion of the Annual Shareholders' Meeting following the election.

The Board constitutes a quorum when more than half of the members, including either the chairman or vice chairman, are present. The duties and responsibilities of the Board of Directors are set out in the Articles of Association, the Finnish Companies Act and other applicable legislation. Aspo Plc's Board of Directors has confirmed written standing orders which state that the matters to be dealt with by the Board include, but are not limited to:

- Aspo Group's strategic guidelines and divisional strategies
- Group structure
- matters to be presented to Shareholders' Meetings
- interim reports and consolidated financial statements
- Group business plans, budgets and investments
- expanding and scaling back operations, acquisitions/divestments of companies or operations
- Group risk management, insurance and treasury policies
- Group environmental policy
- management remuneration and incentive plans
- appointment of the CEO
- monitoring the financial and financing situation of Aspo Group

The Board carries out an annual self-evaluation of its operations and working methods. In 2017, the Board of Directors arranged 10 meetings, of which four were teleconferences. The participation rate was 100.

Board committees

The Board has established an Audit Committee with the objective of preparing issues related to the company's financial reporting and control. The Audit Committee does not have independent decision-making authority, but the Board makes the decisions on the basis of preparations by the committee. The Audit Committee consists of the chairman and at least two members, whom the Board appoints from among the Board members for one year at a time. Until April 5, 2017, Roberto Lencioni acted as the chairman of the Audit Committee and Mammu Kaario, Mikael Laine and Salla Pöyry as committee members. Since April 5, 2017, Mammu Kaario has acted as the chairman of the Audit Committee and Mikael Laine, Salla Pöyry and Risto Salo as committee members.

The tasks of the Audit Committee are:

- monitoring the financial statements reporting process
- control of the financial reporting process
- monitoring the effectiveness of internal control, internal audit and risk management systems
- review of internal audit's plans and reports
- review of the description of the main principles related to the internal control and risk management systems over financial reporting process included in the company's Corporate Governance Statement
- monitoring the statutory audit of the financial statements and consolidated financial statements
- assessing the independence of the audit firm
- assessing the auxiliary services offered by the audit firm
- preparing the decision on the election of the auditor

The Audit Committee will convene regularly at least twice a year. In 2017, the Audit Committee had four meetings. The average participation rate was 100. Aspo has no other committees besides the Audit Committee.

Remuneration for Board members

The Annual Shareholders' Meeting decides on the remuneration and cost compensation principles for the Board members every year. The 2017 Annual Shareholders' Meeting confirmed the Chairman of the Board's monthly remuneration to be EUR 5,400. It was resolved that the Vice Chairman be paid a monthly remuneration of EUR 4,050 and the other members of the Board of Directors EUR 2,700 per month. It was also resolved that EUR 1,050 per meeting be paid to the Chairman of the Audit Committee and EUR 700 per meeting be paid to the members of the Audit Committee. If the Chairman of the Audit Committee is also the Vice Chairman or the Chairman of the Board of Directors, the fee paid to the Chairman of the Audit Committee is the same as that paid to members of the Audit Committee. Board members employed by or in a service relationship with an Aspo Group company are not paid a fee. Travel is compensated for in accordance with Aspo's travel policy.

In 2017, the Aspo Plc Board members received a total of EUR 296,737 in fees (including voluntary pension payments of the Board Chairman).

The majority of Aspo's Board members are independent of the company and its major shareholders.

Chairman of the Board

Gustav Nyberg, B.Sc. (Econ.), eMBA (61) has acted as the Chairman of the Aspo Plc's Board of Directors. Until the Annual Shareholders' Meeting April 5, 2017, Gustav Nyberg acted as the full-time Chairman of the Board.

Diversity on the Board of Directors

Aspo regards diversity on the Board of Directors as a significant part of sustainable operations, and a success factor that allows the company to reach its strategic goals. Diversity must be part of a functional Board of Directors which is able to work together and respond to the requirements set by the company's businesses and strategic goals, and to challenge the company's acting management in a proactive and constructive manner.

The Shareholders' Nomination Board prepares and presents the proposal for the composition of the Board of Directors to the Annual Shareholders' Meeting. When planning the composition of the Board of Directors, the Aspo Shareholders' Nomination Board takes into account of the needs and development phases of the company's businesses, as well as the competence areas required by different board committees. When selecting Board members, the objective is to ensure that the Board of Directors as a whole supports the development of Aspo's current and future business operations.

The chairman of the Board of Directors proposes the competence and know-how required from Board members to the Nomination Board so that each member can be assumed to have the required expertise and experience. The objective of the preparatory work of the Nomination Board is to ensure that the Board of Directors forms a functional whole.

Diversity on the Board of Directors is examined from different points of view. For the composition of Aspo's Board of Directors, key factors are competence, with each board member supplementing one another, education and experience in different business fields, management and operations in different development phases, as well as the personal characteristics of each member. In addition, diversity on the Board of Directors is supported by experience in an international operating environment and consideration of the age and gender distribution. The objective is that both genders are represented by at least two members. Aspo fulfills this objective.

Members of Aspo's Board of Directors must have the competence required for the position and the ability to allocate sufficient time to their tasks. When forming the Board of Directors, long-term needs and replacement planning are also taken into account. The composition of the Board of Directors and the number of members must enable the Board of Directors to work effectively.

Aspo owns and develops businesses belonging to the Group. The Boards of Directors of each subsidiary prepare and decide on the strategies of each business. The subsidiaries are independent of one another, and they have separate objectives, customer needs, capital structures and business cycles. Therefore, they need independent Boards of Directors that produce genuine added value for the development of the companies. Aspo's CEO acts as the chairman of the Boards of Directors of all subsidiaries. The aim is to find active top experts in their fields who are still actively engaged in business life for the Boards of Directors of the subsidiaries. Another aim is to follow the same level of diversity on the Boards of Directors of the subsidiaries as on the Aspo Board of Directors. Through their work, the Boards of Directors of the subsidiaries support diversity on the Board of Directors of Aspo.

CHIEF EXECUTIVE OFFICER

The Board of Directors appoints Aspo Plc's CEO. The CEO of Aspo is Aki Ojanen, eMBA (57). The CEO leads and develops the Group's business and is responsible for the operative management in accordance with the instructions of the Board of Directors. The CEO presents matters and reports to the Board of Directors. The CEO is responsible for the company accounting complying with applicable legislation and for the reliable arrangement of the company finances. He also serves as the Chairman of the subsidiary Boards and acts as the operational supervisor of the Managing Directors of the subsidiaries and Group administration. He is also responsible for internal audit and for Group risk management, which are coordinated by the CFO.

The terms of the CEO's employment relationship have been agreed in writing in the CEO agreement. 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. In 2017 the CEO was paid EUR 725,566 in salary, bonuses and fringe benefits. The share of bonuses for 2016 was EUR 82,298, the share of share-based payments was EUR 84,969 and the share of voluntary pension insurance payments was EUR 102,835.

GROUP EXECUTIVE COMMITTEE

The CEO is assisted by the Group Executive Committee, which is responsible for developing the strategic structure of Aspo Group and its earnings, as well as prepares the Group policies and common practices. The Group Executive Committee convenes at least six times a year.

In addition to the CEO, the Group Executive Committee in 2017 consisted of CFO Arto Meitsalo, Group Treasurer Harri Seppälä as well as Matti-Mikael Koskinen, Managing Director of ESL Shipping, Mikko Laavainen, Managing Director of Leipurin, Kalle Kettunen, Managing Director of Telko, Sami Koskela, Managing Director of Kauko and since March 1, 2017 Toni Santalahti, Director, Legal Affairs. In 2017, the Group Executive Committee received a total of EUR 2,695,587 in salaries, bonuses and fringe benefits. The share of bonuses for 2016 was EUR 283,677, the share of share-based payments was EUR 307,508 and the share of voluntary pension insurance payments was EUR 219,116.

REMUNERATION

Aspo Group has a result-based incentive plan, which was introduced in 2013. The Group has a personnel fund and all persons working at Aspo Group's Finnish companies are members of the fund. Aspo's business units pay part of their earnings as bonuses to the personnel. Employees may invest the bonus in the personnel fund or withdraw it in cash. The long-term goal of the funding system is that the personnel will become a significant shareholder group in the company.

Aspo Plc's management remuneration consists of the person's fixed monthly salary, a bonus depending on the profit impact of the respective position (short-term incentive program), management pension benefits and share-based payment plan (long-term incentive program).

Aspo Plc's Board of Directors makes decisions on the salaries, other financial benefits, and the basis of the bonus plan and the share-based payment plan for Aspo's CEO and the Group Executive Committee members.

Bonus plan based on the company result (short-term incentive program)

Aspo has a result-based incentive plan for the management. The maximum bonus may differ up to a sum equivalent to three to eight months of the person's salary. The maximum bonus of the CEO is a sum equivalent to eight months' salary.

The criteria used in the bonus plan include annual requirements and the development preconditions of the area for which the person has responsibility. The fulfilling of the bonus plan criteria is monitored annually. The criteria and payments paid according to the criteria are approved by Aspo Plc's Board of Directors. Bonuses recognized annually are paid after the completion of the annual financial statements

Share-based incentive plan 2015–2017 (long-term incentive program)
The Board of Directors of Aspo Plc approved a share-based incentive plan in 2015. The aim of the plan was to combine the objectives of the shareholders and those within the plan in order to increase the value of the company, to commit the persons to the company, and to offer them a competitive incentive plan based on a long-term holding of the company's shares.

The plan included three earnings periods, the calendar years 2015, 2016 and 2017. The prerequisite for participation in the plan and for receipt of reward on the basis of earnings period 2017 was that a person acquired the company's shares, or held the company's shares, up to the number predetermined by the Board of Directors. Aspo's Board of Directors decided on the plan's performance criteria and required performance levels for each criterion at the beginning of each earnings period.

Further information of remuneration and incentive plans on Remuneration statement at www.aspo.com.

Supplementary pensions
The Chairman of the Board of Directors was eligible for a defined contribution pension insurance plan until he acted as a full-time chairman, April 5, 2017. The CEO and two members of the Group Executive Committee at Aspo Plc are eligible for a defined contribution pension insurance plan. The retirement age is the lowest possible retirement age less three years whereupon the payment of contribution ends. The receiving of a pension ends at the age of 75. The pension is determined in accordance with the accumulated insurance savings at the time of retirement. The start of receiving the pension can be postponed, at most, until the age of 70. In that case, the pension is determined on the basis of insurance savings adjusted in accordance with the value development of related investment objects.

If the person's employment to the company ends before the contractual retirement age, the person is entitled to a paid-up policy – a paid-up insurance that corresponds to insurance savings accumulated by the end of the person´s employment. The person is always entitled to a paid-up policy that corresponds to his or her own share of contribution.

In 2017, on the part of the Chairman of the Board the cost of the group pension insurance plan totaled EUR 25,748 and it is included in his total remuneration. On the part of the CEO the cost of the group pension insurance plan totaled EUR 102,835 or 16% of the annual employee benefit expense. The costs of the voluntary group pension insurance plans totaled EUR 219,116.

AUDIT

According to the Articles of Association, the Annual Shareholders' Meeting elects the auditor, which must be an audit firm approved by the Central Chamber of Commerce. The term of the auditor ends at the conclusion of the Annual Shareholders' Meeting following the election.

The auditor elected by the Shareholders' Meeting is responsible for instructing and coordinating the auditing work throughout the Group. The auditor provides the company's shareholders with the auditor's report in connection with the financial statements, in accordance with legislation. The Board also receives other possible auditing reports.

The 2017 Annual Shareholders' Meeting elected Ernst & Young Oy as the auditor. APA Harri Pärssinen acted as the principal auditor. In 2017, companies belonging to the EY chain in Finland and abroad were paid a total of approximately EUR 246,000 in compensation for performing audits for Aspo Group. In addition, other services from EY were acquired for approximately EUR 87,000.

INTERNAL CONTROL

Aspo's internal control includes the control that is built in to the business processes, the Group's management system and financial reporting covering the entire Group. Internal control is an integral part of the company's management, risk management and administration. The aim of internal control is to create sufficient certainty of goals and objectives being reached in the following issues:

- operational profitability and efficiency, and capital management
- reliability and integrity of financial and operational information
- compliance with laws, regulations and agreements, as well as ethical principles and social responsibility
- safeguarding and responsible management of assets and brands

The responsibility to arrange the internal control lies with Aspo Plc's Board of Directors and the CEO both at Group and business unit level. The Board is responsible to the shareholders and the CEO to the Board. The chain of responsibility continues throughout the organization so that each Aspo employee is responsible to his/her superior for control over his/her responsibility area. Group company controllers have monitoring responsibility concerning compliance with legislation and Group instructions. As well as to the subsidiary management, they also report to the CFO. The CFO reports to the CEO and Board on possible findings. The internal audit function supports the Group management in their control task and the aim is to offer Board sufficient assurance that the internal control is working.

FINANCIAL REPORTING

The control over financial reporting is based on monitoring of business processes. The information for financial reporting is created as business processes progress, and the responsibility for correct information is shared by all participants in the process. The financial reporting process is decentralized and monitored by the Audit Committee.

The financial statements of the Group are compiled according to the IFRS standards; those of the parent company and Finnish subsidiaries according to the Finnish accounting standards. Each separate company complies with the legislation of the country where it is located, but reports based on Aspo's internal accounting instructions. Separate companies may have their own chart of accounts, but all information is consolidated on the basis of a common chart of accounts to the segment level, where their reliability is assessed before the information is transferred to the Group level. Aspo Group's financial information is verified and its quality assessed on monthly basis. At each phase the unit responsible for the quality and preparation of information will assess its reliability. The Group-level monitoring and reconciliation mechanisms are used on both monthly and quarterly bases.

The systems required for financial reporting are decentralized and used according to the principles of internal control. Achieving the set targets is monitored on a monthly basis with the Group's consolidation and reporting system. In addition to actual and comparative figures, the system provides up-to-date forecasts. The reports are provided to the Aspo Board of Directors monthly. The Board of Directors assesses the Group's position and future based on the provided information. The Board of Directors is responsible for the contents and publication of the financial statements.

Besides the Audit Committee, the reliability of reporting and processes are assessed by an independent, external audit firm.

INTERNAL AUDIT

The purpose of internal audit is to support assessment and assurance of the Group to verify the efficiency of risk management, control, management and administration. Internal audit assists the management and the organization in ensuring the achievement of the Group targets and ensuring the effectiveness and development of the control system.

The Board of Directors approves the principles of internal audit as part of internal control. The Group CFO is responsible for the coordination of internal audit, and reports the findings to the CEO, the Audit Committee and the Board of Directors. Internal audit is organized corresponding to the size of the Group. Additional resources and special skills will be purchased for demanding assessments if needed. The target is to perform several risk-based audits annually. The audits are based on risk assessment as defined in the risk analyses of individual business units. The objects of the audit assessment and assurance are profitability and efficiency of operational activities, reliability of financial and operational reporting, compliance issues and safeguarding of assets.

The Audit Committee monitors the operations and efficiency of the company's internal audit in its meetings. The committee also deals with the plans and reports of the internal audit.

RISK MANAGEMENT

The target of risk management is to ensure the implementation of Group strategy, development of financial results, shareholder value, dividend payment ability and business continuity. The operational management of the business units is responsible for risk management. They are also responsible for determining sufficient measures and their implementation, and for monitoring and ensuring that the measures are implemented as part of daily management of operations. Risk management is coordinated by the Group CFO, who reports to the CEO.

The Audit Committee monitors the efficiency of the risk management systems and deals with the plans and reports of the risk management.

Each business unit has a separate risk management program. Business risks and their management are dealt with in the business unit management teams. The functions common to the whole Group will ensure that sufficient risk assessment and reporting procedures are incorporated into the processes they are responsible for. In terms of certain risks, the risk management principles and main content have been defined in Group-level policies and guidelines. Group administration is responsible for Group-level insurance plans.

Risk management is essentially based on the aforementioned procedures of internal control, where the chain of responsibility extends throughout the Group. The most important factors in business risk management are a profound understanding of the business and command of the tools which are used for daily business operations and their management. Characteristic risks in each business area are identified in the business units, assessed in the business unit management teams, and reported to the subsidiary Boards and, if need be, also to the Aspo Board of Directors or the Audit Committee. Aspo's CEO acts as the Chairman of the Boards of the subsidiaries.

Risks are continuously assessed and their management is discussed in the business unit management teams. Risk assessments are updated according to Aspo's management policy and the most noteworthy findings are presented in the quarterly interim reports. Larger projects always include a separate risk analysis. The most significant risks for the Group are assessed once a year and the results are presented in the annual report.

Financial risks, their management principles and related organization are presented in the notes to the financial statements.

INSIDER MANAGEMENT

Aspo Group follows Nasdaq Helsinki Ltd's insider instructions. Aspo Plc's permanent insiders list include the members of the Board and Group Executive Committee, company's auditor and other persons with regular access to inside information. The persons discharging managerial responsibilities include the members of the Board and the Group Executive Committee. In addition, a project-specific insider register is kept on persons participating in the preparation of insider projects.

Permanent insiders and the persons discharging managerial responsibilities are not allowed to trade in securities issued by the company for 30 days before the publication of interim reports or financial statements releases. Project-specific insiders are not allowed to trade in securities issued by the company until the termination of the project. The Group CFO is responsible for the control and monitoring of insider issues.

Aspo Plc's Corporate Governance Statement and a Remuneration statement for 2017 have been published on Aspo's website www.aspo.com.

BOARD OF DIRECTORS

DECEMBER 31, 2017

GUSTAV NYBERG
Chairman of the Board since 2009
Member of the Board since 2008
B.Sc. (Econ.), eMBA, born 1956

Dependent on the company and its major shareholders

Key Work Experience
CEO, Aspo Plc 1999–2008
Management positions, Elfa International Ab 1985–1995
Management positions, Finnboard 1979–1984

Key Positions of Trust
Member of the Board: Foundation for Economic Education, Stiftelsen Svenska handelshögskolan, Oy Havsudden Ab
Member of the Negotiation body: The Finnish Lifeboat Institution
Member of the Consultative Committee: Meripuolustussäätiö

Holdings and Remuneration
Shareholdings in Aspo on December 31, 2017: 731,667 or 2.36% of the total number of shares, Oy Havsudden Ab: 3,142,941 shares or 10.15% of the total number of shares.
Aspo´s hybrid bond 2016: Oy Havsudden Ab EUR 1.9 million
No holdings or rights based on share-based incentive plans.
Remuneration in 2017: EUR 117,187 (including voluntary pension insurance until April 5, 2017)

MAMMU KAARIO
Member of the Board since 2012
Member of the Audit Committee since 2012
Chairman of the Audit Committee since 2017
LL.M, MBA, born 1963

Independent of the company and its major shareholders

Key Work Experience
Managing Director, Partnera Oy 2016–2017
Investment Manager, Korona Invest Oy 2011–2015
Partner, Unicus Oy 2005–2010
Director, Conventum Corporate Finance Oy 1998–2004
Vice President, Prospectus Oy 1994–1998
Vice President, Kansallis-Osake-Pankki 1988–1994

Key Positions of Trust
Chairman of the Board: PerusTerveys Suomi Oy, SstatzZ Oy
Vice Chairman of the Board: Ponsse Plc
Member of the Board: Suomen Hoivatilat Oyj, CapMan Plc, Robit Plc

Holdings and Remuneration
Shareholdings in Aspo on December 31, 2017: 10,000 or 0.03% of the total number of shares.
Aspo´s hybrid bond 2016: EUR 0.1 million.
No holdings or rights based on share-based incentive plans.
Remuneration in 2017: EUR 33,600

MIKAEL LAINE
Member of the Board since 2016
Member of the Audit Committee since 2016
M.Sc. (Econ.), born 1964
SVP, Strategy, Cargotec Corporation, 2014–

Independent of the company and its major shareholders

Key Work Experience
President & CEO, Moventas Group 2012–2013
SVP, Business Development and Corporate Functions, Moventas Group 2008–2012
CEO, YAP Solutions Oy 2005–2008
CFO and other management positions Sonera Oyj 1996–2005
CFO, Oy Mikrolog Ltd 1995–1996

Key Positions of Trust
Member of the Board: Cargotec Korea Ltd, Kehityssijoitus Laine Oy
Member of the Honorary Delegation: KY – Aalto University Business Students

Holdings and Remuneration
Shareholdings in Aspo on December 31, 2017: 5,000 or 0.02% of the total number of shares.
No holdings or rights based on share-based incentive plans.
Remuneration in 2017: EUR 32,900

ROBERTO LENCIONI
Member of the Board since 1999
Vice Chairman of the Board since 2015
LL.M., born 1961
Managing Director, Oy Gard (Baltic) Ab, 2003–

Independent of the company and its major shareholders

Key Work Experience
Management positions, Oy Baltic Protection Ab 1990–2002
Managing Director, Oy Baltic Insurance Brokers Ab 1994–2001
Sales Manager, Aspocomp Oy 1988–1990
Group Lawyer, Aspo Group 1986–1987

Key Positions of Trust
Member of the Board: VR-Group Ltd

Holdings and Remuneration
Shareholdings in Aspo on December 31, 2017: 10,687 or 0.03% of the total number of shares.
Aspo´s hybrid bond 2016: EUR 0.3 million
No holdings or rights based on share-based incentive plans.
Remuneration in 2017: EUR 47,250

SALLA PÖYRY
Member of the Board since 2016
Member of the Audit Committee since 2016
D.Sc. (Econ.), CEFA, born 1984
Chairman of the Board (Managing Director), Procurator-Holding Oy 2015–

Independent of the company and its major shareholders

Key Work Experience
Doctorate student, Svenska handelshögskolan Hanken 2010–2014
Financial analyst, Vicus Capital Advisors 2008–2010
Financial analyst trainee, Stora Enso Corporate Accounting 2005

Key Positions of Trust
Member of the Board: Finnish Foundation for Technology Promotion, Procurator-Holding Oy, Jaakko Pöyry Holding Oy

Holdings and Remuneration
Shareholdings in Aspo on December 31, 2017: 1,000 or 0.003% of the total number of shares, Procurator-Holding Oy: 470,969 or 1.52% of the total number of shares.
No holdings or rights based on share-based incentive plans.
Remuneration in 2017: EUR 32,900

RISTO SALO
Member of the Board since 2008
Member of the Audit Committee since 2017
M.Sc. (Tech.), born 1951
Chairman of the Board, Hollming Ltd, 2005

Independent of the company and its major shareholders

Key Work Experience
President, Hollming Oy 1992–2005
Management positions, Finnyards Oy 1992
Management positions, Hollming Ltd 1977–1991

Holdings and Remuneration
Shareholdings in Aspo on December 31, 2017: 165,160 or 0.53% of the total number of shares, Ratius Ltd 572 or 0.002% of the total number of shares.
No holdings or rights based on share-based incentive plans.
Remuneration in 2017: EUR 32,900

GROUP EXECUTIVE COMMITTEE

MARCH 1, 2018

AKI OJANEN
CEO, Aspo Plc, 2009–
eMBA, born 1961

Key Work Experience
COO, Aspo Plc 2007–2008
General Director, Itella Logistics Oy 2005–2007
CEO, Kuusakoski Oy 2003–2005
Management positions, Kuusakoski Oy 1999–2003
General Manager, Canon North-East Oy 1996–1998
Management positions, Canon Oy 1988–1996

Key Positions of Trust
Chairman of the Board: Sitowise Oy, ESL Shipping Ltd, Leipurin Plc, Telko Ltd, Kauko Ltd
Vice Chairman of the Board: 3Step IT Group Oy
Member of the Board: East Office of Finnish Industries Ltd, Finnish Coal info Hiilitieto ry, 4client Oy

Holdings
Shareholdings in Aspo on December 31, 2017: 30,741 or 0.10% of the total number of shares

KALLE KETTUNEN
Managing Director, Telko Ltd, 2009–
M.Sc. (Tech.), MBA, born 1964

Key Work Experience
Managing Director, Eka Chemicals Ltd 2003–2009
Marketing Director Europe, Eka Chemicals Ab 2007–2009
Managing Director, Eka Chemicals Suzhou (China) Ltd 2001–2002
Sales management positions, Eka Chemicals Ltd 1995–2000
Production Manager, Yhtyneet Paperitehtaat Plc 1990–1995

Key Positions of Trust
Member of the Board: Association of Finnish Technical Traders
Deputy member of the Board: East Office of Finnish Industries Ltd

Holdings
Shareholdings in Aspo on December 31, 2017: 29,529 or 0.10% of the total number of shares

MATTI-MIKAEL KOSKINEN
Managing Director, ESL Shipping Ltd, 2013–
M.Sc. (Econ.), born 1972

Key Work Experience
Managing Director, Meriaura Ltd 2007–2013
Chartering Manager, Deputy Managing Director, Meriaura Ltd 2004–2006
Consultant, The World Bank 2004
Project researcher, Turku School of Economics and Business Administration 2003–2004

Key Positions of Trust
Vice Chairman of the Board: Finnish Shipowners´ Association, Finnish Coal info Hiilitieto ry
Member of the Board: Finnish Waterway Association, International Chamber of Shipping Limited

Holdings
Shareholdings in Aspo on December 31, 2017: 26,029 or 0.08% of the total number of shares

MIKKO LAAVAINEN
Managing Director, Leipurin Plc, 2016–
M.Sc. (Econ.), born 1973

Key Work Experience
Management positions, Raisio plc 2006–2015
Marketing Director, Danone Group 2002–2005
Brand Manager, Hackman Group, Iittala 2000–2002
Assistant Nordic Brand Manager, Unilever, Van den Bergh Foods Nordic 1998–1999

Holdings
Shareholdings in Aspo on December 31, 2017: 8,600 or 0.03% of the total number of shares

ARTO MEITSALO
CFO, Aspo Plc, 2009–
Managing Director,
Aspo Services Ltd, 2013–
Acting Managing Director, Kauko Ltd, 2018–
M.Sc. (Econ.), born 1963

Key Work Experience
Managing Director, Kauko-Telko Ltd 2008
CFO, Kauko-Telko Ltd 2007
Director, Kaukomarkkinat Ltd 2005–2007
Group Controller, Kaukomarkkinat Ltd 2002–2005
Financial Accountant, Bank of Finland 1993–2002
Financial Accountant, Kaukomarkkinat Ltd 1989–1993

Key Positions of Trust
Member of the Board: Silmäsäätiö
Member of the Committee: Federation of Finnish Commerce, Trade Policy Committee, The Association of Finnish Technical Traders, Finance Committee

Holdings
Shareholdings in Aspo on December 31, 2017: 30,768 or 0.10% of the total number of shares

TONI SANTALAHTI
Director, Legal Affairs, Aspo Plc, 2017–
LL.M, born 1971

Key Work Experience
Group Legal Counsel, Aspo Plc 2009–2017
Administrative Manager/Corporate Lawyer, Kauko-Telko Ltd 2006–2009
Lawyer, Kaukomarkkinat Ltd 2004–2006
Credit Manager, Kaukomarkkinat Ltd 1999–2006

Holdings
Shareholdings in Aspo on December 31, 2017: 8,457 or 0.03% of the total number of shares

HARRI SEPPÄLÄ
Group Treasurer, Aspo Plc, 2008–
EMBA, born 1964

Key Work Experience
Senior Vice President, Sampo Bank Plc 2006–2007
First Vice President, Sampo Bank Plc 1999–2006
Management positions, Postipankki 1989–1999

Key Positions of Trust
Chairman of the Board: Suomen Valmisremontit Oy

Holdings
Shareholdings in Aspo on December 31, 2017: 55,100 or 0.18% of the total number of shares

In addition, the Group Executive Committee was included in 2017:
Sami Koskela, Managing Director, Kauko Ltd until January 9, 2018

ASPO SUBSIDIARIES' BOARD OF DIRECTORS

DECEMBER 31, 2017

ESL SHIPPING LTD

Aki Ojanen
Chairman of the Board since 2009

Mikko Niini
M.Sc. (Tech.)
Member of the Board since 2012
Chairman of the Board: Navidom Oy, Rauma Marine Constructions Oy

Kimmo Nordström
Member of the Board since 2016
Chairman of the Board, Containerships Ltd Oy

Ulla Tapaninen
Ph.D., docent
Member of the Board since 2012
Senior Advisor, City of Helsinki

LEIPURIN PLC

Aki Ojanen
Chairman of the Board since 2009

Jukka Havia
M.Sc. (Econ.)
Member of the Board since 2014
Interim President and CEO, Chief Financial Officer, Tikkurila Oyj

Kaisa Poutanen
D.Sc. (Tech.)
Member of the Board since 2014
Research Professor, VTT Technical Research Centre of Finland

Esa Rautalinko
M.Sc. (Econ.)
Member of the Board since 2017
Managing Director, Örum Oy Ab

Harri Sivula
M.Sc. (Admin.)
Member of the Board 2010–2013 and since 2014
Acting Managing Director and Chairman of the Board: Tokmanni Plc

TELKO LTD

Aki Ojanen
Chairman of the Board since 2009

Anders Dahlblom
M.Sc. (Econ.), CEFA
Member of the Board since 2017
Vice President and Managing Director, Paroc Group Oy

Elina Piispanen
M.Sc. (Econ.)
Member of the Board since 2017
Chief Transformation Officer, Sanoma Media Finland

Irmeli Rytkönen
LL.M.
Member of the Board since 2017
CEO, Gigantti Oy Ab

KAUKO LTD

Aki Ojanen
Chairman of the Board since 2009

Pirja Heiskanen
M.Sc. (Tech.), Ph.D.
Member of the Board since 2012
Vice President, Futurice Ltd

Juha Pankakoski
M.Sc. (Eng.), eMBA
Member of the Board since 2015
Executive Vice President, Technologies, Konecranes Plc

FINANCIAL STATEMENTS AND ANNUAL REPORT 2017

ANNUAL REPORT 2017

Aspo is a conglomerate that owns and develops business operations in northern Europe and growth markets, focusing on demanding B-to-B customers. Aspo's strong corporate brands – ESL Shipping, Leipurin, Telko and Kauko – aim to be market leaders in their sectors. Subsidiaries are responsible for their own operations and customer relationships, and the development of these. Together they generate Aspo's goodwill. Aspo's Group structure and business operations are continually developed without any predefined schedule.

Aspo's operating segments are: ESL Shipping, Leipurin, Telko, and Kauko. Other operations include Aspo Group's administration, the financial and ICT service center, and a small number of other operations not covered by business units.

MARKET OVERVIEW

The general market uncertainty decreased both in the western and eastern markets during 2017. Industrial production increased in the main market areas of Aspo's business operations. The raw material prices important for Aspo remained unchanged or increased. The Russian national economy, important for Aspo's businesses, started growing and the exchange rate fluctuations decreased. Global prices of dry bulk cargo, which are especially important for the shipping company, increased, but are still at a low level. The global economy is expected to continue its growth. However, general political risks have increased, which may have a rapid impact on the operating environment or reduce free trade in the longer term.

NET SALES

Aspo Group's net sales increased from the previous year, being EUR 502.4 million (457.4).

Net sales grew in all segments and all market areas. In relative terms, net sales grew the most in the Baltic region. In the market area of Russia, Ukraine and other CIS countries, net sales grew throughout the year, even though growth slowed down towards the end of the year.

FINANCIAL PERFORMANCE

Aspo Group's operating profit amounted to EUR 23.1 million (20.4). ESL Shipping's operating profit increased to EUR 13.5 million (12.6). The operating profit of Leipurin improved to EUR 3.1 million (2.0) including a sales gain of EUR 0.4 million from the divestment of the meat industry raw materials business and compensation related to Leipurin's project delivery completed in 2014, including processing fees, totaling EUR -0.5 million. Telko's operating profit increased to EUR 10.8 million (10.1) including EUR -0.6 million in costs arising from the discontinued terminal project in St. Petersburg and personnel arrangements. The operating result of Kauko amounted to EUR -0.2 million (-0.1). A EUR 0.3 million impairment loss of commission receivables related to previously divested business operations reduced the operating result. The operating result of other operations increased slightly and was negative at EUR -4.1 million (-4.2).

Earnings per share were EUR 0.56 (0.49) for the financial year. Equity per share was EUR 3.67 (3.75).

More information about the Group's key figures and their calculation principles are available from the table of key figures in the consolidated financial statements.

FINANCIAL TARGETS

Aspo's objective is to reach an average return on equity of over 20%, gearing of up to 100% and an operating profit of 7% with the current structure by 2020.

The operating profit rate for the financial year was 4.6% (4.5), return on equity was 17.1% (14.6), and gearing was 103.9% (89.8).

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 company's fleet consisted of 18 units, of which the company owned 13. One vessel was operated under a long-term lease agreement and four smaller vessel units were time-chartered.

ESL Shipping's service range is based on the company's ability to operate effectively and reliably in ice regions and to load and unload ships at sea. Transportation operations in the Baltic Sea and the North Sea are based on long-term customer agreements and established customer relationships.

The general market prices of dry bulk cargo continued to increase in 2017 but turned to a decrease towards the end of the year, ending up close to the level at the end of previous year. Cargo price levels are still fairly low when examined in the long term.

In 2017, ESL Shipping improved its profitability, and its operating profit stood at EUR 13.5 (12.6) million. Its net sales grew by 11% to EUR 79.3 (71.4) million. In 2017, the cargo volume carried by ESL Shipping amounted to 11.4 (10.7) million tons. The increase in the cargo volume was largely attributable to the distances traveled by Supramax vessels being shorter than in the previous year. As a result of the agreement situation being better than in the comparative period, the Supramax vessels produced profit.

As part of its growth strategy, the shipping company launched new operations during autumn in the Baltic Sea and the North Sea regarding a smaller vessel class. These operations support the flexible service offered to existing customers, regardless of the transportation batch size, and enable the shipping company to expand its portfolio to new customers and material flows. When expanded, the operating model will tie up less capital and increase the operating profit, while it may decrease the operating profit rate. The operations have been profitable and developed in accordance with the internal goals set.

The shipping company's project to build the world's first two LNG-fueled dry cargo vessels has proceeded as planned, and its cooperation with Sinotrans & CSC Jinling shipyard has been productive. The new vessels will start operations during the first half of 2018. The unique autonomous load handling solution of the vessels will improve safety and efficiency at ports. The building project is part of the Bothnia Bulk project funded partly by the EU. The EU supports energy-efficiency and environmental investments in ships. During

NET SALES BY SEGMENT

	2017 MEUR	2016 MEUR	Change MEUR	Change %
ESL Shipping	**79.3**	71.4	7.9	11.1
Leipurin	**122.3**	112.7	9.6	8.5
Telko	**262.2**	240.3	21.9	9.1
Kauko	**38.6**	33.0	5.6	17.0
Other operations	**0.0**	0.0	0.0	
Total	**502.4**	457.4	45.0	9.8

NET SALES BY MARKET AREA

	2017 MEUR	2016 MEUR	Change MEUR	Change %
Finland	**160.8**	149.4	11.4	7.6
Scandinavia	**50.6**	47.5	3.1	6.5
Baltic countries	**58.8**	50.4	8.4	16.7
Russia, Ukraine + other CIS countries	**164.9**	145.6	19.3	13.3
Other countries	**67.3**	64.5	2.8	4.3
Total	**502.4**	457.4	45.0	9.8

OPERATING PROFIT BY SEGMENT

	2017 MEUR	2016 MEUR	Change MEUR	Change %
ESL Shipping	**13.5**	12.6	0.9	7.1
Leipurin	**3.1**	2.0	1.1	55.0
Telko	**10.8**	10.1	0.7	6.9
Kauko	**-0.2**	-0.1	-0.1	-100.0
Other operations	**-4.1**	-4.2	0.1	2.4
Total	**23.1**	20.4	2.7	13.2

INVESTMENTS BY SEGMENT EXCLUDING BUSINESS ACQUISITIONS

	2017 MEUR	2016 MEUR	Change MEUR
ESL Shipping	**16.8**	5.0	11.8
Leipurin	**0.5**	0.3	0.2
Telko	**0.5**	1.4	-0.9
Kauko	**0.1**	0.0	0.1
Other operations	**0.1**	0.2	-0.1
Total	**18.0**	6.9	11.1

2016–2019, ESL Shipping will receive at most EUR 5.9 million in subsidies. In addition to ESL Shipping, the Bothnia Bulk project involves SSAB Europe Oy, Luleå Hamn AB, Oxelösund Hamn AB, Raahen Satama Oy and Raahen Voima Oy. The EU funding has been awarded from the Connecting Europe Facility Transport instrument.

The shipping company negotiated the manning of its new vessels and the opportunity to have the vessels under the Finnish flag with shipping trade unions. The parties reached an agreement that enables at least the first vessel to be registered in Finland. In order to secure competitiveness in the long term and the availability of a competent crew, the company also agreed to expand the mixed crews of its current vessels through natural employee turnover and the new job opportunities offered by the new vessels. In 2017, two vessels turned to mixed crews in accordance with the agreement.

During the financial period, four vessels were docked as planned. One vessel was taken out of service for 12 days of maintenance due to extensive crane damage. Maintenance costs and the deductible of the insurance indemnity for the repairs have been recognized as expenses for the financial period.

Leipurin

Leipurin is a unique provider of solutions for bakery and confectionery products, the food industry and the out of home (OOH) market. The solutions offered by Leipurin range, for example, from product development, recipes, raw materials, training and equipment all the way to the design of sales outlets. As part of its full-range services, Leipurin designs, delivers and maintains production lines for the baking industry, baking units and other machinery and equipment required in the food industry. Leipurin uses leading international manufacturers as its raw material and machinery supply partners. Leipurin operates in Finland, Russia, the Baltic countries, Poland, Ukraine, Kazakhstan and Belarus.

In 2017, the economy and the consumer purchasing power developed positively in Finland and in the western

OPERATING PROFIT
%

RETURN ON EQUITY
%

GEARING
%

markets. In the eastern markets, the economies and the purchasing power of consumers started to increase. The consumer prices of food products increased slightly in Finland and the eastern markets. In Russia, the rate of inflation was low, and the purchasing power of consumers and retail volumes were growing. The prices of raw materials important to Leipurin showed variation from one raw material group to another. All in all, prices were at the level of the previous year. The snack product market is growing in all market areas.

The net sales of Leipurin amounted to EUR 122.3 (112.7) million. The operating profit was EUR 3.1 (2.0) million, including a sales gain of EUR 0.4 million from the divestment of the meat industry raw materials business and compensation related to Leipurin's project delivery completed in 2014, including processing fees, totaling EUR -0.5 million. Net sales in Russia, Ukraine and other CIS countries amounted to EUR 35.0 (30.6) million. Profitability in this market area improved to 8% (7).

The net sales of raw material operations increased by 3.4% from the previous year. A change has taken place in Russia, as a result of which bakeries are no longer responsible for retail bread wastage; instead, any unsold bread is covered by the retail industry. This change has significantly reduced the manufacture of packed bread. Investments in expanding to the OOH market decelerated the development of the operating profit of raw material operations, in particular. To support OOH operations, Leipurin operates G'lato Fresco gelateria in Helsinki and two cafés related to test bakery operations in Espoo. These three units act as conceptual models for the entire operating area of Leipurin.

A turn for the better was seen in machinery operations' result. The Russian economic crisis at the end of 2014 cut off machinery sales to Russia. Leipurin turned to new market areas in Europe and outside Europe. At the beginning of 2017, the order book for Leipurin's own production reached a record level, and the machinery business has stabilized the profitability level of its operations. The number of deliveries increased at the end of the year. At the end of the financial year, the order book was at a good level, covering the first half of 2018.

In 2017, Leipurin divested its meat industry raw materials business to MP Maustepalvelut Oy. The yearly effect of the divestment in Leipurin's net sales is approximately EUR 4 million. A EUR 0.4 million sales gain was recognized from the divestment.

Telko

Telko is a leading expert and supplier of plastic raw materials and industrial chemicals. Business is based on representation of the best international principals and on the expertise of the personnel. Telko has subsidiaries in Finland, the Baltic countries, Scandinavia, Poland, Russia, Belarus, Ukraine, Kazakhstan, Azerbaijan, China and Iran.

The general development in the market environment has continued to be positive in Telko's operating countries. Particularly in Russia, economy and industrial investments have turned to an increase. Industrial production is growing in the western markets. Compared with the previous year, the price level of high-volume plastics remained unchanged, but the prices of technical plastics were higher. The price level of industrial chemicals was stable, slightly higher than in the comparison period.

In 2017, Telko's net sales reached a new record, being EUR 262.2 (240.3) million. The net sales increased rapidly during the first half of the year and evened out towards the end of the year. During the second half, the increase in net sales was limited by measures taken to improve profitability. Operating profit improved to EUR 10.8 (10.1) million. The operating profit for 2017 includes EUR 0.6 million in costs arising from the discontinued terminal project in St. Petersburg and personnel arrangements.

In 2017, net sales in the eastern markets grew by 11% to EUR 123.6 (110.8) million. In Russia, net sales increased by 14%, in Ukraine by 3% and in the western markets by 8%. In the eastern markets, operating profit rate was less than 5%.

Sales volumes in the eastern markets increased but the growth was slowed down towards the end of the year due to measures taken as a result of a customer analysis conducted in summer 2017. Low-margin products were repriced and part of the customer volume was discontinued, which slowed down the growth.

In addition, other activities carried out in 2017 to improve profitability were completed by the end of the year. The logistics terminal project planned in St. Petersburg was discontinued, and logistics functions have been organized using external partners.

Kauko

Kauko is a specialist in demanding mobile knowledge work environments. It supplies the best tools, solutions for improving productivity and services for securing effective use for the needs of industries, logistics, healthcare sector and the authorities. Kauko solutions combine customized applications, devices and services. Its product range also includes products that improve energy efficiency. Kauko's key market area is Finland.

The recovered economic situation in Finland was reflected in an increase in the number of smaller deliveries. In addition, Finland's 100th centenary and investments in visual and lighting systems accelerated the sale of AV products. The migration from fossil to renewable forms of energy sharply increased the sales of the energy sector.

In 2017, Kauko's net sales grew by 17% to EUR 38.6 (33.0) million. Its operating result stood at EUR -0.2 (-0.1) million. A EUR 0.3 million impairment loss of commission receivables related to previously divested business operations reduced the operating result. The net sales of energy-efficiency equipment increased by 26% from the comparative period to EUR 14.5 (11.5) million, with growth coming especially from solar power systems. The net sales of project operations in China stood at EUR 6.5 (3.3) million and the net sales of mobile knowledge work were EUR 17.6 (18.1) million.

In line with its strategy, Kauko continued recruiting key personnel and expanding the range of services provided by the company. Kauko is investing resources in the development and sales of solutions for mobile knowledge work. During the year, two certified computers designed by Kauko and built in Germany were launched for the healthcare sector. These computers meet the product safety requirements set for the EU area.

The first agreements of solution operations were concluded in 2017. The sales of information technology equipment and special computers and tablets for demanding environments was at a good level. The sales of solar power energy systems continued its significant growth during the year.

In 2017, the decision was taken to discontinue the activities in China.

In 2017, Kauko took legal action in civil court against two former employees due to breaches of the non-compete clauses.

After the financial year, Managing Director Sami Koskela resigned from the company and Arto Meitsalo, CFO of Aspo Plc, was appointed acting Managing Director.

Other operations

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

The operating result of other operations was EUR -4.1 (-4.2) million. Aspo's administrative costs have stabilized at the level realized in 2017.

CHANGES IN GROUP STRUCTURE

As planned, Telko has started operations in the Middle East and founded a subsidiary Telko Middle East Co in Iran. Telko aims to acquire raw materials and start to sell special technical products in Iran.

FINANCING

The Group's cash and cash equivalents stood at EUR 19.9 (22.6) million. The consolidated balance sheet included a total of EUR 136.6 (125.4) million in interest-bearing liabilities. The average interest rate of interest-bearing liabilities was 1.8% (1.8) at the end of the financial period. Non-interest-bearing liabilities totaled EUR 72.2 (69.8) million.

Aspo Group's gearing was 103.9% (89.8) and its equity ratio was 35.6% (37.4).

The Group's net cash from operating activities amounted to EUR 17.4 (16.2) million in January–December. During the financial period, the change in net working capital was EUR -12.6 (-10.6) million. Working capital was particularly tied in the increase in accounts receivable of ESL Shipping and Telko and the inventories of Kauko. Net cash from investing activities totaled EUR -16.6 (-6.1) million. The net cash from investing activities mainly consisted of advance payments for vessels under construction. The Group's free cash flow was EUR 0.8 (10.1) million.

In November, Aspo Plc signed a EUR 20 million revolving credit facility agreement. The agreement has a maturity of two years, and it includes an option of one year. This new agreement replaced an expiring revolving credit facility agreement by the same amount.

The amount of committed revolving credit facilities signed between Aspo and its main financing banks was EUR 40 million at the end of the financial period. The revolving credit facilities remained fully unused at the end of the financial period. EUR 4 million of Aspo's EUR 80 million commercial paper program were in use. In 2018, a total of approximately EUR 16 million in financing agreements will fall due.

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 specified maturity date, but the company may exercise an early redemption option after four years of its issuance date.

Aspo has hedged its interest rate risk by means of interest rate swaps. Their fair value on December 31, 2017 was EUR -0.4 (-0.6) million.

Aspo Group has hedged its currency-denominated cash flows associated with the acquisition of new vessels using currency forward agreements, to which hedge accounting is applied. The nominal value of these currency forward agreements was EUR 27.0 million, and their fair value was EUR -1.7 (1.7) million on December 31, 2017.

INVESTMENTS

In 2017, the Group's investments stood at EUR 18.0 (6.9) million, consisting mainly of the docking and maintenance investments of ESL Shipping's vessels and advance payments for the LNG-fueled dry cargo vessels ordered by the shipping company. The EU supports energy-efficiency and environmental investments in ships. During 2016–2019, ESL Shipping will receive at most EUR 5.9 million in subsidies, of which it received EUR 2.1 million in 2016.

PERSONNEL

At the end of the year, Aspo Group had 909 employees (895).

Of Aspo Group's personnel, 50% (46) work in Finland, 35% (38) in Russia, Ukraine and other CIS countries, 8% (8) in Baltic countries, 2% (2) in Scandinavia, and 5%

(6) in other countries. Men make up 57% (58) and women 43% (42) of the personnel. Of Aspo Group's employment contracts, 97% (97) are full-time. During the financial year, 107 (124) new employment contracts were signed. The cost of all employee benefits within the Group in 2017 amounted to EUR 41.6 million (40.0).

Remuneration

Aspo Group applies a profit bonus plan, which was adopted in 2013. The profit bonus plan applied to Finnish personnel is linked with 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.

In 2015, the Board of Directors of Aspo Plc approved a share-based incentive plan for about 30 persons. The plan included three earnings periods, the calendar years 2015, 2016 and 2017. The Board of Directors decided on the plan's performance criteria and required performance levels for each criterion at the beginning of each earnings period.

The reward from the earnings period 2015 was based on the Group's earnings per share (EPS). In 2016, on the basis of the 2015 earnings period, employees included in the plan received 88,970 treasury shares as a share-based reward, as well as cash equaling the value of the shares, at most, in order to pay taxes.

In accordance with the rules of incentive plans a total of 5,275 treasury shares, originally granted on the basis of share-based incentive plans, were returned to Aspo due to ended contracts of employment in 2016.

The reward from the 2016 earnings period was based on the Group's earnings per share (EPS). In 2017, on the basis of the 2016 earnings period, employees included in the plan received 25,740 treasury shares as a share-based reward, as well as cash equaling the value of the shares, at most, in order to pay taxes.

The reward from the 2017 earnings period was based on the Group's earnings per share (EPS). On the basis of the 2017 earnings period, employees included in the plan will receive 70,525 treasury shares as a share-based reward, as well as cash equaling the value of the shares at most in order to pay taxes.

RISKS AND RISK MANAGEMENT

The global economic outlook improved during the year, and economic growth reduced financial risks associated with Aspo's market areas. Setbacks related to free trade agreements did not have any noticeable impact on Aspo's businesses. The decrease in eastern economies has stopped and the recovery of the Russian economy has continued, while western economies are making good progress. In Russia, inflation has continued to slow down, and consumption demand and investments are growing. General cargo prices in sea transport increased throughout the second half of the year.

Risks in all of Aspo's businesses have decreased as a result of the improved market development. However, any rapid changes in international politics, exchange rates or commodities markets may have an impact on the demand and competitiveness of the products of Aspo's companies. Growth in eastern and western markets was still limited by low demand for investment assets. However, it has already increased. Investments have increased in Russia, even though most of them are targeted at the energy sector. Private consumption has also gone up in Russia, which is expected to boost imports. As there have been no structural changes in the economy, no rapid growth is expected in Russia.

Strategic risks

Russian exports and imports of goods increased significantly, and economic situation in Ukraine has improved clearly. The Russian economy has also stabilized and inflation has decelerated. Deteriorated consumption demand in the long term has affected all trade, but the increase in nominal wages and the improved confidence of consumers towards the economy increased consumption. No signs of decrease were visible any more in the financing market or payments in Russia and Ukraine. Companies are more willing to make investments, even though the sale of investment assets is still slowed down by caution.

The promotion of domestic production has increased the volume of raw materials and items produced locally in the Russian industrial production, despite the decrease in quality. This may reduce the position of imported raw materials in the value chain and lower the margin level, but an increase in import volumes may add to the demand of foreign raw materials and, correspondingly, reduce related risks for Aspo.

Political risks have increased globally, which may have a rapid impact on Aspo's operating environment and reduce free trade 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 alleviates, it may change completely and rapidly.

Economic sanctions 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 set 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 coal in energy production have increased, which will reduce coal transportation volumes in the future. Correspondingly, the transportation volumes of replacement energy products will increase. Due to this change, it is difficult to estimate future transportation volumes. The extended low level of international freight indices and the global increase in the number of vessels, particularly in large size categories, have increased uncertainty over the long-term profitability of shipping companies. Nevertheless, there are signs of a reasonable increase in freight indices and of a decrease in the number of vessels in the long term.

Strategic risks may be caused by deterioration of global economics, the political atmosphere, protectionism and the outlook and production choices of industrial customers. Decisions on energy production structures affected by environmental policy and other political choices cause changes in industry and energy production that may 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 the customer structure, such as centralization of ownership, or for other reasons.

PERSONNEL

	2017	2016	2015
Average personnel during the financial year	**877**	871	862
Wages, salaries and share-based payments during the financial year, MEUR	**34.7**	32.6	33.9

AVERGAGE PERSONNEL BY SEGMENT

ESL Shipping	**2017**	**2016**
Office staff	**29**	25
Marine personnel	**201**	200
	230	225
Leipurin		
Office staff	**244**	256
Non-office workers	**61**	58
	305	314
Telko		
Office staff	**264**	256
Non-office workers	**5**	11
	269	267
Kauko		
Office staff	**42**	36
Non-office workers	**6**	6
	48	42
Other operations		
Office staff	**25**	23
Total	**877**	871

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 over cargoes may also become fiercer in the Baltic Sea. Mild, ice-free winters may also increase competition. In order to improve its competitive position, ESL Shipping is building new, low-emission vessels with better fuel economy for this region and customer base. They will also be able to operate in ice conditions.

Strategic risks are influenced by long-term changes in cargo prices, the building of new ships 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 their lack of reaction to the difficulties encountered by business operations. The 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 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 that require a quick response. Disruptive changes may be very rapid. Aspo's strategic risks are evened out by the distribution of business operations over four 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 development may turn rapidly positive or negative, which could significantly change the prevailing operating conditions.

Operational risks

Economic uncertainty in Aspo's operating environment has decreased during the financial year. However, operational risks have remained unchanged. These include risks related to supply chains, goods and services, and persons.

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 and economic instability is disturbing commercial activities and, if the situation continues, the growth of Aspo's business operations may slow down. Consumer behavior and confidence are also reflected in risks associated with B-to-B customers and their risk levels. The growth opportunities presented by emerging markets are encouraging interest among competitors in starting or expanding business operations in these areas. The challenging emerging markets and the escalated situation in Ukraine have also caused competitors to withdraw from these markets, which has created new potential for Aspo's businesses, increased their market shares and, in some business areas, even improved profitability temporarily.

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

Sales margins may be reduced and financial claims related to deliveries may emerge if Aspo's products are not suited for the customers' production processes or don't have the right technical properties. Operative risks have also been increased by computer-related crime, malware and the increased number of fraud attempts. If realized, these risks may mean financial losses for Aspo. Aspo has appropriate information security and internal training arrangements, but individual cases may occur due to the decentralized structure of operations.

The quantity and probability of the Group's loss risks are regularly assessed. A bidding process was arranged for general insurance policies and the amounts insured were updated in 2016. The 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 carried out centrally by the parent company in accordance with the treasury policy approved by the Board of Directors.

Refinancing risk

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

Liquidity risk

Liquidity risk is managed by securing the Group's sufficient cash and cash equivalents together with committed revolving credit facilities and other financing reserves.

Interest rate risk

The company hedges against interest rate changes by binding interest-bearing debt 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 risks

The Group uses terms of payment based on advance payments and bank guarantees to hedge against credit risks. Deep understanding of customers is an integral part of the credit risk management.

Currency risk

Within Aspo Group, the currency risk is primarily managed through customer and supplier agreements at the business level, and secondarily using currency derivatives.

Additional information on the financial risks on the Financial Statements' Note 26.

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 audit, and risk management systems. The Audit Committee monitors the risk management process and carries out 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, development of financial results, shareholder value, dividend payment ability, and continuity in business operations. The operational management of the businesses 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 management of operations. Risk management is managed by Aspo's CFO, who reports to the Group CEO.

A more detailed account of the risk management policy and the most significant risks has been published on the company's website.

RESEARCH AND DEVELOPMENT

Aspo Group's R&D focuses, according to the nature of each segment, on developing operations, procedures and products as part of the customer-specific operations, which means that the development inputs are included in normal operational costs and are not itemized. The development and certification costs of medical computers developed by Kauko have been capitalized as product development costs, and they will be amortized over their useful life. The amount of these costs is low at an Aspo Group level.

CORPORATE RESPONSIBILITY

The CEO and Board of Directors of Aspo Group are responsible for the management of corporate responsibility in accordance with the company's risk management policy. Ensuring corporate responsibility is vital in order to secure the company's long-term development.

Aspo acts like a good corporate citizen in all its operating countries. For Aspo, being a good corporate citizen means bearing its social responsibilities, as demonstrated by the way Aspo always pays its taxes in the country where it has made its profit. Only a responsibly led, growing company can create jobs, tax revenue and wellbeing. Aspo treats all of its employees and stakeholders fairly and equally in all its operating countries.

Aspo Group's Code of Conduct and environmental policy form a common set of rules for all businesses. Aspo's key operations consist of the development of the trade and logistics businesses it owns. Above all, Aspo approaches corporate responsibility through responsible leadership and management. Key aspects of corporate responsibility in the fields in which the businesses Aspo owns operate are reduction in energy consumption and the volume of waste, the wellbeing of employees and safe working environment, equality and good governance. Aspo takes climate change seriously and aims to reduce its impact through its actions.

Sustainabilty reports of Aspo's businesses were compiled in 2017. All of Aspo's businesses have common and individual information that represents the responsibility of their operations. Aspo's responsibility report is published in the Financial Statements and Responsibility Report 2017 publication in conjunction with the issuance of financial statements.

SHARE CAPITAL AND SHARES

Aspo Plc's share capital on December 31, 2017 was EUR 17,691,729.57 and the total number of shares was 30,975,524 of which the company held 370,486 shares; that is, 1.2% of the share capital. 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 Oy's Mid Cap segment under industrial products and services.

During January–December 2017, a total of 2,850,780 Aspo Plc shares with a market value of EUR 25.4 million were traded on Nasdaq Helsinki, in other words, 9.2% of the stock changed hands. During January–December, the share price reached a high of EUR 10.00 and a low of EUR 8.20. The average price was EUR 8.91 and the closing price at year-end was EUR 10.00. At the end of the year, the market value excluding treasury shares was EUR 306.1 million.

The number of Aspo Plc shareholders was 9,060 at year-end. A total of 923,683 shares, or 3.0% of the share capital, were nominee registered or held by non-domestic shareholders.

MANAGEMENT AND AUDITORS

In 2017, the Annual Shareholders' Meeting re-elected LL.M., MBA Mammu Kaario, M.Sc. (Econ.) Mikael Laine, LL.M. Roberto Lencioni, B.Sc. (Econ.), eMBA Gustav Nyberg, D.Sc. (Econ.) Salla Pöyry and M.Sc. (Tech.) Risto Salo to the Board of Directors. At the Board's organizing meeting held after the Annual Shareholders' Meeting, Gustav Nyberg was elected as Chairman of the Board and Roberto Lencioni as Vice-Chairman. At the meeting the Board also decided to appoint Mammu Kaario Chairman of the Audit Committee and Mikael Laine, Salla Pöyry and Risto Salo as committee members.

In 2017, the Board of Directors arranged 10 meetings, of which four were teleconferences. The participation rate was 100%.

eMBA Aki Ojanen has acted as the CEO of the company.

The authorized public accountant firm Ernst & Young Oy has been the company's auditor. Harri Pärssinen, APA, has acted as the auditor in charge.

DECISIONS OF THE SHAREHOLDERS' MEETINGS

Dividend

The Annual Shareholders' Meeting of Aspo Plc on April 5, 2017, approved the payment of a dividend totalling EUR 0.42 per share in accordance with the Board of Directors' proposal.

The dividend was paid in two installments. The payment date for the first installment of EUR 0.21 per share was April 18, 2017 and the payment date for the second installment of EUR 0.21 per share was November 6, 2017.

Board authorizations

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

The Annual Shareholders' Meeting on April 5, 2017 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 will remain in force until the Annual Shareholders' Meeting in 2018 but not more than 18 months from the approval at the Shareholders' Meeting. The Board of Directors has not used the authorization.

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

The Annual Shareholders' Meeting on April 9, 2015 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 will remain in force until September 30, 2018.

The Board of Directors has used the authorization in 2016 and granted 88,970 treasury shares to employees included in the earnings period 2015 of the share-based incentive plan 2015–2017. In 2017, the Board of Directors granted 25,740 treasury shares to employees included in the earnings period 2016.

Authorization of the Board of Directors to decide on a rights issue

The Annual Shareholders' Meeting on April 9, 2015 authorized the Board of Directors to decide on a rights issue for consideration. The authorization is proposed to include 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 will remain in force until September 30, 2018. The Board of Directors has not used the authorization.

PROPOSALS OF THE NOMINATION BOARD TO THE SHAREHOLDERS' MEETING

The Shareholders' Nomination Board consists of the representatives of the four largest shareholders. According to the list of shareholders as of August 31, 2017, the following representatives of the largest shareholders were members of the Nomination Board which prepared proposals for the Annual Shareholders' Meeting 2018: Veronica Timgren (Nyberg family, including Oy Havsudden Ab); Tapio Vehmas (Vehmas family); Reima Rytsölä, Chairman (Varma Mutual Pension Insurance Company); and Mikko Mursula (Ilmarinen Mutual Pension Insurance Company). In addition, Gustav Nyberg, Chairman of Aspo Board of Directors, has acted as an expert member of the Nomination Board.

The Nomination Board of Aspo Plc's shareholders proposes to the Annual Shareholders´ Meeting of Aspo Plc to be held on April 10, 2018 that the Board of Directors will have six members.

Members of the Board

The Nomination Board proposes that Mammu Kaario, Mikael Laine, Gustav Nyberg, Salla Pöyry and Risto Salo, current members of the company's Board of Directors, be re-elected as members of the Board and Tatu Vehmas be elected as the new member of the Board for the term closing at the end of the Annual Shareholders' Meeting 2019.

Remuneration paid to the members of the Board

The Nomination Board proposes that the compensations of the Board members remain unchanged and Board members receive the following monthly remuneration:

- EUR 2,700 per month for members of the Board of Directors
- EUR 4,050 per month, for the Vice Chairman
- EUR 5,400 per month, for the Chairman

The Nomination Board proposes that the meeting fees paid to members of the Audit Committee remain unchanged. The Nomination Board proposes that a meeting fee of the members of the Audit Committee will be EUR 700 per meeting and a meeting fee of the Chairman of the Audit Committee EUR 1,050 per meeting. If the Chairman of the Audit Committee is also the Vice Chairman or the Chairman of the Board of Directors, the Nomination Board proposes that the fee paid to the Chairman of the Audit Committee is the same as that paid to members of the Audit Committee. Board members having a full-time position in an Aspo Group company are not paid a fee.

The charter of the Shareholders' Nomination Board

The Nomination Board proposes that the article 6 of the charter will be changed so that the Nomination Board shall submit its proposals to the Board of Directors at the latest on February 1 (formerly: January 1) preceding the Annual Shareholders' Meeting.

EVENTS AFTER THE FINANCIAL YEAR

On January 9, 2018, Sami Koskela, Managing Director of Kauko Ltd and a member of the Group Executive Committee resigned from the company. Arto Meitsalo, CFO of Aspo Plc, was appointed acting Managing Director.

OUTLOOK FOR 2018

The global economy is expected to continue its growth. The economic situation in Russia and the eastern markets is improving, and this positive development is expected to continue in 2018. However, it is difficult to predict future development in Russia, Ukraine and other CIS countries. Exchange rates are expected to continue to fluctuate heavily. Economic growth in the EU, and particularly in Finland, has accelerated, and Finnish export volumes have increased significantly. Industrial production is expected to increase in the main market areas of Aspo's businesses in Northern Europe and in the market of Russia, Ukraine and other CIS countries. This positive trend is expected to continue.

The prices of industrial raw materials and oil that are important to Aspo are expected to remain at their current level or strengthen. Dry bulk freight rates in sea transportation that are important to ESL Shipping are expected to remain at their current level or strengthen.

The Group aims to continue to increase the market shares of its businesses profitably in the strategically important eastern growth markets.

Guidance for 2018: Aspo's operating profit will be EUR 25–31 (23.1) million in 2018.

ESL Shipping

The shipping company's vessel capacity will increase by two 25,000 DWT vessels when the building project is completed and the new vessels start operating during the first half of the year. The increase in capacity is expected to improve operational efficiency and profitability, particularly during the second half of the year when there typically has been a shortage of vessel capacity. In addition, the new vessels will significantly reduce environmental loads caused by operations. The shipping company has allocated significant resources to ensure the high-quality delivery and start of operations of the new vessels.

In the vessel classes operated by ESL Shipping, only a few dry cargo vessels have been ordered from shipyards, as a result of which the balance between supply and demand is expected to improve. In the future, the trend will be accelerated by the stricter environmental regulations set for shipping operations, which may reduce the use of older vessels, particularly in the Baltic Sea.

Economic growth is expected to improve in the shipping company's main market areas. The market cargo prices of large dry cargo vessels have generally been at a healthier level, which offers an advantage in agreement negotiations. Demand for raw materials and their transportation has increased, which may lead to congestion at ports. Higher demand may increase market cargo prices by binding the vessel capacity, but it may also have a negative impact on the efficient operations of the shipping company. Ship fuel prices are much higher than in the year before. However, this has no significant impact on profitability as a result of fuel clauses in customer agreements.

The shipping company has secured most of the use of its transportation capacity in the Baltic Sea and Northern Europe through long-term agreements. General demand in the steel industry is good and transport volumes are expected to improve clearly from the previous year.

ESL Shipping aims to increase its net sales and to reach an operating profit level of 20–24% by 2020. It will reach this goal as a result of its new energy-efficient vessels, an improved operational efficiency of all vessels, new growing transport volumes and an increase in loading and unloading operations at sea.

Leipurin

The market situation is expected to remain challenging in Leipurin's key markets. The market position is expected to remain strong in the industrial baking sector in Finland, Russia and the Baltic region. The net sales and operating profit of Leipurin are expected to increase in 2018.

The weakening of the economic situation in Russia is expected to have stopped, and consumer purchasing power is expected to improve. The local procurement of bakery raw materials has been increased in Russia to replace imported raw materials. The aim is to respond to changes in demand by developing a product range with more competitive prices, and to respond to the domestic food campaign currently in progress in Russia. Local procurement has been decentralized and, currently, there are already dozens of significant regional production partners. Leipurin will maintain a good profitability in the region, strengthen its market position, and look for growth in sales to bread and pastry sectors, as well as to in-shop bakeries.

The OOH market is a significant area of growth for Leipurin. Leipurin will continue to invest in the OOH market, particularly in Finland and the western markets, where Leipurin is responding, for example, to the growing demand from chain customers, such as cafés.

In machinery operations, equipment investments of bakeries are expected to increase in Finland and the Baltic region.

A moderate increase in investments is expected in Russia. Leipurin's machinery operations will continue to strengthen the sales and agent network in Western Europe and the Middle East. The expansion of the sourcing network for Leipurin's own machine production and the shortening of manufacturing and installation lead times will continue. The growth in the production of bakery machines will be driven by increased investments in home markets and in Europe.

Telko

The economic situation is expected to continue its positive development in Telko's market areas. The growth in industrial production in the western markets is expected to increase the production capacity of Telko's customer companies, which will have a positive impact on Telko's operations. When the national economies in Russia, Kazakhstan, Belarus and Ukraine increase, operating conditions in the market area are expected to improve, which will have a positive impact on customer companies. Telko's regional strategy in Russia and local units in metropolises will enable growth in coming years. The measures to improve the efficiency of operations in Russia were completed in 2017, and will have a full impact on the operating profit starting from the first quarter of 2018.

In 2017, a total of 2.8 million tons of new polyethylene capacity was completed in the USA. This production mainly covers linear high-density polyethylene. As Europe is mainly an importer of these types of products, this new capacity is expected to increase imports from the USA and decrease the prices of plastic raw materials. These imports are expected to increase no later than during the second half of 2018. One of Telko's important plastic raw material partners increased its capacity in the USA significantly in 2017. This is expected to improve Telko's competitiveness, regardless of the expected decrease in prices.

Prices of several technical plastics are estimated to remain high or increase in 2018, as demand will be higher than supply. Technical plastics are used in the automotive industry, in particular, which is showing strong global growth. Prices of industrial chemicals are expected to strengthen.

Telko has shown that it is able to grow quickly and profitably in emerging markets. As planned, Telko has started operations in the Middle East in order to acquire raw materials and to sell special technical products. However, the operations of Telko Middle East, Telko's subsidiary in Iran, are not expected to have any significant impact on the net sales or operating profit of Telko in 2018.

Telko aims to double its operating profit by the end of 2020. Telko expects that its net sales will be EUR 300–350 million and its operating profit rate will increase to 6–7%. Telko aims to improve its operating profit in 2018. It can reach these goals by continuing its growth in the current key markets and possibly by expanding its operations to new geographic areas. The development of profitability is based on efficient procurement activities, investing in technical products offering more added value, the development of logistics and more active pricing.

Kauko

The net sales and profitability of total solutions for mobile knowledge work are expected to increase. Kauko is a provider of integrated and customized total solutions, combining applications, devices and other services. The number of orders for the application business is expected to increase.

Service operations will be expanded by shifting more focus on total solutions. According to long-term estimates, the sale of laptops will decrease and the sale of rugged tablets will increase in the markets for rugged computers. Kauko holds a particularly strong market position in the sector of rugged tablets for demanding environments.

Kauko provides the healthcare sector with various mobile IT solutions to improve the working efficiency of the medical sector. The new computer introduced by Kauko for the healthcare sector allows launching sales to other OEM channels outside Kauko's regular market area.

In the energy sector, the net sales of solar power products are expected to continue to increase rapidly.

Kauko made a decision to discontinue its project operations in China, and the operations will be discontinued during the first half of 2018.

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 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 rejected ESL Shipping’s legal action as time-barred. The company applied for a leave to appeal from the Supreme Court, which rejected the application.

The shipping company 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 required to refund the repair expenses and interest to ESL Shipping according to the company's claims. The impact of ruling will be taken into account during the financial year over which the imposed payment is received.

Telko has initiated a process at the Administrative Court concerning the tax increase imposed by Finnish Customs related to batches of material that Telko imported in 2013 and 2014. Telko considers the charges imposed by Finnish Customs to be unfounded. The charges of EUR 1.7 million were recognized as expenses in 2015.

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. After the financial year, on February 2018, the District Court has decided the matter for the benefit of the defendants. The decision is not yet final and it has no effect on the result of Aspo Group.

Aspo Plc has issued a Corporate Governance Statement 2017. In addition, Aspo's Responsibility report of non-financial information required by the Finnish Accounting Act is published at the same time with this Annual report. Both documents have been published on the company’s website www.aspo.com.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1,000 EUR	Notes	Jan 1–Dec 31,2017	Jan 1–Dec 31,2016
Net sales	1	**502,360**	457,404
Other operating income	3	**2,037**	1,224
Materials and services	6	**-370,554**	-334,752
Employee benefit expenses	4	**-41,554**	-39,963
Depreciation, amortization and impairment losses	5	**-11,869**	-11,623
Other operating expenses	7	**-57,284**	-51,899
Operating profit		**23,136**	20,391
Financial income	8	**1,991**	1,045
Financial expenses	8	**-4,073**	-4,090
Total financial income and expenses		**-2,082**	-3,045
Profit before taxes		**21,054**	17,346
Income taxes	9	**-1,646**	-1,492
Profit for the period		**19,408**	15,854
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Translation differences		**-3,070**	3,240
Cash flow hedges		**-3,697**	1,403
Income tax on other comprehensive income	9	**192**	-102
Other comprehensive income for the period, net of taxes		**-6,575**	4,541
Total comprehensive income		**12,833**	20,395
Profit for the period attributable to			
Parent company shareholders		**19,408**	15,854
Total comprehensive income attributable to			
Parent company shareholders		**12,833**	20,395
Earnings per share attributable to parent company shareholders, EUR	10		
Earnings per share		**0.56**	0.49
Diluted earnings per share		**0.56**	0.49

The notes presented on pages 42–79 form an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

ASSETS

1,000 EUR	Notes	Dec 31, 2017	Dec 31, 2016
Non-current assets			
Intangible assets	11	**7,994**	9,436
Goodwill	12	**42,013**	42,643
Tangible assets	13	**119,918**	113,320
Available-for-sale financial assets	14	**170**	172
Receivables	15	**525**	1,441
Deferred tax assets	17	**3,267**	3,432
Total non-current assets		**173,887**	170,444
Current assets			
Inventories	18	**60,921**	56,708
Accounts receivable and other receivables	19	**66,033**	59,753
Current tax assets		**331**	204
Cash and cash equivalents	20	**19,923**	22,627
Total current assets		**147,208**	139,292
Total assets		**321,095**	309,736

EQUITY AND LIABILITIES

1,000 EUR	Notes	Dec 31, 2017	Dec 31, 2016
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	**12,061**	12,054
Fair value reserve	21	**-2,569**	936
Other reserves	21	**25,000**	25,000
Translation differences		**-21,681**	-18,604
Retained earnings		**77,413**	73,098
Total equity		**112,267**	114,527
Non-current liabilities			
Deferred tax liabilities	17	**3,300**	4,243
Loans and overdraft facilities	22	**109,517**	116,640
Other liabilities	23	**522**	368
Total non-current liabilities		**113,339**	121,251
Current liabilities			
Provisions	25	**1,216**	508
Loans and overdraft facilities	22	**27,102**	8,794
Accounts payable and other liabilities	23	**66,817**	64,120
Current tax liabilities		**354**	536
Total current liabilities		**95,489**	73,958
Total liabilities		**208,828**	195,209
Total equity and liabilities		**321,095**	309,736

The notes presented on pages 42–79 form an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

1,000 EUR	Jan 1–Dec 31,2017	Jan 1–Dec 31,2016
Cash flows from operating activities		
Operating profit	**23,136**	20,391
Adjustments to operating profit:		
Depreciation, amortization and impairment losses	**11,869**	11,623
Gains and losses on sale of tangible assets	**285**	-86
Gains and losses on sale of business operations	**-352**	
Employee benefits	**718**	121
Change in provisions	**699**	-12
Unrealized foreign exchange gains and losses on operating activities	**350**	-16
Change in working capital:		
Inventories	**-6,330**	-6,331
Current receivables	**-8,808**	121
Non-interest-bearing current liabilities	**2,495**	-4,463
Interest paid	**-5,062**	-3,700
Interest received	**1,024**	419
Income taxes paid	**-2,590**	-1,866
Net cash from operating activities	**17,434**	16,201
Cash flows from investing activities		
Investments in tangible and intangible assets	**-3,961**	-4,993
Advance payments on vessels	**-13,692**	-1,315
Proceeds from sale of tangible assets	**293**	162
Proceeds from sale of available-for-sale financial assets	**198**	
Dividends received	**2**	1
Proceeds from sale of business operations	**600**	
Net cash from investing activities	**-16,560**	-6,145
Cash flows from financing activities		
Proceeds from current loans	**3,641**	
Repayments of current loans		-3,528
Proceeds from non-current loans	**15,600**	7,226
Repayments of non-current loans	**-7,827**	-6,664
Repayments of hybrid instrument		-20,308
Proceeds from hybrid instrument issue		24,844
Hybrid instrument, interests	**-1,687**	-883
Dividends distributed	**-12,854**	-12,540
Net cash from financing activities	**-3,127**	-11,853
Change in cash and cash equivalents	**-2,253**	-1,797
Cash and cash equivalents Jan. 1	**22,627**	23,888
Translation differences	**-451**	536
Cash and cash equivalents at year-end	**19,923**	22,627

The notes presented on pages 42–79 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1,000 EUR	Notes	Share capital	Share premium	Invested unrestricted equity reserve	Fair value reserve	Other reserves	Translation differences	Treasury shares	Retained earnings	Total
Equity January 1, 2017	21	**17,692**	**4,351**	**12,054**	**936**	**25,000**	**-18,604**	**-2,341**	**75,439**	**114,527**
Comprehensive income										
Profit for the period									19,408	19,408
Other comprehensive income, net of taxes										
Cash flow hedges					-3,505					-3,505
Translation differences				7			-3,077			-3,070
Total comprehensive income				**7**	**-3,505**		**-3,077**		**19,408**	**12,833**
Transactions with owners										
Dividend payment									-12,854	-12,854
Hybrid instrument, interests									-2,700	-2,700
Share-based incentive plan								172	289	461
Total transactions with owners								**172**	**-15,265**	**-15,093**
Equity December 31, 2017		**17,692**	**4,351**	**12,061**	**-2,569**	**25,000**	**-21,681**	**-2,169**	**79,582**	**112,267**
Equity January 1, 2016	21	**17,692**	**4,351**	**11,929**	**-365**	**20,000**	**-21,844**	**-2,751**	**73,563**	**102,575**
Comprehensive income										
Profit for the period									15,854	15,854
Other comprehensive income, net of taxes										
Cash flow hedges					1,301					1,301
Translation differences							3,240			3,240
Total comprehensive income					**1,301**		**3,240**		**15,854**	**20,395**
Transactions with owners										
Dividend payment									-12,540	-12,540
Hybrid instrument, repayment						-20,000			-308	-20,308
Hybrid instrument, issue						25,000			-156	24,844
Hybrid instrument, interests									-715	-715
Share-based incentive plan								410	-134	276
Transfer of reserves				125					-125	0
Total transactions with owners				**125**		**5,000**		**410**	**-13,978**	**-8,443**
Equity December 31, 2016		**17,692**	**4,351**	**12,054**	**936**	**25,000**	**-18,604**	**-2,341**	**75,439**	**114,527**

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 focuses on sectors requiring extensive specialist knowledge. The Group's operations are organized into independent segments – ESL Shipping, Leipurin, Telko, and Kauko. Other operations include Aspo Group's administration, the financial and ICT service center, and a small number of other operations not covered by the business units.

The Group's parent company is Aspo Plc. The parent company is domiciled in Helsinki and its registered address is Lintulahdenkuja 10, FI-00500 Helsinki, Finland.

A copy of the consolidated financial statements is available in Aspo Plc's head office at Lintulahdenkuja 10, FI-00500 Helsinki, Finland.

Aspo Plc's Board of Directors has approved the consolidated financial statements for issue at its meeting on February 15, 2018. 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 may also decide to modify them.

ACCOUNTING PRINCIPLES

Basis of accounting

Aspo Plc's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) approved in the EU, applying the standards and interpretations valid on December 31, 2017. The notes to the consolidated financial statements also comply with complementary Finnish Accounting Standards and Company legislation.

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.

As of January 1, 2017 Aspo Group has applied the following new and amended standards and interpretations, which had no material effect on the reported information:

Amendments to IAS 7 Statement of Cash Flows - Disclosure Initiative. The standard requires the companies to present specification of changes in liabilities arising from cash flows (for example withdrawals and repayments of loans) as well as non-cash changes.

Amendments to IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses. The amendments made in January 2016 to IAS 12 clarify the recognition of deferred taxes that relate to the assets measured at fair value, and their fair value being lower than the asset's taxation value.

Principles of consolidation

The consolidated financial statements include the parent company Aspo Plc and all its subsidiaries. The term "subsidiary" refers to a company in which the Group exercises control. The Group's associated companies include companies in which the Group owns 20%–50% of the voting rights and at least a 20% holding, or in which the Group otherwise holds significant influence. Joint ventures are companies where the Group exercises joint control with other parties on the basis of an agreement. Associated companies and joint ventures are consolidated using the equity method. If the Group's share of losses in an associated company or a joint venture exceeds the carrying amount, losses in excess of the carrying amount will not be consolidated unless the Group undertakes to fulfill the obligations of the associated company or joint venture. Unrealized profits between the Group and associated companies and joint ventures are eliminated in accordance with the Group's ownership. The Group has had no associated companies after the year 2014.

Subsidiaries acquired during the financial year have been consolidated from the time Aspo gained control over them. Divested operations are included up to the time Aspo loses control. Acquired subsidiaries are consolidated using the acquisition method. Consideration and the acquired company's assets and liabilities are measured at fair value at the time of acquisition. Acquisition-related costs are entered as expenses. Any contingent consideration is recognized at fair value upon acquisition and is classified either as a liability or equity. The contingent consideration classified as a liability is measured at fair value at the reporting date, and the resulting gain or loss is entered in profit or loss. The contingent consideration classified as equity is not remeasured. The cost of goodwill is the amount by which the subsidiary acquisition cost exceeds the net fair value of the acquired identifiable assets, liabilities and contingent liabilities. Acquisitions prior to January 1, 2010 have been recognized in compliance with the regulations valid at the time.

Intra-Group transactions, receivables and liabilities and intra-Group profit distribution have been eliminated when preparing the consolidated financial statements.

Distribution of the financial year's profit between the parent company's shareholders and non-controlling shareholders is presented in the face of the statement of comprehensive income. The potential interest attributable to the non-controlling shareholders is presented as a separate item under the consolidated equity. The Group had no non-controlling shareholders in 2016 and 2017.

In previous years, the Group had a non-controlling shareholder Aspo Management Oy. The company was the managements' holding company and it was established in 2010 to enable significant long-term shareholding within Aspo Plc among participants. Aspo Plc acquired all shares in Aspo Management Oy through a share swap on November 3, 2014. Before the share swap, Aspo Plc held control over Aspo Management Oy through a shareholder and loan contract on the basis of which the company was included in Aspo's consolidated financial statements also during 2010–2013. Before the share swap, the management's investment in Aspo Management Oy was treated as a non-controlling interest in the consolidated financial statements. Aspo Plc's shares held by Aspo Management Oy were deducted from the consolidated equity. In 2015 Aspo Management Oy was merged with Aspo Plc.

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 and 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 the internal non-current loans within Telko segment to Telko's Belarusian, Ukrainian and Kazakhstani subsidiaries as net investments in foreign operations under IAS 21 standard. Any unrealized foreign exchange gains and losses related to these net investments will be recognized in other comprehensive income.

Subsidiaries abroad

Results and financial position of the Group's units are measured in the primary currency of the unit's economic environment ("functional currency"). The consolidated financial statements are presented in euro, the parent company's functional and presentation currency. In the consolidated financial statements, the income statements of subsidiaries abroad 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.

Segment reporting

Aspo's operating segments are ESL Shipping, Leipurin, Telko and Kauko. The operating segments are reported in a manner that is uniform with internal reporting to the chief operating decision maker of the company. The Board of Directors has been identified as the chief operating decision maker. It is responsible for the allocation of resources to the operating segments and the assessment of their results. Inter-segment transactions are carried out at market prices.

Tangible assets

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

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.

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 removal from use and disposal of tangible assets are included in other operating income and expenses.

Goodwill and other intangible assets

Acquired subsidiaries are consolidated using the acquisition method. Goodwill arising on a business combination is recognized at the acquisition date at an amount representing the excess of the consideration transferred in the acquisition over the fair value of the identifiable assets acquired and liabilities assumed. Goodwill is not amortized, but is tested at least annually using the testing based on the value in use (see Goodwill impairment test, Note 12).

No amortization is recognized for intangible assets with indefinite useful lives, but they are tested annually for impairment. The useful lives of the Leipurin and Telko segments' brands are estimated to be indefinite. The strong image and history of the brands support the management's view that the brands will affect cash flow generation 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

The Group assesses the carrying amounts of tangible 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 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 item subject to depreciation, the asset item'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 item 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

As a rule, research and development costs are recognized as expenses at the time of their occurrence. Development costs arising from the design of new products are capitalized in the balance sheet as intangible assets from the date when the product is technically and commercially feasible and expected to generate financial benefits in the future. Capitalized development costs will be amortized over their useful life. Other development costs are recognized as expenses upon their realization. Any development costs recognized earlier as expenses will not be capitalized during later periods. In 2017, the development and certification costs of medical computers developed by Kauko have been capitalized as product development costs, and they will be amortized over their useful life. The amount of these costs is low at an Aspo Group level. There were no capitalized development costs in 2016.

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 in normal operational costs and are not itemized.

Inventories

Inventories are measured at cost or 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 product's costs of completion and sale.

Leasing agreements – Group as lessee

Leasing agreements where the Group assumes an essential part of the risks and benefits inherent in ownership are classified as financial leasing agreements. Assets acquired through financial leasing agreement are recognized in the balance sheet at an amount equaling the fair value of the leased asset 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 are classified as operating leases, the leasing payments of which are recognized in profit or loss as expenses over the leasing period.

Employee benefits

Statutory pension cover is provided for by taking out insurance with pension insurance companies. In Aspo's foreign units, the pension cover is arranged in accordance with local legislation and social security regulations. The Group only has defined contribution pension schemes, with any associated payments being entered in the statement of comprehensive income over the financial year to which each specific charge applies to.

Share-based payments

The Group has share-based incentive plans for the management, where part of the reward is settled in shares and the rest in cash. Note 29 shows 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 validity of the incentive plan. The effects of other than market-based conditions (e.g. profitability and profit growth target) are not included in the fair value but taken into account in the amount of shares to which a right is assumed to be generated by the end of the vesting period. Having recognized a share-based payment expense, the other side of the entry is to equity for the proportion to be settled in shares, and to liabilities for the proportion to be settled in cash. The fair value for the proportion to be settled in cash is remeasured at each reporting date.

Share capital

Ordinary shares are presented as the share capital. Transaction costs directly resulting from the issuance of new shares are recognized, after adjusting their potential tax effects, as a reduction of achieved payments under equity.

When the company purchases treasury shares, the consideration paid for the shares and the acquisition related costs are recognized as a reduction in equity. When the shares are sold, the consideration, less direct transaction costs and the possible effect of income taxes, is recognized in equity.

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 in 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 in accordance with the tax rate in force at the reporting date or at the estimated tax payment date. Elements resulting in temporary differences include provisions, depreciation differences and tax losses. Deferred tax assets are recognized from tax losses and other temporary differences to the extent that it is likely that they may be utilized in the future. The share of profits or losses of associated companies or joint ventures presented in the statement of comprehensive income is calculated from entity's profit or loss, and it includes the impact of taxes.

ESL Shipping Ltd was included in tonnage taxation retrospectively from January 1, 2011. In tonnage taxation, shipping operations shifted from taxation of business profit to tonnage-based taxation.

Revenue recognition principles

Most of the Group's net sales arise from the sales of products. Revenue from the sales of products is recognized in connection with delivery, when the material risks and benefits associated with the ownership of goods have transferred to the buyer according to the pre-defined international delivery terms. Apart from ESL Shipping, only a small share of the operating segments' net sales arises from the sale of services, from which revenue is recognized once the services have been rendered. Most other services provided by the segments are considered to be part of the customer service as they relate for example to the development and planning of product concepts and tailored solutions. The revenue from ESL Shipping's services is recognized when the services are rendered according to the transportation or other service contracts. At the end of the reporting period the revenue from ESL Shipping's uncompleted or in transit services is recognized based on the share of days completed to date of the estimated total length of time for performing the service.

Income and costs from construction contracts built according to individual orders are recognized as revenue and expenses on the basis of the percentage of completion method when the outcome of the project is reliably assessable. The stage of completion is defined as the share of realized planning, production and installation hours accumulated by the time of review from the project's estimated planning, production and installation hours. Costs associated with a project, for which no revenue has been recorded, are recognized in inventories under incomplete construction contracts. When it is likely that the project will generate losses, they will be expensed immediately. Aspo applies the recognition principle of construction contracts to Leipurin's own machine production, which comprises only a small part of the Group's net sales.

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 entered as income during the period of use of the asset item in the form of smaller depreciation.

Financial assets

Aspo classifies the financial assets into loans and other receivables, financial assets available for sale, and financial assets at fair value through profit or loss. The classification takes place in connection with the initial acquisition.

Loans and other receivables are recognized at the settlement date and measured initially at fair value added with any transaction costs. After initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method.

Financial assets at fair value through profit or loss include potential derivatives, to which hedge accounting is not applied. They are recognized at fair value at the settlement date and are subsequently remeasured at fair value at the end of each financial year.

Financial assets available for sale include investments in shares. They are measured at fair value, using quoted market prices and rates, or an imputed present value. Changes in the fair value of financial assets available for sale are recognized in other comprehensive income and presented in the fair value reserve in equity, taking the tax impact into account. When such an asset is sold or impaired, the accumulated changes in fair value are reclassified from equity to profit or loss as financial items. Acquisitions or disposals of financial assets available for sale are recognized on the settlement date. If reliable market value is not available, available-for-sale financial assets are recognized at cost.

Financial assets are derecognized when the Group has lost the contractual right to the cash flows, or materially moved risks and rewards away from the Group.

The Group writes down receivables if there is objective evidence that the receivable cannot be collected in full.

Financial liabilities

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

Financial liabilities measured at amortized costs are recognized at 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 of the end of the reporting period.

Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and other highly liquid no more than three months' investments. Overdraft facilities in use are presented under current and non-current liabilities.

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 applies 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 is recognized in other comprehensive income and presented in the hedging reserve that is included in the fair value reserve under equity. Profits and losses recognized under equity are reclassified to the cost of the asset in question during the financial period when the hedged item is capitalized. 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 the basis of market value 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 judgment and use of estimates

When preparing the consolidated financial statements in accordance with IFRS, the Group management must use judgments 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 judgment 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, as well as the recoverable amounts of inventories and assets and liabilities. 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 the management; and other justifiable assumptions that constitute the best current assessments of the 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 assessments used 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. Other judgment used includes the selection of accounting principles related to recognition of the income from construction contracts, interest rate swaps and leasing agreements. This selection didn't have a material impact on the Group's financial statements.

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 immediately 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 taxable profit will be available in the future against which the tax losses can be utilized. 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 the management projections or related tax legislation changed.

Adoption of new or amended IFRS standards and interpretations

The Group will adopt the following standards, amendments and interpretations in 2018:

IFRS 15 Revenue from Contracts with Customers, Effective date of IFRS 15, and Clarifications to IFRS 15 (effective for financial periods starting on or after January 1, 2018). IFRS 15 was issued in May 2014. The standard includes a five-step model to recognize revenue from customer contracts. IFRS 15 offers a comprehensive framework to determine whether revenue can be recognized, how much can be recognized and when. According to IFRS 15, an entity must recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services in question. IFRS 15 supersedes all the previously valid guidelines on revenue recognition principles, e.g. IAS 18 Revenue, IAS 11 Construction contracts, and the related IFRIC interpretations.

Aspo will adopt the new standard by using the fully retrospective method and practical expedients allowed by the standard.

Aspo prepared to adopt the standard from the end of 2016 to the end of 2017, by implementing an IFRS 15 project that covered the whole Group. In the project, various types of sales transactions were analyzed in each segment using the IFRS 15 five-step model, and differences between the new and previous income recognition principles were identified. In 2017, the practices and sales contracts were amended to comply with IFRS 15, if applicable. During the project, staff were trained to identify new types of transactions and to apply the new standard to their revenue recognition. Throughout the entire year, Aspo's audit committee monitored the progress of the project and the adoption of the standard.

Aspo Group's operating segments are ESL Shipping, Leipurin, Telko and Kauko. The operating segments are reported in a manner that is uniform with internal reporting to the chief operating decision-maker of the company. Aspo's revenue mainly consists of the following streams:

- 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 in the energy and metal industries
- Sales of tools and applications for mobile knowledge work and sales of equipment and applications that increase energy efficiency

The effect of the new standard on the revenue recognition principles:

The majority of Aspo's revenue comes from the sales of goods from which revenue is recognized upon delivery once the significant risks and benefits associated with the ownership have been passed onto the buyer in accordance with the delivery method clauses. Apart from ESL Shipping, only a small part of the operating segments' sales come from the sales of services to customers from which revenue is recognized once the services have been rendered. The majority of other services offered by the segments are considered part of the customer service because they are related, for example, to the development and design of product concepts and customized solutions. ESL Shipping's revenue is recognized over time when the services are rendered. The revenue recognition is based on transportation or other service agreements. At the end of the reporting period, revenue from ESL Shipping's in transit or otherwise incomplete services is recognized based on the share of service days completed over the estimated total duration of performing the service.

Aspo Group has applied the revenue recognition principles for construction contracts to Leipurin's own machine production which comprises only a small part of the Group's revenue. The recognition principle has been described in more detail under the accounting principles.

According to the new 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 the Group has identified one performance obligation in the agreements. The transaction price is mainly fixed, while in some cases the consideration may be variable. Revenue is recognized once the products have been delivered to the customer at a specific point of time. The adoption of the standard will have no significant impact on revenue recognition compared to the company's earlier revenue recognition principles. However, a minor impact on timing or the amount of revenue to be recognized has been identified in a small number of individual transactions, resulting from e.g. exceptional warranty periods, individual variable considerations, or terms of delivery.

The following tables present Aspo's revenue by segment for 2017 in accordance with the Group's reporting based on IFRS 15 standard. Since the effect of applying the standard's revenue recognition principles is minor, there has been no need to restate the current net sales reporting for

SPECIFICATIONS OF NET SALES BY IFRS 15

NET SALES BY MARKET AREA IN 2017

1,000 EUR	ESL Shipping	Leipurin	Telko	Kauko	Total
Finland	29,104	48,117	52,454	31,102	160,777
Scandinavia	15,818	847	33,912	66	50,643
Baltic countries	5,514	32,047	20,674	512	58,747
Russia, Ukraine + other CIS countries	6,204	35,039	123,609	0	164,852
Other countries	22,651	6,182	31,577	6,931	67,341
Total	**79,291**	**122,232**	**262,226**	**38,611**	**502,360**

NET SALES BY TIMING OF RECOGNITION IN 2017

1,000 EUR	ESL Shipping	Leipurin	Telko	Kauko	Total
At a point of time		114,629	261,316	38,411	414,356
Over time	79,291	7,603	910	200	88,004
Total	**79,291**	**122,232**	**262,226**	**38,611**	**502,360**

NET SALES BY PRODUCT CATEGORY IN 2017

1,000 EUR	
ESL Shipping	**79,291**
Raw materials	103,223
Machinery	19,009
Leipurin	**122,232**
Plastics	150,690
Chemicals	111,536
Telko	**262,226**
Mobile knowledge work	17,630
Energy-efficiency equipment	14,485
Other	6,496
Kauko	**38,611**
Total	**502,360**

2017 to present the effects of adopting the standard on the Group's net sales figures.

IFRS 9 Financial Instruments and Amendments to IFRS 9 (effective for financial periods starting on or after July 1, 2018). The new standard replaces the current IAS 39 standard Financial instruments: Recognition and Measurement. IFRS 9 changes the classification and measurement of financial assets, and introduces a new model of expected credit losses for evaluating financial assets. The classification and measurement of financial liabilities is largely in line with current IAS 39 requirements. The new standard still includes three types of hedge accounting. However, the standard allows for more risk positions than before to be included in the hedge accounting, and the hedge accounting principles are harmonized with risk management. In measuring financial assets, Aspo is adopting a model based on expected credit losses and applies a simplified approach to each segment's trade receivables. In hedge accounting, The Group will continue its previously determined hedging principles. The adoption of the standard is not expected to have any material impact on the Group's financial statements.

IFRS 2, Share-based Payment, amended by Classification and Measurement of Share-based Payment Transactions * (effective for financial periods starting on or after January 1, 2018). The changes bring clarity to the categorization and valuation of share-based transactions. The amendment is not expected to have a material effect on the Group's financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration* (effective for financial periods starting on or after January 1, 2018). The interpretation specifies that the date of conversion of the advance on the asset item, expense or income related to the foreign currency is the date on which the entity originally records an advance payment or deferred income on the advance transaction. If the transaction is comprised of several advance transactions, the settlement date is determined separately for each individual transaction. The interpretation is consistent with the Group's current accounting principles.

The Group will adopt the following new standards, amendments and interpretations in 2019 or later:

IFRS 16 Leasing Agreements (effective for financial periods starting on or after January 1, 2019). IFRS 16 was issued in May 2016. As a result of the new standard, almost all lease agreements will be entered in the balance sheet, because operational and finance lease agreements are no longer separated. In accordance with the new standard, leases are recognized in the balance sheet as a 'right-of-use' asset and a financial liability for the lease payments. The only exceptions are short-term lease agreements and agreements with low-value assets. There will be no significant changes to the accounting treatment applied by the lessors.

The Group has customary lease agreements relating to business operations, such as leases for office and warehouse facilities, and car and transportation vehicles agreements. Some IT equipment is also leased. Aspo has begun preparing for the adoption of the new standard by collecting the relevant information on current lease agreements in the entire Group, and has analyzed the most significant ones in accordance with the criteria of the IFRS 16 standard. More specifically, about twenty lease agreements have been analyzed, and based on the agreements the impact of the adoption of IFRS 16 on the Group's balance sheet and statement of comprehensive income have been assessed. Based on the agreements, the balance sheet total would have increased by about EUR 20 million compared to the opening balance of 2018. Adoption of the standard will affect the presentation of the statement of comprehensive income, but will not have a significant effect on the result for the financial year. The analysis of the effects will become more specific during the year 2018, once all the lease agreements of the Group have been classified and assessed in accordance with the IFRS 16 criteria. According to the current estimate, the standard will have a significant impact on Aspo's consolidated financial statements, including the notes with the key figures.

According to the preliminary estimate, Aspo will adopt the new standard using simplified method from 1 January 2019. In this case, the cumulative effect of the lease agreements will be taken into account by adjusting the opening balance of retained earnings or other equity item at the transition date, and not by restating the comparative data. Also, a decision will be made in 2018 on the IT-system required for the implementation of the standard. Aspo's audit committee is monitoring the progress of the project and the adoption of the standard.

IFRIC 23 Uncertainty over Income Tax Treatments* (effective for financial periods starting on or after January 1, 2019). The interpretation clarifies the accounting treatment in a situation where the taxation related accounting treatment of the entity is not yet approved by the tax authority. The revision is not expected to have any major impact on the Group's financial statements.

Annual improvements made to IFRSs 2015–2017*. Through the Annual Improvements procedure, small and less urgent changes to the standards are collected into one set and are implemented once a year. The effects of these changes vary from one standard to another.

* Not yet endorsed for use by the EU.

1. Net Sales and Segment Information

Aspo's operating segments are ESL Shipping, Leipurin, Telko, and Kauko.

ESL Shipping handles sea transportation of energy sector and industrial raw materials, and offers related services.

Leipurin serves the bakery and other food industry as well as Out-of-Home market by providing raw materials, production machinery, production lines including design and maintenance as well as baking related expertise.

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 is the expert in demanding working environment providing total solutions, services and equipment for mobile knowledge work as well as in energy efficiency equipment.

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

The segment structure corresponds with the Group's organizational structure and internal reporting, where measurement principles of assets and liabilities are in accordance with IFRS. 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. Pricing between segments is based on fair market prices. There is no considerable inter-segment net sales.

NET SALES

1,000 EUR	2017	2016
Sale of goods	**411,839**	378,847
Sales of services	**82,918**	75,073
Construction contract revenue	**7,603**	3,484
Total	**502,360**	457,404
Revenue recognized by reference to the stage of completion from open construction contracts	**5,356**	1,221

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

GEOGRAPHICAL AREAS

	Net sales		Non-current assets*	
1,000 EUR	**2017**	**2016**	**2017**	**2016**
Finland	**160,777**	149,395	**144,984**	153,249
Scandinavia	**50,643**	47,528	**4**	8
Baltic countries	**58,747**	50,370	**471**	405
Russia, Ukraine + other CIS countries	**164,852**	145,614	**964**	1,594
Other countries	**67,341**	64,497	**24,197**	11,756
Total	**502,360**	457,404	**170,620**	167,012

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

OPERATING SEGMENTS
2017

1,000 EUR	ESL Shipping	Leipurin	Telko	Kauko	Unallocated items	Group total
Sales to external customers	79,291	122,232	262,226	38,611		502,360
Inter-segment sales			6	13		
Net sales	79,291	122,232	262,232	38,624		502,360
Operating profit	13,499	3,133	10,817	-173	-4,140	23,136
Net financial expenses						-2,082
Profit before taxes						21,054
Income taxes						-1,646
Profit for the period						**19,408**
Depreciation on tangible assets	8,697	314	805	47	22	9,885
Amortization on intangible assets	63	787	668	402	64	1,984
Segment's assets	132,893	63,463	76,395	23,568	24,776	**321,095**
Segment's liabilities	10,953	17,877	29,698	6,560	143,740	**208,828**
Investments	16,811	477	539	123	42	**17,992**

2016

1,000 EUR	ESL Shipping	Leipurin	Telko	Kauko	Unallocated items	Group total
Sales to external customers	71,407	112,719	240,334	32,944		457,404
Inter-segment sales			5	48		
Net sales	71,407	112,719	240,339	32,992		457,404
Operating profit	12,643	2,001	10,103	-140	-4,216	20,391
Net financial expenses						-3,045
Profit before taxes						17,346
Income taxes						-1,492
Profit for the period						**15,854**
Depreciation on tangible assets	8,347	337	696	106	15	9,501
Amortization on intangible assets	55	868	783	396	20	2,122
Segment's assets	121,097	62,771	78,115	20,005	27,748	**309,736**
Segment's liabilities	9,167	14,287	32,031	5,391	134,333	**195,209**
Investments	5,042	253	1,379	16	187	**6,877**

2. Divested and Acquired Businesses

ACQUISITIONS AND DIVESTMENTS IN 2017 AND 2016

In 2017, Leipurin divested its meat industry raw materials business to MP Maustepalvelut Oy. The divestment has an impact of approximately EUR 4 million annually on the net sales of Leipurin. The gain on the sale was 0.4 million. Goodwill allocated to the divested business amounted to EUR 0.6 million.

In addition, Kauko Ltd divested its shares in the joint venture Roll Systems Oy to the joint venturer. The operations of the joint venture were part of the Industrial operations divested in 2015. The divestment had a minor impact on the Group's result.

No businesses were divested during the financial year 2016.

No new businesses were acquired in financial years 2017 or 2016.

3. Other Operating Income

1,000 EUR	2017	2016
Gains on sale of tangible assets	**185**	87
Rents and related remunerations	**817**	633
Gains on sale of business operations	**352**	
Leasing agreement related compensation	**232**	117
Other income	**451**	387
Total	**2,037**	1,224

4. Employee Benefits and Personnel Information

At the end of the financial year, the number of employees of Aspo Group was 909 (895), while the average during the financial year was 877 (871). The average number of office staff was 604 (596) and that of non-office workers 273 (275).

EMPLOYEE BENEFIT EXPENSES

1,000 EUR	2017	2016
Wages and salaries	**33,722**	32,068
Pension expenses, defined contribution plans	**5,244**	5,289
Share-based payments	**928**	524
Other employee benefit expenses	**1,660**	2,082
Total*	**41,554**	39,963
*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	**4,661**	5,158

Information regarding the employee benefits of key management personnel is presented in the Related parties section.

PERSONNEL BY SEGMENT AT YEAR-END

	2017	2016
ESL Shipping	**235**	226
Leipurin	**315**	322
Telko	**288**	280
Kauko	**46**	42
Other operations	**25**	25
Total	**909**	895

AVERAGE PERSONNEL BY SEGMENT DURING THE FINANCIAL YEAR

	2017	2016
ESL Shipping	**230**	225
Leipurin	**305**	314
Telko	**269**	267
Kauko	**48**	42
Other operations	**25**	23
Total	**877**	871

PERSONNEL BY GEOGRAPHICAL AREA AT YEAR-END

	2017	2016
Finland	**436**	415
Scandinavia	**20**	19
Baltic countries	**75**	73
Russia, Ukraine + other CIS countries	**327**	338
Other countries	**51**	50
Total	**909**	895

5. Depreciation, Amortization and Impairment Losses

1,000 EUR	2017	2016
Depreciation and amortization		
Intangible assets	**1,984**	2,122
Buildings	**310**	325
Vessels	**8,685**	8,339
Machinery and equipment	**860**	808
Other tangible assets	**30**	29
Total	**11,869**	11,623
Total depreciation, amortization and impairment losses	**11,869**	11,623

6. Materials and Services

1,000 EUR	2017	2016
Purchases during the period		
ESL Shipping	**13,197**	9,597
Leipurin	**94,836**	86,899
Telko	**225,998**	209,434
Kauko	**34,003**	28,707
Total	**368,034**	334,637
Change in inventories	**-5,219**	-6,453
Outsourced services		
Leipurin	**4,003**	2,965
Telko	**3,228**	3,198
Kauko	**508**	405
Total	**7,739**	6,568
Total materials and services	**370,554**	334,752

7. Other Operating Expenses

1,000 EUR	2017	2016
Rents	**7,742**	7,404
ESL Shipping	**30,158**	26,989
Leipurin	**6,814**	6,777
Telko	**8,109**	6,471
Kauko	**2,187**	2,184
Other operations	**2,274**	2,074
Total	**57,284**	51,899

AUDITORS' FEES

1,000 EUR	2017	2016
Auditing	**290**	290
Tax advice	**55**	60
Other services	**138**	80
Total	**483**	430

8. Financial Income and Expenses

The items above operating profit include EUR -0.9 million (-0.6) in exchange rate differences for 2017. Interest expenses include EUR 0.0 million (0.1) in contingent rents recognized as costs arisen from finance leasing agreements during the financial year.

1,000 EUR	2017	2016
Dividend income from available-for-sale financial assets	**1**	1
Interest income from loans and other receivables	**1,137**	723
Foreign exchange gains	**657**	321
Gains on sale of available-for-sale financial assets	**196**	
Total financial income	**1,991**	1,045
Interest and other financial expenses	**-3,208**	-3,164
Foreign exchange losses	**-865**	-926
Total financial expenses	**-4,073**	-4,090
Total financial income and expenses	**-2,082**	-3,045

9. Income Taxes

TAXES IN THE STATEMENT OF COMPREHENSIVE INCOME

1,000 EUR	2017	2016
Taxes for the period	**-2,283**	-1,980
Change in deferred tax assets and liabilities	**636**	475
Taxes from previous financial years	**1**	13
Total	**-1,646**	-1,492

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	2017	2016
Profit before taxes	**21,054**	17,346
Taxes calculated using the parent company's tax rate	**-4,211**	-3,469
Impact of foreign subsidiaries' tax rates	**255**	308
Impact of tonnage taxation	**3,128**	2,964
Losses for which no deferred tax asset was recognized	**-892**	-1,163
Utilization of previously unrecognized tax losses	**191**	6
Allowance from deferred tax assets	**-354**	
Taxes from previous financial years	**1**	13
Withholding taxes	**-272**	-124
Timing differences, tax-free and non-deductible items	**508**	-27
Taxes in the statement of comprehensive income	**-1,646**	-1,492
Effective tax rate	**8%**	9%

INCOME TAX ON OTHER COMPREHENSIVE INCOME

1,000 EUR	2017	2016
Cash flow hedges	**192**	-102

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 the earnings per share, interest and price premium cost of the hybrid bond, adjusted for tax effect, has been considered as a profit-reducing item. When calculating the diluted earnings per share in previous years, the average number of shares was adjusted with the dilutive effect of the equity-based convertible capital loan and the shareholding plan for Aspo Management Oy. At the end of 2016 and 2017, there were no diluting components.

1,000 EUR	2017	2016
Undiluted		
Profit for the period attributable to parent company shareholders	**19,408**	15,854
Interest of the hybrid bond (adjusted by tax effect)	**-2,160**	-819
Average number of shares during period (1,000)	**30,599**	30,564
Earnings per share, EUR	**0.56**	0.49
Diluted		
Diluted earnings per share, EUR	**0.56**	0.49

11. Intangible Assets

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

2017

1,000 EUR	Intangible rights	Other intangible assets	Advance payments of intangible assets	Total
Acquisition cost, Jan. 1	9,343	17,291	6	26,640
Translation differences	2	45		47
Increases	59	374	118	551
Decreases	-1,518	-1,410	-6	-2,934
Acquisition cost, Dec. 31	**7,886**	**16,300**	**118**	**24,304**
Accumulated amortization, Jan. 1	-3,686	-13,518		-17,204
Translation differences	-3	-47		-50
Accumulated amortization of decreases	1,518	1,410		2,928
Amortization for the period	-70	-1,914		-1,984
Accumulated amortization, Dec. 31	**-2,241**	**-14,069**		**-16,310**
Carrying amount, Dec. 31	**5,645**	**2,231**	**118**	**7,994**

2016

1,000 EUR	Intangible rights	Other intangible assets	Advance payments of intangible assets	Total
Acquisition cost, Jan. 1	10,049	16,326	547	26,922
Translation differences	-4	-49		-53
Increases	27	490	6	523
Decreases	-729	-10	-13	-752
Transfers between classes		534	-534	0
Acquisition cost, Dec. 31	**9,343**	**17,291**	**6**	**26,640**
Accumulated amortization, Jan. 1	-4,323	-11,546		-15,869
Translation differences	4	46		50
Accumulated amortization of decreases	727	10		737
Amortization for the period	-94	-2,028		-2,122
Accumulated amortization, Dec. 31	**-3,686**	**-13,518**		**-17,204**
Carrying amount, Dec. 31	**5,657**	**3,773**	**6**	**9,436**

INTANGIBLE ASSETS LEASED UNDER FINANCIAL LEASES ARE INCLUDED IN INTANGIBLE ASSETS AS FOLLOWS

Other intangible assets

1,000 EUR	2017	2016
Acquisition cost, Jan. 1	**4,614**	3,610
Increases	**307**	480
Transfers between classes		534
Decreases	**-1,341**	-10
Acquisition cost, Dec. 31	**3,580**	4,614
Accumulated amortization, Jan. 1	**-2,527**	-1,731
Accumulated amortization of decreases	**1,341**	10
Amortization for the period	**-848**	-806
Accumulated amortization, Dec. 31	**-2,034**	-2,527
Carrying amount, Dec. 31	**1,546**	2,087

12. Goodwill

Goodwill is allocated to the Group's cash-generating units by business unit, depending on the level of goodwill monitoring in internal reporting. Every unit represents each of Aspo's operating segments. Goodwill is allocated to the segments as follows: ESL Shipping EUR 0.8 million (0.8), Leipurin EUR 26.7 million (27.3), Telko EUR 5.0 million (5.0), and Kauko EUR 9.5 million (9.5).

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 the 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 estimates are based on three-year financial plans approved by the Board of Directors. In testing, cash flow estimates 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 amount indicated by the tests clearly exceeds the carrying amount of goodwill in each segment. The share of the terminal value varied from 56% to 71% of the recoverable amount and was highest in the Kauko segment. The goodwills of ESL Shipping and other operations are not significant compared to the recoverable amount. The impairment tests indicate that no impairment has occurred.

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 as much as the rate of inflation at the most.

The discount rate is determined for each segment 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 the asset items and location of operations. The post-tax discount rate (WACC) used in the calculations was 9.1–14.0%.

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. The management believes the assumptions to be appropriate and that tested operations have a sustainable basis. There are no indications of impairment in the business operations' goodwill but the result of future impairment testing depends 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

GOODWILL

1,000 EUR	2017	2016
Acquisition cost, Jan. 1	**43,990**	44,041
Decreases	**-598**	
Translation differences	**-32**	-51
Acquisition cost, Dec. 31	**43,360**	43,990
Accumulated impairment losses, Jan. 1	**-1,347**	-1,347
Accumulated impairment losses, Dec. 31	**-1,347**	-1,347
Carrying amount, Dec. 31	**42,013**	42,643

ALLOCATION OF GOODWILL

1,000 EUR	2017	2016
ESL Shipping	**790**	790
Leipurin	**26,683**	27,281
Telko	**5,000**	5,032
Kauko	**9,504**	9,504
Other operations	**36**	36
Total	**42,013**	42,643

BRANDS

1,000 EUR	2017	2016
Leipurin	**3,148**	3,148
Telko	**2,155**	2,155
Total	**5,303**	5,303

may result in an impairment loss of goodwill. It is the management's view that the estimates of future cash flows and the tying-up rate of capital used in the testing are likely.

Each segment has undergone a sensitivity analysis in which the values used as basic assumptions in the testing were lowered one at a time other factors remaining the same. As a result of this, the value of segment´s future cash flows has decreased and the recoverable amount is lower. The changes and their effects were:

- WACC was raised by 20%, effect 18–19% (18).
- operating profit was cut down by 10%, effect 9–12% (6–12).

The sensitivity analysis shows that there is no need for impairment.

13. Tangible Assets

2017

1,000 EUR	Land	Buildings	Machinery and equipment	Vessels	Other tangible assets	Work in progress and advance payments	Total
Acquisition cost, Jan. 1	54	5,500	9,166	242,389	729	11,039	268,877
Translation differences		-5	-201			-20	-226
Increases		136	702	2,914		13,715	17,467
Decreases		-227	-1,628	-57,842		-470	-60,167
Transfers between classes		931	-930		-1		0
Acquisition cost, Dec. 31	**54**	**6,335**	**7,109**	**187,461**	**728**	**24,264**	**225,951**
Accumulated depreciation, Jan. 1		-2,756	-6,558	-145,954	-289		-155,557
Translation differences		-1	110				109
Accumulated depreciation of decreases		227	1,525	57,548			59,300
Accumulated depreciation of transfers		-285	285				0
Depreciation for the period		-310	-860	-8,685	-30		-9,885
Accumulated depreciation, Dec. 31		**-3,125**	**-5,498**	**-97,091**	**-319**		**-106,033**
Carrying amount, Dec. 31	**54**	**3,210**	**1,611**	**90,370**	**409**	**24,264**	**119,918**

Tangible assets include advance payments for ESL Shipping's upcoming LNG-fueled vessels. The EU supports energy-efficiency and environmental investments in ships. ESL Shipping receives subsidy of at most EUR 5.9 million in 2016–2019, of which EUR 2.1 million was paid in 2016. This reduces the advance payments related to the vessel purchase. To obtain the subsidy, it is required that the activities listed in the agreement are carried out and that the arising costs are documented in an approved manner.

2016

1,000 EUR	Land	Buildings	Machinery and equipment	Vessels	Other tangible assets	Work in progress and advance payments	Total
Acquisition cost, Jan. 1	54	5,500	8,120	238,676	721	9,396	262,467
Translation differences			280			89	369
Increases			941	3,713	1	1,641	6,296
Decreases			-238			-17	-255
Transfers between classes			63		7	-70	0
Acquisition cost, Dec. 31	**54**	**5,500**	**9,166**	**242,389**	**729**	**11,039**	**268,877**
Accumulated depreciation, Jan. 1		-2,431	-5,754	-137,615	-260		-146,060
Translation differences			-159				-159
Accumulated depreciation of decreases			163				163
Depreciation for the period		-325	-808	-8,339	-29		-9,501
Accumulated depreciation, Dec. 31		**-2,756**	**-6,558**	**-145,954**	**-289**		**-155,557**
Carrying amount, Dec. 31	**54**	**2,744**	**2,608**	**96,435**	**440**	**11,039**	**113,320**

TANGIBLE ASSETS LEASED UNDER FINANCIAL LEASES ARE INCLUDED IN TANGIBLE ASSETS AS FOLLOWS

Machinery and equipment

1,000 EUR	2017	2016
Acquisition cost, Jan. 1	**441**	439
Increases	**52**	2
Decreases	**-185**	
Acquisition cost, Dec. 31	**308**	441
Accumulated depreciation, Jan. 1	**-333**	-244
Accumulated depreciation of decreases	**185**	
Depreciation for the period	**-90**	-89
Accumulated depreciation, Dec. 31	**-238**	-333
Carrying amount, Dec. 31	**70**	108

14. Financial Assets Available for Sale

Available-for-sale financial assets are unlisted shares. Because their fair value cannot be reliably determined, they have been recognized at their acquisition cost less possible impairments.

2017

1,000 EUR	**Unlisted shares**
Acquisition cost, Jan. 1	172
Decreases	-2
Acquisition cost, Dec. 31	**170**
Carrying amount, Dec. 31	**170**

2016

1,000 EUR	**Unlisted shares**
Acquisition cost, Jan. 1	172
Acquisition cost, Dec. 31	**172**
Carrying amount, Dec. 31	**172**

15. Non-current Receivables

1,000 EUR	**2017**	**2016**
Derivative contracts	**4**	1,248
Loan receivables	**171**	193
Deferred receivables	**350**	
Total	**525**	1,441

16. Joint Ventures

Kauko Ltd owned 50% of the joint venture Roll Systems Oy. Kauko divested its investment in the joint venture to the joint venturer in 2017. The transaction did not have a material impact on the consolidated statement of comprehensive income, because the company and its subsidiary had produced a loss and the Group's financial statements did not include a share of the joint venture's result.

17. Deferred Taxes

Deferred tax liability on the transition to tonnage taxation is relieved through annual state subsidies during the validity of the Tonnage Tax Act if the preconditions for such relief are met. The amount of tax relief was EUR 0.6 million in 2017, and EUR 4.1 million in 2011–2016.

The balance sheet includes deferred tax assets of EUR 2.5 million (2.9) from Finnish companies with a negative result for the financial years 2012 or 2013. These deferred tax assets are recognized on the basis of the management's profit forecast indicating that the realization of the deferred tax assets in question is probable. No deferred tax assets were recognized on the taxable losses of EUR 20.4 million incurred by Finnish companies in other years. The utilization period of these taxable losses is 10 years.

The Group had EUR 2.5 million (3.4) in unused taxable losses in subsidiaries abroad, on 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 these losses expire. The loss expiry period varies from one country to another. Some losses expire in 2018, while some losses do not have any expiry period set out within the scope of the current legislation. A deferred tax liability of EUR 1.5 million (1.4) has not been recognized from the retained earnings of subsidiaries abroad because they are permanently invested in the countries in question.

DEFERRED TAX ASSETS

1,000 EUR	2017	2016
Derivatives	160	125
Employee benefits	30	11
Losses available for utilization against future taxable income	2,728	3,025
Other temporary differences	349	271
Total	3,267	3,432

DEFERRED TAX LIABILITIES

1,000 EUR	2017	2016
Depreciation in excess of plan	231	232
Deferred tax liability due to tonnage taxation	1,853	2,470
Tangible and intangible assets	1,185	1,396
Derivatives		85
Other temporary differences	31	60
Total	3,300	4,243

CHANGES IN DEFERRED TAX ASSETS

1,000 EUR	2017	2016
Deferred tax assets, Jan. 1	3,432	3,797
Items recognized in the statement of comprehensive income		
Unutilized tax losses	-297	-248
Employee benefits	19	-24
Other temporary differences	-12	-58
Items recognized in other comprehensive income	125	-35
Deferred tax assets, Dec. 31	3,267	3,432

CHANGES IN DEFERRED TAX LIABILITIES

1,000 EUR	2017	2016
Deferred tax liabilities, Jan. 1	4,243	4,978
Items recognized in the statement of comprehensive income		
Depreciation in excess of plan	-1	16
Deferred tax liability due to tonnage taxation	-617	-618
Tangible and intangible assets	-211	-245
Other temporary differences	-47	45
Items recognized in other comprehensive income	-67	67
Deferred tax liabilities, Dec. 31	3,300	4,243

18. Inventories

An expense of EUR 0.3 million (0.3) was recognized during the financial year for a write-down of inventories to net realizable value.

1,000 EUR	2017	2016
Materials and supplies	**1,615**	1,272
Finished goods	**56,304**	53,478
Other inventories	**3,002**	1,958
Total	**60,921**	56,708

19. Accounts Receivable and Other Receivables

Accounts receivable do not involve significant credit loss risks. A total of EUR 0.9 million (0.4) was recognized as impairment loss from accounts receivable.

1,000 EUR	2017	2016
Accounts receivable	**54,294**	48,079
Accounts receivable on construction contracts*	**1,215**	887
Refund from the Ministry of Transport and Communications	**2,357**	2,615
Advance payments	**2,168**	2,651
VAT receivable	**640**	983
Derivative contracts		443
Loan receivables	**21**	34
Other deferred receivables	**5,338**	4,061
Total	**66,033**	59,753

*** Aggregated items related to construction contracts:**		
Accrued income according to the stage of completion	**5,356**	1,221
Advances received related to construction contracts	**-4,141**	-334
Accounts receivable on construction contracts	**1,215**	887

20. Cash and Cash Equivalents

1,000 EUR	2017	2016
Bank accounts and deposits	**19,923**	22,627

21. Equity

On December 31, 2017, Aspo Plc's number of shares was 30,975,524 and the share capital was EUR 17.7 million.

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. An interest payment obligation is set up 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 has been classified as equity, and 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.

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 and the recognition of available-for-sale financial assets at fair value. Other reserves include hybrid instruments.

DIVIDENDS

After the reporting date, the Board of Directors has proposed that a dividend of EUR 0.43 per share be distributed for 2017, and that the dividend be paid in two installments, EUR 0.21 per share in April and EUR 0.22 per share in November. A dividend of EUR 0.42 was distributed for 2016 in two intstallments: EUR 0.21 per share in April and EUR 0.21 per share in November.

EQUITY 2017

1,000 EUR	in 1,000s	Share capital	Share premium	Invested unrestricted equity reserve	Hybrid instrument	Treasury shares	Total
January 1, 2017	30,579	17,692	4,351	12,054	25,000	-2,341	56,756
Share-based incentive plan	26					172	172
Translation differences				7			7
December 31, 2017	**30,605**	**17,692**	**4,351**	**12,061**	**25,000**	**-2,169**	**56,935**
Treasury shares held by the Group	370						
Total number of shares	**30,976**						

EQUITY 2016

1,000 EUR	in 1,000s	Share capital	Share premium	Invested unrestricted equity reserve	Hybrid instrument	Treasury shares	Total
January 1, 2016	30,496	17,692	4,351	11,929	20,000	-2,751	51,221
Share-based incentive plan	84					410	410
Hybrid instrument, issue					25,000		25,000
Hybrid instrument, repayment					-20,000		-20,000
Transfer from the reserve				125			125
December 31, 2016	**30,579**	**17,692**	**4,351**	**12,054**	**25,000**	**-2,341**	**56,756**
Treasury shares held by the Group	396						
Total number of shares	**30,976**						

Shares have no nominal value.

FAIR VALUE RESERVE

1,000 EUR	2017	2016
Cash flow hedges	**-2,569**	936

22. Loans

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.

NON-CURRENT LOANS AND OVERDRAFT FACILITIES

1,000 EUR	2017	2016
Loans	**89,747**	94,056
Pension loans	**5,714**	7,143
Bond	**10,934**	10,922
Financial leasing liabilities	**977**	1,442
Overdraft facilities in use	**2,145**	3,077
Total	**109,517**	116,640

CURRENT LOANS AND OVERDRAFT FACILITIES

1,000 EUR	2017	2016
Loans	**23,309**	4,642
Pension loans	**1,429**	1,429
Financial leasing liabilities	**680**	806
Overdraft facilities in use	**1,684**	1,917
Total	**27,102**	8,794

MATURING OF FINANCIAL LEASING LIABILITIES

1,000 EUR	2017	2016
Financial leasing liabilities – total amount of minimum lease payments		
Within one year	**707**	838
After one year and within five years	**1,000**	1,477
Total	**1,707**	2,315
Financial leasing liabilities – present value of minimum lease payments		
Within one year	**680**	806
After one year and within five years	**977**	1,442
Total	**1,657**	2,248
Future financial expenses	**50**	67

23. Accounts Payable and Other Liabilities

OTHER NON-CURRENT LIABILITIES

1,000 EUR	2017	2016
Derivative contracts	**122**	368
Other non-interest-bearing liabilities	**400**	
Total	**522**	368

ACCOUNTS PAYABLE AND OTHER LIABILITIES

1,000 EUR	2017	2016
Accounts payable	**37,161**	39,209
Advances received, construction contracts	**2,410**	377
Advances received, others	**3,479**	3,267
Salaries and social security contributions	**6,854**	6,328
Employer contributions	**1,238**	1,585
Accrued interest	**1,640**	2,150
Derivative contracts	**1,939**	258
VAT liability	**3,844**	4,366
Share-based incentive plan	**566**	190
Other current liabilities	**200**	
Other current deferred liabilities	**7,486**	6,390
Total	**66,817**	64,120

24. Pension Obligations

The Group has provided for statutory pension cover by taking out insurance with pension insurance companies. In foreign units, the pension cover 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	2017	2016
Defined contribution plans	**5,244**	5,289

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, rental provisions to onerous sublease contracts of office premises, contract payments to compensations of old project deliveries, and pension provisions to direct pension liabilities granted by the Group. Tax provisions were based on any increased expenses arising from ongoing tax inquires.

1,000 EUR	Warranties and maintenance services	Rental agreements	Compensations for deliveries	Pension commitments	Tax charges	Total
December 31, 2016	266	216		5	21	508
Increase in provisions	139	80	489			708
December 31, 2017	**405**	**296**	**489**	**5**	**21**	**1,216**

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.

INTEREST-BEARING LIABILITIES BY CURRENCY

1,000 EUR	2017	2016
EUR	**132,790**	120,441
USD	**2,145**	3,077
Other	**1,684**	1,917
Total	**136,619**	125,435

ACCOUNTS RECEIVABLE BY CURRENCY

1,000 EUR	2017	2016
EUR	**38,202**	28,610
SEK	**1,296**	1,108
DKK	**1,178**	1,075
PLN	**670**	873
RUB	**4,137**	9,576
UAH	**3,742**	3,638
USD	**4,218**	1,351
Other	**851**	1,848
Total	**54,294**	48,079

ACCOUNTS PAYABLE AND ADVANCES RECEIVED BY CURRENCY

1,000 EUR	2017	2016
EUR	**35,921**	35,733
SEK	**727**	722
DKK	**387**	181
PLN	**239**	300
RUB	**1,429**	1,028
UAH	**128**	642
USD	**3,784**	3,234
Other	**435**	1,103
Total	**43,050**	42,943

26.2 MARKET RISKS

Currency risk

Aspo Group has companies and affiliates in 17 countries, and the operations take place in 12 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 risks are related to the Russian ruble. If the ruble weakened against the euro, the Russian net sales and result denominated in euro of the Telko and Leipurin segments would decrease. The Russian ruble strengthened during the first half of 2017, compared to the same period in the previous year, and remained stable through the latter half of the year. Changes in the Russian ruble against the euro had no significant impact on Group's net sales and result for 2017.

The currency risks of ESL Shipping are mainly related to dollar-denominated investments. The shipping company had a major investment program underway in 2017 for the construction of two new vessels. The total value of the investment is approximately EUR 60 million, and the related cash flows occur in the years 2015–2018. Part of the future cash flows related to the contract are dollar-denominated, and they have been hedged in their entirety by currency forward agreements, to which hedge accounting is applied.

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 currency.

Interest-bearing liabilities are mainly denominated in euro.

Most of Aspo Group's accounts receivable are denominated in euro. Accounts receivable denominated in US dollar comprise the second largest item. Because a significant part of Telko and Leipurin operations comes from Russia, accounts receivable from this market area are significant.

Aspo Group has made investments in subsidiaries abroad. In addition, the equity of subsidiaries abroad increases through profitable business. The total equity of the Group's subsidiaries abroad at the reporting date was EUR 29.4 million (33.4). Ruble-denominated investments of EUR 16.2 million (19.2) 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 subsidiaries abroad. 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, Ukranian and Kazakhstani subsidiaries have been classified as non-current net investments in foreign operations.

INVESTMENTS IN FOREIGN SUBSIDIARIES

1,000 EUR	Equity 2017	Equity 2016
SEK	**-984**	-1,487
DKK	**6,162**	5,974
RUB	**16,170**	19,246
NOK	**-100**	44
UAH	**175**	1,112
PLN	**1,787**	1,690
BYN	**-837**	-826
CNY	**430**	-1,587
KZT	**-433**	-353
AZN	**26**	-19
IRR	**-91**	
EUR	**7,054**	9,642
Total	**29,359**	33,436

CASH AND CASH EQUIVALENTS AND UNUTILIZED COMMITTED REVOLVING CREDIT FACILITIES

1,000 EUR	2017	2016
Cash and cash equivalents	**19,923**	22,627
Revolving credit facilities	**40,000**	40,000
Total	**59,923**	62,627

Interest rate risk

To finance its operations, Aspo Group uses both fixed-rate and floating-rate liabilities 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 liabilities, 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, 2017, the Group's interest-bearing liabilities totaled EUR 136.6 million (125.4) and cash and cash equivalents stood at EUR 19.9 million (22.6). 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 liabilities. On the balance sheet date, the average interest rate on interest-bearing liabilities was 1.8% (1.8), the duration of interest rate position was 1.9 years (2.1), the average loan maturity was 3.4 years (4.2), and the share of fixed-rate liabilities was 47% (42). In 2017, the average maturity of interest-bearing loans and the duration of interest rate position shortened, and the portion of fixed-rate loans increased.

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, included 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 US dollar poses a significant currency risk for Aspo Group due to vessel investments. Cash flows related to the investment have been hedged by currency forwards. 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

	2017		2016	
1,000 EUR	Statement of comprehensive income	Equity	Statement of comprehensive income	Equity
Currency risk				
+ 30% strengthening of euro against RUB	**197**	**-3,731**	-1,473	-4,441
- 30% weakening of euro against RUB	**-365**	**6,930**	2,735	8,248
Interest rate risk				
Change of +100 basic points in the market interest rates	**-738**		-738	
Change of -100 basic points in the market interest rates	**734**		739	

AGEING ANALYSIS OF ACCOUNTS RECEIVABLE

1,000 EUR	2017	2016
Not matured	**41,802**	34,438
Matured 1–30 days ago	**8,399**	7,722
Matured 31–60 days ago	**1,798**	2,604
Matured 61–90 days ago	**1,192**	1,219
Matured more than 90 days ago	**1,103**	2,096
Total	**54,294**	48,079

Hedge accounting

The future US dollar-denominated cash flows related to the ESL Shipping's vessel investments have been hedged with currency forwards. Total capital of the currency forwards is approximately USD 31 million. The currency forwards are subject to hedge accounting, and the effective part of changes in their fair value is recognized in the hedging reserve under the fair value reserve of Aspo Group's equity. The effective part of the changes in fair value of currency forwards, EUR -2.4 million (1.3), is recognized in other comprehensive income, while the interest portion of the currency forwards is recognized in the financial items of the statement of comprehensive income.

The floating interest rate of the term loan taken out by Aspo Plc in 2011 and matured in 2015 was hedged with an interest rate swap throughout the validity of the loan agreement. The said interest rate swap was subject to hedge accounting, and changes in its fair value were entered in other comprehensive income. The hedging relation between the loan hedged and the hedging instrument was effective. The said term loan, matured in 2015, was renewed with the same amount, and hedging of the variable interest of the renewed term loan was continued with an interest swap, but hedge accounting was discontinued in connection with the renewal due to its partial ineffectiveness, and changes in fair value have since been recognized through profit or loss. The loss accumulated in equity by 2015 was EUR 0.6 million and is entered in profit or loss in accordance with the original forecast transaction, still expected to occur by 2019. The fair value of the interest rate derivative amounted to EUR -0.4 million (-0.6) on December 31, 2017. The fair value of Group's other interest rate swaps to which hedge accounting is applied was EUR 0.0 million on December 31, 2017. 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 and the inefficient portion 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 most significant financing needs in 2017 were related to the vessel investments by ESL Shipping and the company has signed vessel finance agreements of EUR 50 million. In 2017, ESL Shipping made payments of approximately EUR 12 million related to the ship investments. The main financing source of Telko, Leipurin and Kauko is the cash flow from their operations. Liquidity is ensured through cash and cash equivalents, the issuing of commercial papers and committed overdraft limits, as well as revolving credit facilities granted by selected cooperation banks.

MATURITY ANALYSIS 2017

1,000 EUR	Balance sheet value Dec 31,2017	Cash flow 2018	2019	2020	2021	2022-
Loans	-131,133	-26,940	-22,027	-35,921	-19,275	-34,672
Overdraft facilities	-3,829	-1,684	-2,145			
Other liabilities	-400		-200	-200		
Financial leasing liabilities	-1,657	-707	-467	-302	-217	-14
Accounts payable and other liabilities	-44,083	-44,083				
Derivative instruments						
Interest rate swaps						
Hedge accounting applied						
Cash flows to be paid		-54	-17			
Cash flows to be received				21	42	12
Hedge accounting not applied						
Cash flows to be paid		-260	-122			
Currency forwards						
Hedge accounting applied						
Cash flows to be paid		-26,999				
Cash flows to be received		25,320				

MATURITY ANALYSIS 2016

1,000 EUR	Balance sheet value Dec 31,2016	Cash flow 2017	2018	2019	2020	2021-
Loans	-118,192	-8,170	-22,699	-21,769	-35,684	-38,410
Overdraft facilities	-4,994	-1,917	-3,077			
Financial leasing liabilities	-2,248	-838	-653	-413	-248	-163
Accounts payable and other liabilities	-47,310	-47,310				
Derivative instruments						
Interest rate swaps						
Hedge accounting not applied						
Cash flows to be paid		-258	-249	-119		
Currency forwards						
Hedge accounting applied						
Cash flows to be paid		-9,163	-26,999			
Cash flows to be received		9,606	28,247			

The Group's cash and cash equivalents at the end of the financial year 2017 were EUR 19.9 million (22.6). At the reporting date, Aspo Plc had a EUR 80 million domestic commercial paper program of which EUR 4 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. In the financial year, Aspo Plc signed a revolving credit facility agreement amounting to EUR 20 million. The agreement replaced an expiring revolving credit facility agreement of the same amount.

Financial covenants associated with significant financial agreements were not breached during the financial year.

26.4 CREDIT AND COUNTERPARTY RISKS

The Group has credit risk from accounts receivables. The Telko and Leipurin segments have an international and highly diversified customer base, and no considerable customer risk centers. 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's aim is to have low cash and cash equivalents. The counterparty risk is managed by selecting well-known

FINANCIAL ASSETS AND LIABILITIES 2017

1,000 EUR	Loans and other receivables	Available-for-sale financial assets recognized in other compre-hensive income	Other financial liabilities	Derivatives in hedge accounting recognized in other compre-hensive income	Derivatives outside hedge accounting recognized through profit and loss	Carrying amount
Financial assets measured at fair value						
Non-current financial assets						
Available-for-sale financial assets		170				170
Non-current receivables				4		4
Total		**170**		**4**		**174**
Financial assets measured at amortized cost						
Non-current financial assets						
Non-current receivables*	171					171
Current financial assets						
Accounts receivable and other receivables*	54,955					54,955
Cash and cash equivalents	19,923					19,923
Total	**75,049**					**75,049**
Financial liabilities measured at fair value						
Non-current financial liabilities						
Other non-current liabilities					122	122
Current financial liabilities						
Accounts payable and other liabilities				1,679	260	1,939
Total				**1,679**	**382**	**2,061**
Financial liabilities measured at amortized cost						
Non-current financial liabilities						
Loans and overdraft facilities			109,517			109,517
Other non-current liabilities			400			400
Current financial liabilities						
Loans and overdraft facilities			27,102			27,102
Accounts payable and other liabilities*			44,083			44,083
Total			**181,102**			**181,102**

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

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, 2017, the equity ratio was 35.6% (37.4) and gearing was 103.9% (89.8). During the financial year 2017, Aspo Group's capital structure remained almost unchanged compared with the previous year.

FINANCIAL ASSETS AND LIABILITIES 2016

1,000 EUR	Loans and other receivables	Available-for-sale financial assets recognized in other comprehensive income	Other financial liabilities	Derivatives in hedge accounting recognized in other comprehensive income	Derivatives outside hedge accounting recognized through profit and loss	Carrying amount
Financial assets measured at fair value						
Non-current financial assets						
Available-for-sale financial assets		172				172
Non-current receivables				1,248		1,248
Current financial assets						
Accounts receivable and other receivables				443		443
Total		**172**		**1,691**		**1,863**
Financial assets measured at amortized cost						
Non-current financial assets						
Non-current receivables*	193					193
Current financial assets						
Accounts receivable and other receivables*	49,096					49,096
Cash and cash equivalents	22,627					22,627
Total	**71,916**					**71,916**
Financial liabilities measured at fair value						
Non-current financial liabilities						
Other non-current liabilities					368	368
Current financial liabilities						
Accounts payable and other liabilities					258	258
Total					**626**	**626**
Financial liabilities measured at amortized cost						
Non-current financial liabilities						
Loans and overdraft facilities			116,640			116,640
Current financial liabilities						
Loans and overdraft facilities			8,794			8,794
Accounts payable and other liabilities*			47,310			47,310
Total			**172,744**			**172,744**

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

As described in the Accounting Principles, the Group classifies the determining of fair values of financial assets and liabilities on different levels in the fair value hierarchy. Group's derivatives include interest rate swaps and currency forwards and they fall into level 2 in the fair value hierarchy. Available-for-sale 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

	2017		2016	
1,000 EUR	**Nominal value**	**Fair values, net**	**Nominal value**	**Fair values, net**
Currency derivatives				
Currency forwards	**-26,999**	**-1,679**	-36,162	1,691
Interest rate derivatives				
Interest rate swaps	**30,385**	**-378**	15,000	-626
Total		**-2,057**		1,065

28. Contingent Assets and Liabilities, and Other Commitments

CONTINGENT LIABILITIES

As part of their ordinary business activities, Aspo and some of its subsidiaries sign different agreements under which guarantees are offered to third parties on behalf of these subsidiaries. These agreements are primarily made in order to support or improve Group companies' creditworthiness, and through them it is easier to find sufficient financing.

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 REMEDIATION 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 leveling 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 separate transactions have been entered in the statement of comprehensive income or on the balance sheet.

COLLATERAL FOR OWN DEBT

1,000 EUR	2017	2016
Mortgages given	**104,454**	104,454
Guarantees	**27,593**	40,316
Other commitments*	**36,670**	38,063
Total	**168,717**	182,833

OPERATING LEASE RENTALS PAYABLE

1,000 EUR	2017	2016
Within one year	**10,754**	7,255
After one year and within five years	**10,649**	14,339
After five years	**120**	
Total	**21,523**	21,594

* Other commitments are mainly related to new vessels contracts.

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 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 rejected ESL Shipping's legal action as time-barred. The company applied for a leave to appeal from the Supreme Court which was rejected in February 2018. No fairway dues related receivables were recognized, so the rejection has no effect on the consolidated financial statements.

The shipping company 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 required to refund the repair expenses and interest to ESL Shipping according to the company's claims. The impact of ruling has not been included in the financial statement, but it will be taken into account during the financial year over which the imposed payment is received.

Telko has initiated a process at the Administrative Court concerning the tax increase imposed by Finnish Customs related to batches of material that Telko imported in 2013 and 2014. Telko considers the charges imposed by Finnish Customs to be unfounded. The charges of EUR 1.7 million were recognized as expenses in 2015.

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. After the financial year, on February 2018, the District Court has decided the matter for the benefit of the defendants. The decision is not yet final and it has no effect on the result of Aspo Group.

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

29. Related Parties

Information on subsidiaries within Aspo Group's related parties is presented in the attached table. Information on joint ventures within Aspo Group's related parties 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 Corporate Governance section.

MANAGEMENT EMPLOYEE BENEFITS

Share-based incentive plan 2015–2017

The Board of Directors of Aspo Plc approved in its meeting on February 11, 2015, a share-based incentive plan directed to approximately 30 persons. The aim of the plan is to combine the objectives of the shareholders and those within the plan in order to increase the value of the company, to commit the participants to the company, and to offer them a competitive incentive plan based on a long-term holding of the company's shares.

The plan includes three earnings periods, calendar years 2015, 2016, and 2017. The prerequisite for participation in the plan and for receipt of reward on basis of each earnings period is that the person acquires Aspo's shares, or holds the company's shares, up to the number predetermined by the Board of Directors.

Aspo's Board of Directors will decide on the plan's performance criteria, required performance levels for each criterion and persons to whom participation possibility is offered at the beginning of each earnings period. The reward will be paid partly in Aspo Plc's shares and partly in cash. The cash proportion is intended to cover

GROUP COMPANIES

Company	Domicile	Holding, %
Aspo Plc, parent company	Finland	
Aspo Palvelut Ltd	Finland	100.00
Oy Bomanship Ab	Finland	100.00
Bomanship Europe Unipessoal Lda	Portugal	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
Leipurin Poland Sp. z o.o.	Poland	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 Shanghai Ltd.	China	100.00
Telko Sweden AB	Sweden	100.00
OOO Telko Terminal	Russia	100.00
Oy Troili Ab	Finland	100.00
Vulganus Oy	Finland	100.00

taxes and tax-related costs arising from the reward to the person. As a rule, no reward will be paid, if a person's employment or service contract ends before the reward payment. The shares received as reward may not be sold during the commitment period, which will end two years from the end of the earnings period. If a person's employment or service contract ends during the commitment period, the person must gratuitously return the shares received as a reward.

The reward from the earnings period 2015 was based on the Group's earnings per share (EPS). In 2016, on the basis of the 2015 earnings period, employees included in the plan received 88,970 treasury shares as a share-based reward, as well as cash equaling the value of the shares in order to pay taxes.

In accordance with the rules of incentive plans a total of 5,275 treasury shares, originally granted on the basis of share-based incentive plans, were returned to Aspo due to ended contracts of employment in 2016.

The reward from the 2016 earnings period was based on the Group's earnings per share (EPS). In 2017, on the basis of the 2016 earnings period, employees included in the plan received 25,740 treasury shares as a share-based reward, as well as cash equaling the value of the shares, at most, in order to pay taxes.

The reward from the 2017 earnings period was based on the Group's earnings per share (EPS). The share-based cost of rewards was on the balance sheet date estimated at in total of EUR 1.1 million. It will be accrued over the years 2017–2019 on the basis of the rules of the incentive plan.

On February 15, 2018, the Board of Directors decided that the reward for the 2017 earnings period will be 70,525 shares and cash corresponding at most to the value of the shares for covering taxes, i.e. an amount corresponding to the value of approximately 70,500 shares.

On the basis of the share-based incentive plan 2015–2017, a total of 185,235 treasury shares were granted, as well as cash equaling the value of the shares in order to pay taxes. When the decision regarding the 2015–2017 plan was taken the rewards to be paid corresponded to the approximate maximum total value of 900,000 Aspo Plc shares (including also the proportion to be paid in cash).

SHARE-BASED PAYMENTS RECOGNIZED IN THE PERIOD

	2017	2016
Total expenses recognized in employee benefit expenses	**928**	524
Accrued expenses in the balance sheet liabilities related to the proportion paid in cash	**566**	190

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
Covers years 2015–2017	Feb. 11, 2015				
The share of the year 2015	Mar. 13, 2015	Mar. 18, 2016	88,970	7.72	7.25
The share of the year 2016	Mar. 11, 2016	Mar. 24, 2017	25,740	7.20	8.43
The share of the year 2017	Mar. 13, 2017		70,525	8.76	

SALARIES AND BENEFITS OF BOARD MEMBERS AND CEO

	2017		2016	
1,000 EUR	**Salaries and remunerations**	**Pensions**	**Salaries and remunerations**	**Pensions**
Ojanen Aki,CEO		**186**		209
CEO, salaries	**372**		372	
CEO, bonuses	**82**		206	
CEO, share-based payments	**85**		250	
Nyberg Gustav, Chairman of the Board	**85**	**32**	87	115
Members of the Board of Directors:				
Arteva Matti*			7	
Kaario Mammu	**34**		31	
Laine Mikael**	**33**		22	
Lencioni Roberto, Vice Chairman of the Board	**47**		45	
Pentti-von Walzel Kristina*			8	
Pöyry Salla**	**33**		22	
Salo Risto	**33**		29	
Total	**804**	**218**	1,079	324

* Member of the Board until April 7, 2016
** Member of the Board since April 7, 2016

Pension benefits include both statutory and voluntary pension payments.

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 83,180 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.

The Chairman of the Board had a supplementary defined contribution pension plan in which the pension was determined based on the accumulated insurance saving at the time of retirement. The Chairman retired in April 2017. The statutory pension cost recognized as expenses was EUR 6,626 and the voluntary pension cost was EUR 25,745.

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

KEY MANAGEMENT PERSONNEL COMPENSATION

1,000 EUR	2017	2016
Salaries and other short-term employee benefits	**1,836**	1,946
Post-employment benefits	**552**	548
Share-based payments	**671**	381
Total	**3,059**	2,875

30. Events After the Financial Year

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

KEY FIGURES

In addition to IFRS figures, the Aspo releases other commonly used key figures, which are mainly derived from the statement of comprehensive income and balance sheet. According to the management, key figures clarify the picture drawn by the statement of comprehensive income and balance sheet of Aspo's financial performance and financial position.

	2017	2016	2015	2014	2013
Net sales, MEUR	**502.4**	457.4	445.8	482.9	476.3
Operating profit, MEUR	**23.1**	20.4	20.6	23.4	10.8
Share of net sales, %	**4.6**	4.5	4.6	4.8	2.3
Profit before taxes, MEUR	**21.1**	17.3	21.3	19.0	6.6
Share of net sales, %	**4.2**	3.8	4.8	3.9	1.4
Profit for the period, MEUR	**19.4**	15.9	19.8	18.4	8.6
Share of net sales, %	**3.9**	3.5	4.4	3.8	1.8
Return on investment (ROI), %	**9.9**	8.7	11.2	9.9	4.6
Return on equity (ROE), %	**17.1**	14.6	19.1	17.8	8.9
Equity ratio, %	**35.6**	37.4	33.8	35.2	34.4
Gearing, %	**103.9**	89.8	101.4	101.0	98.2
Gross investments in tangible and intangible assets, MEUR	**18.0**	6.9	15.1	18.7	4.9
Share of net sales, %	**3.6**	1.5	3.4	3.9	1.0
Personnel, Dec. 31	**909**	895	857	879	869
Average number of personnel	**877**	871	862	882	878
Share-specific indicators					
Earnings/share (EPS), EUR	**0.56**	0.49	0.61	0.57	0.28
Diluted earnings/share, EUR	**0.56**	0.49	0.61	0.57	0.30
Equity/share, EUR	**3.67**	3.75	3.36	3.42	3.39
Nominal dividend/share, EUR (2017 proposed by Board of Directors)	**0.43**	0.42	0.41	0.40	0.21
Dividend/earnings, %	**76.3**	85.4	67.1	70.3	75.3
Effective dividend yield, %	**4.3**	5.1	5.5	7.0	3.5
Price/earnings ratio (P/E)	**17.7**	16.6	12.3	10.0	21.6
Diluted price/earnings ratio (P/E)	**17.7**	16.6	12.3	10.0	20.4
Share price development					
average price, EUR	**8.91**	6.95	7.23	6.20	5.74
lowest price, EUR	**8.20**	6.00	5.92	5.21	5.19
highest price, EUR	**10.00**	8.21	8.16	7.52	6.82
Closing price on the last day of trading, EUR	**10.00**	8.18	7.50	5.69	6.03
Market value of shares, Dec. 31, MEUR	**309.8**	253.4	232.3	176.3	186.7
excluding treasury shares, MEUR*	**306.1**	250.1	228.7	173.0	182.6
Development of share turnover, 1,000	**2,851**	2,491	4,886	4,872	4,032
Development of share turnover, %	**9.2**	8.0	15.8	15.7	13.0
Total share trading, EUR 1,000	**25,405**	17,326	35,340	30,222	22,917
Registered share capital, number of shares, Dec 31, 1,000	**30,976**	30,976	30,976	30,976	30,967
outstanding, Dec. 31	**30,605**	30,579	30,496	30,402	30,274
outstanding, average	**30,599**	30,564	30,479	30,312	30,282
diluted number of shares, average	**30,599**	30,564	30,479	30,312	31,945

* Shares in Aspo Plc owned by Aspo Management Oy were included in treasury shares between 2010 and 2014. Aspo Management Oy was merged with Aspo Plc in 2015.

CALCULATION PRINCIPLES OF KEY FIGURES

Return on investment, % (ROI)
$$= \frac{\text{(Profit before taxes + Interest and other financial expenses) x 100}}{\text{Balance sheet total – Interest-free liabilities (average)}}$$

Return on equity, % (ROE)
$$= \frac{\text{(Profit before taxes – Taxes) x 100}}{\text{Equity + Non-controlling interest (average)}}$$

Equity ratio, %
$$= \frac{\text{(Equity + Non-controlling interest) x 100}}{\text{Balance sheet total – Advances received}}$$

Gearing, %
$$= \frac{\text{(Interest-bearing liabilities – Cash and cash equivalents) x 100}}{\text{Equity + Non-controlling interest}}$$

Average number of personnel = Average number of personnel at the end of each month

Earnings per share (EPS), EUR*
$$= \frac{\text{Profit before taxes – Income taxes – Non-controlling interest}}{\text{Adjusted average number of shares during the financial year}}$$

Equity per share, EUR
$$= \frac{\text{Equity}}{\text{Adjusted number of shares on balance sheet date}}$$

Adjusted dividend per share, EUR
$$= \frac{\text{Dividend per share paid for the financial year}}{\text{Share issue multiplier}}$$

Dividend/earnings, %*
$$= \frac{\text{Adjusted dividend per share x 100}}{\text{Earnings per share}}$$

Effective dividend yield, %
$$= \frac{\text{Adjusted dividend per share x 100}}{\text{Average share price on closing day weighted with trading volume}}$$

Share issue adjusted repayment of capital/share, EUR
$$= \frac{\text{Repayment of capital per share paid for the financial year}}{\text{Share issue multiplier}}$$

Repayment of capital/earnings, %
$$= \frac{\text{Share issue adjusted repayment of capital per share x 100}}{\text{Earnings per share}}$$

Effective repayment of capital yield, %
$$= \frac{\text{Share issue adjusted repayment of capital per share x 100}}{\text{Average share price on closing day weighted with trading volume}}$$

Price/earnings ratio (P/E)*
$$= \frac{\text{Adjusted average share price on closing day}}{\text{Earnings per share}}$$

Market value of shares, EUR = Number of shares outside the Group x Average share price on closing day weighted with trading volume

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

The impact of treasury shares has been eliminated in the calculation of key figures.

* When calculating the earnings per share, interest of the hybrid bond, adjusted for tax effect, has been considered as a profit-reducing item.

PARENT COMPANY'S INCOME STATEMENT

1,000 EUR	Notes	Jan 1–Dec 31, 2017	Jan 1–Dec 31, 2016
Other operating income	1.1	**2,380**	2,133
Staff expenses	1.2	**-2,071**	-2,175
Depreciation and amortization	1.3	**-21**	-14
Other operating expenses	1.4	**-4,484**	-4,139
Operating loss		**-4,196**	-4,195
Financial income and expenses	1.5	**15,684**	14,504
Profit before appropriations and taxes		**11,488**	10,309
Appropriations	1.6	**3,560**	2,495
Profit before taxes		**15,048**	12,804
Income taxes		**0**	0
Profit for the period		**15,048**	12,804

PARENT COMPANY'S BALANCE SHEET

ASSETS

1,000 EUR	Notes	Dec 31, 2017	Dec 31, 2016
Non-current assets			
Intangible assets	2.1	**10**	
Tangible assets	2.1	**148**	154
Investments	2.2	**83,427**	83,429
Total non-current assets		**83,585**	83,583
Current assets			
Non-current receivables	2.3	**50,550**	43,100
Current receivables	2.3	**18,860**	19,521
Cash and cash equivalents		**2,976**	7,231
Total current assets		**72,386**	69,852
Total assets		**155,971**	153,435

EQUITY AND LIABILITIES

1,000 EUR	Notes	Dec 31, 2017	Dec 31, 2016
Equity			
Share capital	2.4	**17,692**	17,692
Share premium	2.4	**4,351**	4,351
Invested unrestricted equity reserve	2.4	**16,706**	16,662
Retained earnings	2.4	**2,127**	2,029
Profit for the period		**15,048**	12,804
Total equity		**55,924**	53,538
Provisions	2.5	**760**	375
Liabilities			
Non-current liabilities			
Loans from Group companies	2.6	**5,714**	7,143
Bond	2.6	**11,000**	11,000
Loans from financial institutions	2.6	**40,000**	40,000
Perpetual bond	2.6	**25,000**	25,000
Deferred liabilities	2.6	**122**	368
Total non-current liabilities		**81,836**	83,511
Current liabilities			
Loans from financial institutions	2.7	**4,000**	
Liabilities to Group companies	2.7	**11,405**	14,660
Accounts payable	2.7		125
Other liabilities	2.7	**39**	68
Deferred liabilities	2.7	**2,007**	1,158
Total current liabilities		**17,451**	16,011
Total liabilities		**99,287**	99,522
Total equity and liabilities		**155,971**	153,435

PARENT COMPANY'S CASH FLOW STATEMENT

1,000 EUR	Jan 1–Dec 31, 2017	Jan 1–Dec 31, 2016
Cash flows from operating activities		
Operating loss	**-4,196**	-4,195
Adjustments to operating loss	**464**	-126
Change in working capital	**-460**	-200
Interest paid	**-3,399**	-2,926
Interest received	**772**	809
Dividends received	**19,900**	12,502
Net cash from operating activities	**13,081**	5,864
Cash flows from investing activities		
Investments in tangible and intangible assets	**-24**	-134
Proceeds from sale of tangible and intangible assets		406
Proceeds from sale of investments	**198**	29
Net cash from investing activities	**174**	301
Cash flows from financing activities		
Repayment of non-current loans from Group companies	**-1,429**	-1,429
Change in non-current receivables from Group companies	**-7,450**	-3,000
Change in current receivables	**849**	416
Change in current liabilities	**745**	-687
Perpetual bond, proceeds from issue		25,000
Perpetual bond, repayment		-20,000
Group contributions received	**2,495**	4,550
Dividends distributed	**-12,854**	-12,540
Purchase of treasury shares		-39
Proceeds from sale of treasury shares	**134**	387
Net cash from financing activities	**-17,510**	-7,342
Change in cash and cash equivalents	**-4,255**	-1,177
Cash and cash equivalents Jan 1	**7,231**	8,408
Cash and cash equivalents at year-end	**2,976**	7,231

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

Aspo Plc's financial statements have been compiled in accordance with FAS. The accounting principles have not changed from the previous year. 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 actual figures may differ from the estimates.

FOREIGN CURRENCY TRANSACTIONS

Foreign currency denominated transactions are recorded at the exchange rates valid on the transaction date. On the reporting date, the receivables and liabilities on the balance sheet are measured at the exchange rates of the reporting date. Hedging instruments for open foreign currency denominated items are measured at the rate of the reporting date, taking into account interest rates. Foreign exchange gains and losses related to business operations are recognized as net sales and operational expense adjustment items. Financing related foreign exchange gains and losses are recognized in financial income and expenses.

PENSIONS

The company's pension coverage is arranged through pension insurance.

RECEIVABLES

Receivables are measured at acquisition cost or at probable value, if lower.

NON-CURRENT ASSETS AND DEPRECIATIONS

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

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

LEASING

Leasing payments are treated as rent expenses.

PROVISIONS

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

INCOME TAXES

The income taxes in the income statement include taxes calculated on profit for the period based on Finnish tax legislation and adjustment of taxes from previous financial years.

DIVIDENDS

The dividend proposed by the Board of Directors to the Annual Shareholders' Meeting was not yet recognized in the financial statements. The dividends are only taken into account after the decision by the Annual Shareholders' Meeting.

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 were entered in the income statement. Financial derivatives were measured at the market prices of the balance sheet date.

1.1 Other Operating Income

1,000 EUR	2017	2016
Sales gain from investments		21
Other operating income, Group	503	472
Rental income, Group	833	895
Other rental income	812	626
Other operating income	232	119
Total	**2,380**	2,133

1.2 Personnel and Board Members

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

STAFF EXPENSES

1,000 EUR	2017	2016
Salaries and remunerations	**1,156**	1,386
Share-based payments	**446**	118
Profit bonus paid to the personnel fund	**14**	34
Pension expenses	**421**	610
Other social security expenses	**34**	27
Total	**2,071**	2,175

MANAGEMENT SALARIES AND BENEFITS

1,000 EUR	2017	2016
CEO, salaries	**372**	372
CEO, bonuses	**83**	206
CEO, share-based payments	**85**	250
Members of the Board of Directors, remunerations	**264**	251
Total	**804**	1,079

AVERAGE NUMBER OF PERSONNEL DURING THE FINANCIAL YEAR

	2017	2016
Office staff	**5**	5

1.3 Depreciation and Amortization

1,000 EUR	2017	2016
Other capitalized long-term expenditure	**1**	
Machinery and equipment	**20**	14
Total	**21**	14

1.4 Other Operating Expenses

1,000 EUR	2017	2016
Rents	**2,090**	2,015
Other expenses	**2,394**	2,124
Total	**4,484**	4,139

AUDITOR'S FEES

1,000 EUR	2017	2016
Auditing	**37**	35
Tax advice	**41**	27
Other services	**106**	59
Total	**184**	121

1.5 Financial Income and Expenses

1,000 EUR	2017	2016
Dividend income		
From Group companies	**18,900**	16,500
From others		2
Income from non-current investments	**18,900**	16,502
Other interest and financial income		
From Group companies	**772**	806
From others	**196**	3
Total interest and other financial income	**968**	809
Interest expenses and other financial expenses		
To Group companies	**-138**	-158
To others	**-4,046**	-2,649
Total interest and other financial expenses	**-4,184**	-2,807
Total financial income and expenses	**15,684**	14,504

1.6 Appropriations

1,000 EUR	2017	2016
Income		
Group contributions	**3,560**	2,495

2.1 Intangible and Tangible Assets

1,000 EUR	Intangible rights	Other capitalized long-term expenditure	Total intangibles	Land	Buildings	Machinery and equipment	Other tangible assets	Total tangibles
Acquisition cost, Jan. 1	347	0	347	1	12	170	73	256
Increases		11	11			13		13
Decreases	-146		-146			-19		-19
Acquisition cost, Dec. 31, 2017	**201**	**11**	**212**	**1**	**12**	**164**	**73**	**250**
Accumulated depreciation, Jan. 1	-347		-347		-12	-90		-102
Accumulated depreciation of decreases	146		146			19		19
Depreciation and amortization for the period		-1	-1			-19		-19
Accumulated depreciation, Dec. 31, 2017	**-201**	**-1**	**-202**		**-12**	**-90**		**-102**
Carrying amount, Dec. 31, 2017	**0**	**10**	**10**	**1**	**0**	**74**	**73**	**148**
Carrying amount, Dec. 31, 2016	**0**	**0**	**0**	**1**	**0**	**80**	**73**	**154**

2.2 Investments

1,000 EUR	Subsidiary shares	Other shares	Total
Acquisition cost, Jan. 1	83,244	185	83,429
Decreases		-2	-2
Acquisition cost, Dec. 31, 2017	**83,244**	**183**	**83,427**
Acquisition cost, Dec. 31, 2016	**83,244**	**185**	**83,429**

2.3 Non-current and Current Receivables

NON-CURRENT RECEIVABLES

1,000 EUR	2017	2016
Receivables from Group companies		
Loan receivables	**50,550**	43,100
Total non-current receivables	**50,550**	43,100

CURRENT RECEIVABLES

1,000 EUR	2017	2016
Receivables from Group companies		
Dividend receivables	**15,000**	16,000
Group contribution receivables	**3,560**	2,495
Cash pool accounts		771
Deferred receivables		78
Total	**18,560**	19,344
Other receivables	**134**	139
Deferred receivables	**166**	38
Total	**300**	177
Total current receivables	**18,860**	19,521

2.4 Equity

1,000 EUR	2017	2016
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	**16,662**	16,579
Share-based payments	**44**	83
Invested unrestricted equity reserve, Dec. 31	**16,706**	16,662
Retained earnings, Jan. 1	**14,833**	14,098
Dividend payment	**-12,854**	-12,540
Share-based payments	**148**	471
Retained earnings, Dec. 31	**2,127**	2,029
Profit for the period	**15,048**	12,804
Total equity	**55,924**	53,538

Distributable funds under unrestricted equity total EUR 33,881,234.68 (31,495,378.54)

2.5 Provisions

1,000 EUR	2017	2016
Share-based incentive plan	**443**	138
Onerous rental contract	**296**	216
Provision for tax charges	**21**	21
Total	**760**	375

2.6 Non-current Liabilities

On May 27, 2016, Aspo Plc issued a EUR 25 million hybrid bond. The bond has no maturity but the company may excercise 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	2017	2016
Loans from Group companies	5,714	7,143
Bond	11,000	11,000
Perpetual bond	25,000	25,000
Loans from financial institutions	40,000	40,000
Total non-current loans	**81,714**	83,143
Measurement of interest rate swap	122	368
Total deferred liabilities	**122**	368
Total non-current liabilities	**81,836**	83,511
Loans maturing after five years		
Loans from Group companies		1,429
Bond		11,000

2.7 Current Liabilities

1,000 EUR	2017	2016
Loans from financial institutions	4,000	
Unpaid dividend	11	6
Accounts payable		125
Other liabilities	38	68
Deferred liabilities*	1,996	1,152
Total	**6,045**	1,351
Liabilities to Group companies		
Cash pool accounts	9,950	13,122
Other liabilities	1,455	1,538
Total	**11,405**	14,660
Total current liabilities	**17,450**	16,011

* Main items		
Accrued interests	1,439	408
Accrued salaries	518	603

2.8 Other Notes

FUTURE LEASE PAYMENTS

1,000 EUR	2017	2016
Payable within one year	**93**	115
Payable later	**164**	222
Total	**257**	337

OTHER RENTAL LIABILITIES

1,000 EUR	2017	2016
Payable within one year	**2,042**	1,976
Payable later	**760**	1,976
Total	**2,802**	3,952

GUARANTEES ON BEHALF OF GROUP COMPANIES

1,000 EUR	2017	2016
Guarantees	**72,208**	88,876
Total	**72,208**	88,876

DERIVATIVE CONTRACTS

1,000 EUR	2017	2016
Interest rate swap		
Nominal value	**15,000**	15,000
Fair value	**-382**	-626

SHARES AND SHAREHOLDERS

SHARE CAPITAL

Aspo Plc's share capital on December 31, 2017 was EUR 17,691,729.57 and the total number of shares was 30,975,524 of which the company held 370,486 shares; that is, 1.2% of the share capital.

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 Oy's Mid Cap segment under industrial products and services. The trading code of the share is ASPO.

DIVIDEND

Aspo Plc has an active, cash-flow-based dividend distribution policy, the goal of which is to distribute, on average, at least half of the Group's annual profit to shareholders.

The Board of Directors proposes to the Annual Shareholders' Meeting that EUR 0.43 per share be paid in dividends for the 2017 financial year, representing 76% of the Group's earnings per share. The dividend will be paid in two installments. The first installment of EUR 0.21 per share will be paid to shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd on the record date of April 12, 2018. The Board of Directors proposes that the dividend be paid on April 19, 2018. The second installment of EUR 0.22 per share will be paid in November 2018 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 25, 2018, the Board of Directors will decide on the record and payment dates of the second installment, in accordance with the rules of the Finnish book-entry securities system. According to the current system, the dividend record date would be October 29, 2018 and the payment date would be November 5, 2018.

No dividend is paid for treasury shares held by Aspo Plc.

AUTHORIZATIONS

The Annual Shareholders' Meeting on April 5, 2017 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 will remain in force until the Annual Shareholders' Meeting in 2018 but not more than 18 months from the approval at the Shareholders' Meeting. The Board of Directors has not used the authorization.

The Annual Shareholders' Meeting on April 9, 2015 authorized the Board of Directors to decide

MAJOR SHAREHOLDERS ON DECEMBER 31, 2017

	Number of shares	% of shares and voting rights
Havsudden Oy Ab	3,142,941	10.15
Vehmas Tatu	2,306,676	7.45
Varma Mutual Pension Insurance Company	1,438,412	4.64
Vehmas Tapio	1,375,827	4.44
Ilmarinen Mutual Pension Insurance Co	1,000,676	3.23
Robinson Joanna	754,259	2.44
Nyberg Gustav	731,667	2.36
Investment fund Nordea Nordic Small Cap	721,040	2.33
Mandatum Life Unit-Linked	541,610	1.75
Procurator-Holding Oy	470,969	1.52
Ten major shareholders, total	**12,484,077**	**40.31**
Nominee registrations	862,295	2.78
Other shares	17,258,666	55.72
Total shares outstanding	**30,605,038**	**98.80**
Treasury shares	370,486	1.20
Shares total	**30,975,524**	**100.00**

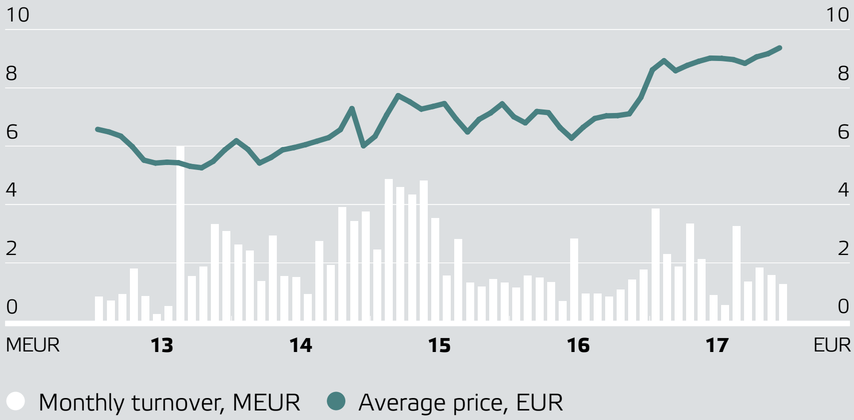
DISTRIBUTION OF OWNERSHIP ON DECEMBER 31, 2017 BY NUMBER OF SHARES

Number of shares	Number of owners	Share of owners %	Total shares	% of shares
1–100	1,549	17.10	90,137	0.29
101–500	3,376	37.27	932,390	3.01
501–1,000	1,602	17.68	1,224,525	3.95
1,001–5,000	2,024	22.34	4,380,518	14.14
5,001–10,000	289	3.19	2,057,912	6.65
10,001–50,000	167	1.84	3,318,246	10.71
50,001–100,000	19	0.21	1,295,305	4.18
100,001–500,000	24	0.26	5,658,919	18.27
500,001–	9	0.10	12,013,108	38.79
Total in joint accounts	1	0.01	4,464	0.01
Total	**9,060**	**100.00**	**30,975,524**	**100.00**

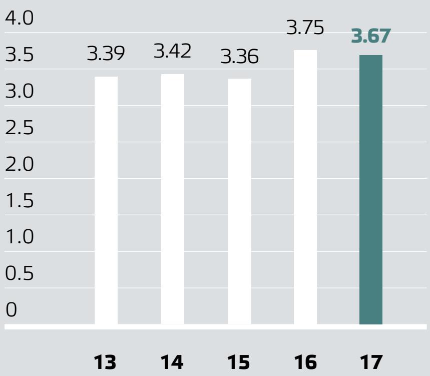
DISTRIBUTION OF OWNERSHIP ON DECEMBER 31, 2017 BY OWNERSHIP GROUPS

%	Ownership	Shares
1. Households	94.9	60.0
2. Companies	3.7	18.8
3. Financial and insurance institutions	0.2	8.3
4. Non-profit organizations	0.8	4.5
5. Public organizations	0.1	8.1
6. Non-domestic	0.3	0.3
Total	**100.0**	**100.0**

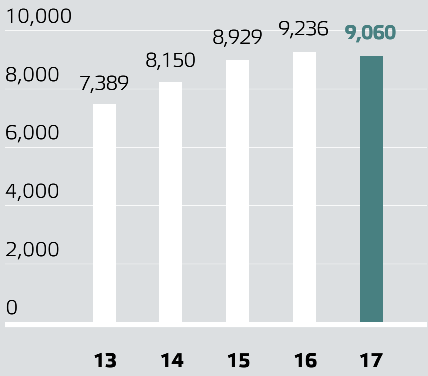
SHARE TRADING AND AVERAGE PRICES



EQUITY/SHARE EUR



NUMBER OF SHAREHOLDERS



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 will remain in force until September 30, 2018.

The Board of Directors has used the authorization in 2016 and granted 88,970 treasury shares to employees included in the earnings period 2015 of the share-based incentive plan 2015-2017. On March 27, 2017 the Board of Directors granted 25,740 treasury shares to employees included in the earnings period 2016.

The Annual Shareholders' Meeting on April 9, 2015 authorized the Board of Directors to decide on a rights issue for consideration. 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 will remain in force until September 30, 2018. The Board of Directors has not used the authorization.

SHARE TRADING AND SHARE PRICE DEVELOPMENT

In 2017, a total of 2,850,780 Aspo Plc shares with a market value of EUR 25.4 million were traded on Nasdaq Helsinki, in other words, 9.2% of the shares changed hands. During the financial year, the share price reached a high of EUR 10.00 and a low of EUR 8.20. The average price was EUR 8.91 and the closing price at year-end was EUR 10.00. The company has a liquidity providing agreement regarding its share with Nordea Bank AB.

At year-end, the market value of the shares excluding the treasury shares was EUR 306.1 million. For the latest trading information, please visit: www.aspo.com.

SHARE OWNERSHIP

Aspo's shares are included in the book-entry system maintained by Euroclear Finland Ltd.

At the end of 2017, the number of shareholders at Aspo totaled 9,060. Of these, 97.2% represented direct shareholding and 2.8% nominee registrations. A total of 0.3% of the shares was held by foreign entities. On December 31, 2017, the ten largest shareholders owned a total of 40.3% of the company's shares and voting rights.

A list of major shareholders with monthly updates is shown on the company's website at: www.aspo.com.

SHAREHOLDING BY THE BOARD OF DIRECTORS AND GROUP EXECUTIVE COMMITTEE

On December 31, 2017, the total number of shares owned by the members of Aspo Plc's Board of Directors with entities under their control was 4,537,996 shares, which represents 14.7% of the shares and voting rights.

On December 31, 2017, Aspo Plc's CEO and the other members of the Group Executive Committee held a total of 204,999 shares, which represents 0.7% of the shares and voting rights.

DIVIDEND PROPOSAL OF THE BOARD

The parent company's distributable funds on December 31, 2017 totaled EUR 33,881,234.68 with the profit for the financial year totaling EUR 15,047,876.37.

The company's registered number of shares on December 31, 2017 was 30,975,524, of which the company held 370,486.

The Board of Directors proposes to the Shareholders' Meeting that the company's distributable funds be distributed as follows:

• A dividend of EUR 0.43 per share be paid out in two installments on 30,605,038 shares*	EUR 13,160,166.34
• to be retained in equity	EUR 20,721,068.34
	EUR 33,881,234.68

* number of shares entitling to dividends on the signing date

The dividend will be paid in two installments. The first installment of EUR 0.21 per share will be paid to shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd on the record date of April 12, 2018. The Board of Directors proposes that the dividend be paid on April 19, 2018. The second installment of EUR 0.22 per share will be paid in November 2018 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 25, 2018, the Board of Directors will decide on the record and payment dates of the second installment, in accordance with the rules of the Finnish book-entry securities system. According to the current system, the dividend record date would be October 29, 2018 and the payment date would be November 5, 2018.

No dividend is paid to the treasury shares held by Aspo Plc.

No significant changes have taken place in the company's financial position since the end of the financial year. The company's liquidity is good and in the opinion of the Board of Directors the proposed dividend will not put the company's solvency at risk.

Before the Board of Directors implements the resolution of the Annual Shareholders' Meeting, the Board of Directors must, in accordance with the Finnish Companies Act, assess whether the company's solvency and/or financial position has changed after the resolution of the Annual Shareholders' Meeting so that the requirements for dividend distribution in the Finnish Companies Act are no longer fulfilled. It is a prerequisite for the implementation of the resolution of the Annual Shareholders' Meeting that the requirements in the Finnish Companies Act are fulfilled.

Helsinki, March 1, 2018

Gustav Nyberg	Mammu Kaario
Mikael Laine	Roberto Lencioni
Salla Pöyry	Risto Salo

Aki Ojanen
CEO

AUDITOR'S REPORT

(Translation of the Finnish original)

To the Annual General Meeting of Aspo Oyj

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Aspo Oyj (business identity code 1547798-7) for the year ended 31 December, 2017. 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.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td>Valuation of goodwill
We refer to the consolidated financial statements' accounting policies and to the note 12</td><td></td></tr>
<tr><td>At the balance sheet date 31.12.2017, the value of goodwill amounted to EUR 42,0 million representing 13% of total assets and 37% 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 is 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).</td><td>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 especially on: forecasted revenue growth, profitability as well as on the average cost of capital used to discount the cash flows;
• 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 reasonably possible change in key assumptions could cause the carrying amount to exceed its recoverable amount;
• we assessed the adequacy of the notes related to sensitivity analyses for assumptions used in impairment tests presented in the note 12.</td></tr>
<tr><td>Revenue recognition
We refer to the consolidated financial statements' revenue recognition accounting policies and to the note 1</td><td></td></tr>
<tr><td>In the financial year 2017 Aspo Group's turnover amounted to EUR 502 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 risks and rewards 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 is 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.</td><td>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 the testing of internal controls to the extent appropriate. Our tests included external confirmations, reconciliation of sales against customer contracts and verification of acceptance of deliveries;
• analytical procedures relating to revenue recognition;
• assessment of the adequacy of financial statement notes related to revenues.</td></tr>
</table>

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 31.12.2017, the value of inventory amounted to EUR 61 million representing 19% of total assets and 54% 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 in 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 5 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 Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to 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 2.3.2018

Ernst & Young Oy
Authorized Public Accountant Firm

Harri Pärssinen
Authorized Public Accountant

INFORMATION FOR INVESTORS

BASIC SHARE INFORMATION

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

ANNUAL SHAREHOLDERS' MEETING

The Aspo Plc Annual Shareholders' Meeting will be held at the Scandic Marina Congress Center, Katajanokanlaituri 6, FI-00160 Helsinki, Finland on Tuesday, April 10, 2018 at 14:00 p.m. The record date of the Annual Shareholders' Meeting is March 27, 2018.

Shareholders wishing to attend the Annual Shareholders' Meeting must notify the company on April 5, 2018 by 16:00 p.m. at the latest. Please register:

- through Aspo's website at www.aspo.com,
- by telephone on +358 20 770 6887, or
- by letter to Aspo Plc, P.O. Box 70, FI-00501 Helsinki.

In connection with the registration, shareholders are requested to notify the company of any proxies authorized to exercise their voting rights. The proxies should be delivered to the company within the registration period.

DIVIDEND PAYMENTS

Aspo's dividend policy is to distribute approximately at least half of the Group's annual profit in dividends. The Board of Directors proposes to the Annual Shareholders' Meeting that a dividend of EUR 0.43 per share be paid for 2017 and that no dividend be paid for treasury shares held by the company.

The dividend will be paid in two installments. The first installment of EUR 0.21 per share will be paid to shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd on the record date of April 12, 2018. The Board of Directors proposes that the dividend be paid on April 19, 2018. The second installment of EUR 0.22 per share will be paid in November 2018 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 25, 2018, the Board of Directors will decide on the record and payment dates of the second installment, in accordance with the rules of the Finnish book-entry securities system. According to the current system, the dividend record date would be October 29, 2018 and the payment date would be November 5, 2018.

FINANCIAL REPORTING IN 2018

- Financial Statement Release February 15, 2018
- Financial Statements 2017 will be published on March 20, 2018 at the latest
- Interim Report for January–March on Thursday, May 3, 2018
- Half Year Financial Report for January–June on Tuesday, August 14, 2018
- Interim Report for January–September on Thursday, October 25, 2018

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

FURTHER INVESTOR INFORMATION

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

ADDRESS CHANGES

Material will be sent to shareholders to the address shown in the shareholder register maintained by Euroclear Finland Ltd. Shareholders are advised to notify changes of address to the bank or brokerage firm where the shareholder has a book-entry account.

ASPO PLC'S INVESTOR RELATIONS

Aspo organizes frequent investor meetings with various stakeholder groups. The target is to provide for versatile information about Aspo and its operations to institutional and private investors, analysts and media representatives.

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

CONTACT INFORMATION

For any further information concerning Aspo's investor relations issues, please contact:

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