

FINANCIAL STATEMENTS AND ANNUAL REPORT 2017

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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.

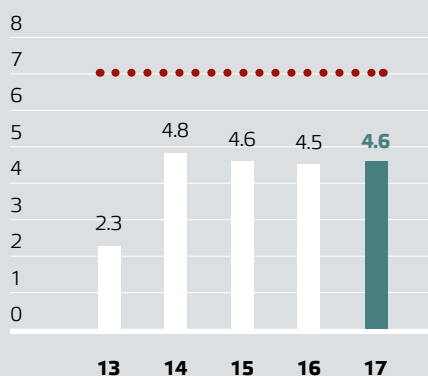
Leipurin

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

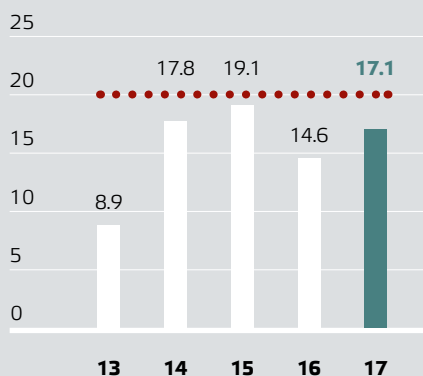
%



●●● Target 2020

RETURN ON EQUITY

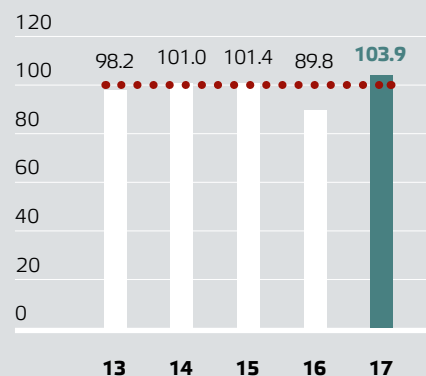
%



●●● Target 2020

GEARING

%



●●● Target 2020

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

AVERAGE 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.

Sustainability 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

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.

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
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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.

GEOGRAPHICAL AREAS

1,000 EUR	Net sales		Non-current assets*	
	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
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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	Intangible rights	Other intangible assets	Advance payments of intangible assets	Total
1,000 EUR				
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%.

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

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

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 installments: 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 inquiries.

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.

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

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

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, Ukrainian and Kazakhstani subsidiaries have been classified as non-current net investments in foreign operations.

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

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

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.

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

SENSITIVITY ANALYSIS FOR FOREIGN CURRENCY AND INTEREST RATE RISK

1,000 EUR	2017		2016	
	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

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 credit-worthy 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 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		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

1,000 EUR	2017		2016	
	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

1,000 EUR	2017		2016	
	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)	=	$\frac{(\text{Profit before taxes} + \text{Interest and other financial expenses}) \times 100}{\text{Balance sheet total} - \text{Interest-free liabilities (average)}}$
Return on equity, % (ROE)	=	$\frac{(\text{Profit before taxes} - \text{Taxes}) \times 100}{\text{Equity} + \text{Non-controlling interest (average)}}$
Equity ratio, %	=	$\frac{(\text{Equity} + \text{Non-controlling interest}) \times 100}{\text{Balance sheet total} - \text{Advances received}}$
Gearing, %	=	$\frac{(\text{Interest-bearing liabilities} - \text{Cash and cash equivalents}) \times 100}{\text{Equity} + \text{Non-controlling interest}}$
Average number of personnel	=	Average number of personnel at the end of each month
Earnings per share (EPS), EUR*	=	$\frac{\text{Profit before taxes} - \text{Income taxes} - \text{Non-controlling interest}}{\text{Adjusted average number of shares during the financial year}}$
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, %*	=	$\frac{\text{Adjusted dividend per share} \times 100}{\text{Earnings per share}}$
Effective dividend yield, %	=	$\frac{\text{Adjusted dividend per share} \times 100}{\text{Average share price on closing day weighted with trading volume}}$
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, %	=	$\frac{\text{Share issue adjusted repayment of capital per share} \times 100}{\text{Earnings per share}}$
Effective repayment of capital yield, %	=	$\frac{\text{Share issue adjusted repayment of capital per share} \times 100}{\text{Average share price on closing day weighted with trading volume}}$
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 exercise an early redemption option after four years. The coupon rate of the bond is 6.75% per annum.

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

1,000 EUR	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

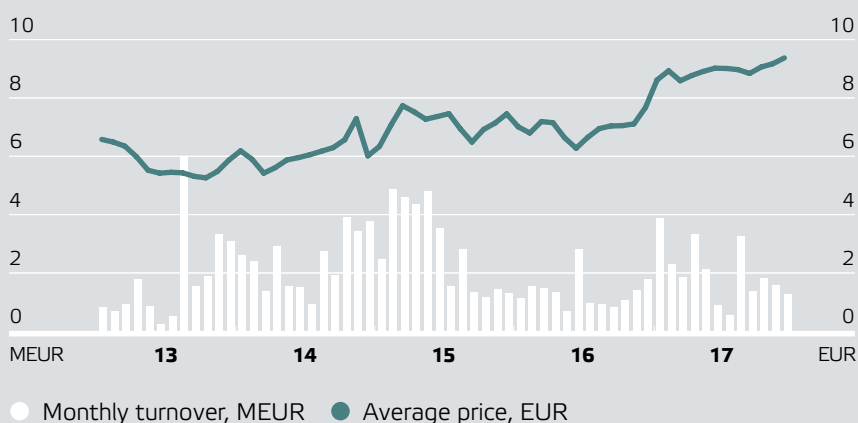
DISTRIBUTION OF OWNERSHIP ON DECEMBER 31, 2017 BY NUMBER OF SHARES

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

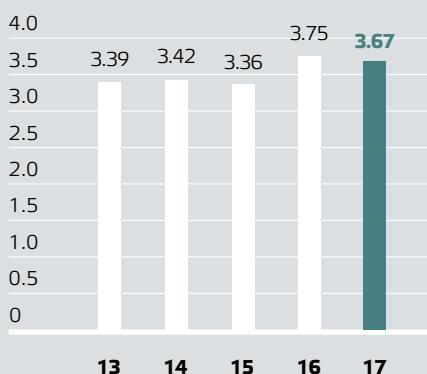
DISTRIBUTION OF OWNERSHIP ON DECEMBER 31, 2017 BY OWNERSHIP GROUPS

%	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

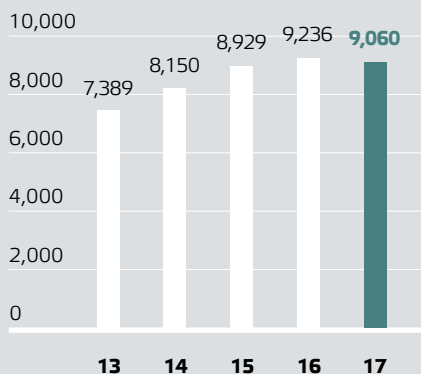
SHARE TRADING AND AVERAGE PRICES



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 |
| | <u>EUR 33,881,234.68</u> |

* 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of goodwill We refer to the consolidated financial statements' accounting policies and to the note 12</p> <p>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:</p> <ul style="list-style-type: none"> • 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. <p>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.</p> <p>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).</p>	<p>Our audit procedures, which take into account significant risk of material misstatement in valuation of goodwill, included among others:</p> <ul style="list-style-type: none"> • 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.
<p>Revenue recognition We refer to the consolidated financial statements' revenue recognition accounting policies and to the note 1</p>	
<p>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.</p> <p>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.</p> <p>Turnover is Group's key performance indicator, which may be an incentive for premature revenue recognition.</p> <p>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.</p>	<p>Our audit procedures, which take into account significant risk of material misstatement in revenue recognition, included among others:</p> <ul style="list-style-type: none"> • 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of inventories We refer to the consolidated financial statements' accounting policies and to the note 18</p>	
<p>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.</p> <p>Impairment due to obsolescence is considered in valuation of inventories. Aspo has segment and market specific procedures to identify impairment due to obsolescence.</p> <p>Inventory is a key audit matter due to the size of the account balance and because inventory valuation involves management judgement.</p>	<p>Our audit procedures, which take into account risk related to valuation of inventories, included among others:</p> <ul style="list-style-type: none"> • 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