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ASPO GROUP FINANCIAL STATEMENT RELEASE, JANUARY 1 TO DECEMBER 31, 2017

Aspo Q4: Operating profit improved and growth continued
(Figures from the corresponding period in 2016 are presented in brackets.)

January–December 2017

- Aspo’s net sales increased by 10% to EUR 502.4 (457.4) million.
- Operating profit improved by 13% and amounted to EUR 23.1 (20.4) million including items affecting comparability, totaling EUR -1.0 million.
- Profit for the period stood at EUR 19.4 (15.9) million.
- Earnings per share increased by 14% and were EUR 0.56 (0.49).
- The operating profit of ESL Shipping stood at EUR 13.5 (12.6) million, the operating profit of Leipurin was EUR 3.1 (2.0) million, the operating profit of Telko amounted to EUR 10.8 (10.1) million, and the operating profit of Kauko stood at EUR -0.2 (-0.1) million.
- Net cash from operating activities was EUR 17.4 (16.2) million.

- The operating profit for the financial year is affected by a sales gain of EUR +0.4 million from the divestment of the meat industry raw materials business of Leipurin, EUR -0.6 million in costs arising from Telko’s discontinued terminal project in St. Petersburg, Russia, and personnel arrangements, compensation related to a project delivery of Leipurin completed in 2014, including processing fees, totaling EUR -0.5 million as well as a EUR -0.3 million impairment loss of receivables related to previously divested business operations of Kauko.

October–December 2017

- Aspo's net sales increased to EUR 132.4 (124.5) million.
- Operating profit stood at EUR 6.5 (6.3) million including items affecting comparability, totaling EUR -0.7 million.
- Profit for the quarter stood at EUR 5.5 (5.2) million.
- Earnings per share were EUR 0.16 (0.17).
- The operating profit of ESL Shipping stood at EUR 4.1 (4.1) million. The operating profit of Leipurin was EUR 0.7 (0.7) million. The operating profit of Telko was EUR 3.0 (2.5) million and the operating profit of Kauko EUR 0.0 (0.0) million.

- The operating profit for the fourth quarter has been reduced by compensation related to a project delivery of Leipurin completed in 2014, including processing fees, totaling EUR -0.5 million, and costs of EUR 0.2 million from Telko’s discontinued terminal project in St. Petersburg.
- Telko improved its operating profit during the fourth quarter. The operating profit of ESL Shipping, Leipurin and Kauko was at the level of the comparative period.
- The second installment of dividends of EUR 0.21 per share was paid on November 6, 2017.

Guidance for 2018

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

The Board of Directors' dividend proposal

The Board of Directors proposes that EUR 0.43 (0.42) per share be paid in dividends for the 2017 financial year, and that the dividend be paid in two installments. The Board of Directors proposes that the first installment, EUR 0.21 per share, be paid in April and the second installment, EUR 0.22 per share, be paid in November.

Further information about the dividend proposal can be found under “Dividend proposal”.

General outlook for 2018

General uncertainty in the markets has decreased further. Industrial production is expected to increase in the main market areas of Aspo’s business operations during 2018. Raw material prices are expected to remain at their current level or strengthen. In Russia, the national economy and industrial production are growing. 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 long term.

KEY FIGURES

	10-12/ 2017	10-12/ 2016	Change %	**1-12/ 2017**	1-12/ 2016	Change %
Net sales, MEUR	**132.4**	124.5	6.3	**502.4**	457.4	9.8
Operating profit, MEUR	**6.5**	6.3	3.2	**23.1**	20.4	13.2
Operating profit, %	**4.9**	5.1		**4.6**	4.5	
Profit before taxes, MEUR	**6.1**	5.7	7.0	**21.1**	17.4	21.3
Profit for the period, MEUR	**5.5**	5.2	5.8	**19.4**	15.9	22.0
Earnings per share, EUR	**0.16**	0.17	-5.9	**0.56**	0.49	14.3
Net cash from operating activities, MEUR	**11.7**	18.7	-37.4	**17.4**	16.2	7.4
Equity per share, EUR				**3.67**	3.75	
Return on equity, % (ROE)				**17.1**	14.6	
Equity ratio,%				**35.6**	37.4	
Gearing, %				**103.9**	89.8	
ESL Shipping, operating profit, MEUR	**4.1**	4.1	0.0	**13.5**	12.6	7.1
Leipurin, operating profit, MEUR	**0.7**	0.7	0.0	**3.1**	2.0	55.0
Telko, operating profit, MEUR	**3.0**	2.5	20.0	**10.8**	10.1	6.9
Kauko, operating profit, MEUR	**0.0**	0.0	-	**-0.2**	-0.1	-100.0

AKI OJANEN, CEO OF ASPO GROUP, COMMENTS ON THE FOURTH QUARTER AND THE FINANCIAL YEAR:

“Our operating profit continued to increase during the fourth quarter. This significant improvement in our profit-making ability is the result of determined and long-term work in businesses owned by Aspo. Aspo has increased its operating profit for five quarters in succession, and we expect this growth to continue in 2018.

The operating profit of the fourth quarter includes items affecting comparability. These are one-time and originate from previous years. The most significant single item was the costs of a project delivery completed in 2014, and these reduced Leipurin's operating profit during the fourth quarter. Leipurin paid EUR 0.5 million in compensation for defects in a single delivery.

The year 2017 raised Aspo's development to a whole new level. The operating profit grew strongly and net sales reached the milestone of EUR 500 million. Of Aspo's subsidiaries, ESL Shipping, Leipurin and Telko improved their operating profit. Kauko improved its operating profit excluding items affecting comparability. Aspo's administrative costs were at the previous year's level. I am particularly satisfied in Leipurin's improved operating profit, excluding items affecting comparability. During the latter half of the year, it returned to the profitability level that preceded the economic crisis in Russia in 2014. Telko's net sales continued to grow, and its operating profit broke a new record. However, Telko's targets are set much higher. In order to reach these targets, Telko's Board of Directors underwent changes and its acting management was strengthened by appointing a new CFO. ESL Shipping had another good year. The shipping company developed its operations by starting new business operations in a smaller vessel class. These operations have gotten off to a good start, as the market had obvious demand for a new significant shipping company, also in a smaller vessel class. ESL Shipping's investment in two new LNG-fueled vessels proceeded as planned. The shipping company will receive the world's most environmentally friendly dry cargo vessels during the first half of 2018.

We expect our strong development to continue, and the outlook for 2018 is looking bright. Aspo is committed to reaching its financial targets by 2020. The year 2017 was excellent on our way towards these targets.”

ASPO GROUP

NET SALES

Net sales by segment

	10-12/2017	10-12/2016	Change	**1-12/2017**	1-12/2016	Change
	MEUR	MEUR	%	**MEUR**	MEUR	%
ESL Shipping	**22.6**	20.6	9.7	**79.3**	71.4	11.1
Leipurin	**32.9**	30.7	7.2	**122.3**	112.7	8.5
Telko	**65.6**	64.9	1.1	**262.2**	240.3	9.1
Kauko	**11.3**	8.3	36.1	**38.6**	33.0	17.0
Other operations	**0.0**	0.0	-	**0.0**	0.0	-
Total	**132.4**	124.5	6.3	**502.4**	457.4	9.8

There is no considerable inter-segment net sales.

Net sales by market area

	10-12/2017	10-12/2016	Change	**1-12/2017**	1-12/2016	Change
	MEUR	MEUR	%	**MEUR**	MEUR	%
Finland	**40.7**	38.7	5.2	**160.8**	149.4	7.6
Scandinavia	**13.3**	12.1	9.9	**50.6**	47.5	6.5
Baltic countries	**16.7**	12.7	31.5	**58.8**	50.4	16.7
Russia, Ukraine + other CIS countries	**42.3**	42.0	0.7	**164.9**	145.6	13.3
Other countries	**19.4**	19.0	2.1	**67.3**	64.5	4.3
Total	**132.4**	124.5	6.3	**502.4**	457.4	9.8

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

EARNINGS

Operating profit by segment

	10-12/2017 MEUR	10-12/2016 MEUR	Change %	**1-12/2017 MEUR**	1-12/2016 MEUR	Change %
ESL Shipping	**4.1**	4.1	0.0	**13.5**	12.6	7.1
Leipurin	**0.7**	0.7	0.0	**3.1**	2.0	55.0
Telko	**3.0**	2.5	20.0	**10.8**	10.1	6.9
Kauko	**0.0**	0.0	-	**-0.2**	-0.1	-100.0
Other operations	**-1.3**	-1.0	-30.0	**-4.1**	-4.2	2.4
Total	**6.5**	6.3	3.2	**23.1**	20.4	13.2

Earnings per share

Earnings per share were EUR 0.56 (0.49). Equity per share was EUR 3.67 (3.75).

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).

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.

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 is operated under a long-term lease agreement and four smaller vessel units have been time-chartered.

	10-12/2017	10-12/2016	Change %	**1-12/2017**	1-12/2016	Change %
Net sales, MEUR	**22.6**	20.6	9.7	**79.3**	71.4	11.1
Operating profit, MEUR	**4.1**	4.1	0.0	**13.5**	12.6	7.1
Operating profit, %	**18.1**	19.9		**17.0**	17.6	

The competitive edge of ESL Shipping is based on the company's ability to operate efficiently and reliably in ice regions and to load and unload ships at sea. During the fourth quarter, all of the company's vessels operated in contract traffic in the Baltic Sea and in Northern Europe, and also performed loading and unloading operations 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 at the beginning of the fourth quarter 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.

ESL Shipping's net sales during the fourth quarter increased to EUR 22.6 (20.6) million as a result of the growth in vessel capacity. Rising fuel prices also had an impact on the increase in net sales through fuel clauses in cargo agreements. Profitability remained good and operating profit stood at EUR 4.1 (4.1) million.

Transportation volumes in the steel industry decreased from the comparative period, as customers reduced their raw materials inventory levels. Furthermore, maintenance breaks at plants had an impact on transportation volumes during the fourth quarter. Transportation volumes in the energy industry decreased from the comparative period, both in terms of coal and biofuels. Poor weather conditions in harvesting areas had a negative impact on the procurement of raw material by customers and reduced demand for the transportation of wood chips. However, transportation volumes in other customer sectors increased considerably. During the fourth quarter, the cargo volume carried by ESL Shipping was slightly higher than in the comparative period, i.e. 3.3 (3.2) million tons.

The loading and unloading of large ocean liners at sea was particularly busy during the fourth quarter, employing the majority of the shipping company's fleet. The difficult weather conditions that continued nearly throughout the quarter, high winds and the unusually high number of rainy days extended the duration of these operations and reduced their profitability noticeably. In December alone, ESL Shipping's vessels had 30 inoperative days in total due to weather, which is an exceptionally large number. Unusual weather conditions also reduced the profitability of the shipping company's other operations due to growing fuel consumption.

During the fourth quarter, one vessel was docked for 12 days for maintenance due to significant crane damage. Docking costs and costs arising from the insurance deductible related to the repair are included in the figures of the fourth quarter. To ensure scheduled customer deliveries, more than the usual number of external vessels freighted in the short term had to be used. This also reduced profitability during the fourth quarter.

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. The most sought-after volumes include renewable bioenergy, recycled raw materials, such as recycled fuel or steel, wood-based products and grain. The new operating model allows ESL Shipping to expand into new vessel classes with no major capital investments. The model enables a customer-driven operating method and flexible fleet management. 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.

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% in January–December 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 comparative period. As a result of the agreement situation being better than in the comparative period, the Supramax vessels produced profit.

Outlook for ESL Shipping for 2018

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 taking the vessels into operation.

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 develop positively and 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

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.

	10-12/2017	10-12/2016	Change %	**1-12/2017**	1-12/2016	Change %
Net sales, MEUR	**32.9**	30.7	7.2	**122.3**	112.7	8.5
Operating profit, MEUR *)	**0.7**	0.7	0.0	**3.1**	2.0	55.0
Operating profit, %	**2.1**	2.3		**2.5**	1.8	

*) 1–12/2017 includes a sales gain of EUR 0.4 million from the divestment of the meat industry raw materials business during the third quarter.
*) 10–12/2017 and 1–12/2017 include compensation related to Leipurin's project delivery completed in 2014, including processing fees, totaling EUR -0.5 million.

During the fourth quarter, the economy and the consumer purchasing power developed positively in Finland and in the western 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 is low, and the purchasing power of consumers and retail volumes are 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 comparative period. The snack product market is growing in all market areas.

The net sales of Leipurin in the fourth quarter increased from the comparative period to EUR 32.9 (30.7) million. Growth was strongest in the bakery machine business, in the eastern markets and in the Baltic region. The operating profit of EUR 0.7 (0.7) million was at the level of the comparative period, including EUR -0.5 million paid in compensation for a project delivery completed in 2014. The operating profit rate for the quarter was 2.1% (2.3). Profitability was particularly increased by the eastern markets and raw material operations in Finland and Poland, while it was reduced by the aforementioned compensation.

Net sales of bakery raw materials in Russia, Ukraine and other CIS countries increased in the fourth quarter by 9% to EUR 8.9 (8.1) million. The operating profit rate was 10% (7). Net sales in the eastern markets, including machinery sales, increased by approximately 7% to EUR 10.3 (9.6) million. The operating profit rate was approximately 10% (7). The market of industrial packed bread continues to decrease in the west, whereas the market of in-store bakeries and baking units has continued to increase. In eastern markets, demand for products in the higher price categories remains lower than in the previous years due to the financial crisis. In 2017, a change took 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.

In Finnish raw material operations, the net sales of artisan and OOH customer accounts continued to increase during the fourth quarter, while sales in industrial sectors decreased, mainly due to the divestment completed at the end of August, in which Leipurin sold its meat industry raw material business to MP Maustepalvelut Oy. On the whole, net sales for bakery raw materials in Finland decreased from the level of the comparative period. The operating profit of raw material operations increased in the western markets, even though investments in new operations and growth decelerated the development. 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.

During the fourth quarter, the net sales of machinery operations increased by nearly 40% as a result of boosted sales of principal equipment as well as Leipurin’s own machine production. 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 during the fourth quarter. At the end of the review period, the order book was at a good level, covering the first half of 2018.

The net sales of Leipurin in January–December increased by 9%, to EUR 122.3 (112.7) million. The operating profit improved significantly, being 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 during the third quarter 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 increased by 15% 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. Investments in expanding to the OOH market decelerated the development of the operating profit of raw material operations, in particular. A turn for the better was seen in machinery operations’ result.

Outlook for Leipurin for 2018

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 believed 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 high profitability in the region, strengthen its market position, and look for growth in the bread and pastry sectors, as well as 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

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.

	10-12/2017	10-12/2016	Change %	**1-12/2017**	1-12/2016	Change %
Net sales, MEUR	**65.6**	64.9	1.1	**262.2**	240.3	9.1
Operating profit, MEUR *)	**3.0**	2.5	20.0	**10.8**	10.1	6.9
Operating profit, %	**4.6**	3.9		**4.1**	4.2	

*) 1–12/2017 includes EUR -0.6 million in costs arising from Telko's discontinued terminal project in St. Petersburg, Russia, and personnel arrangements
*) 10–12/2017 includes EUR -0.2 million related to the discontinuation of Telko's terminal project in St. Petersburg

The general development in the market environment has continued to be positive in Telko's operating countries. In particular, the Russian economy and industrial investments have turned to an increase. Industrial production continues to grow in the western markets. The prices of plastic raw materials increased from the previous quarter. Compared with the comparative period, the price level of volume plastics remained unchanged, while that of technical plastics was higher. In industrial chemicals, the price level of raw materials sold by Telko remained stable, being slightly higher than in the comparative period.

Telko's net sales for the fourth quarter were at the comparative period's level at EUR 65.6 (64.9) million. Operating profit improved to EUR 3.0 (2.5) million. The operating profit includes EUR 0.2 million in costs from the discontinued terminal project in St. Petersburg. The increase in the operating profit mainly came from the western markets.

During the fourth quarter, net sales and operating profit in Russia, Ukraine and other CIS countries were at the level of the comparative period. In this market area, net sales stood at EUR 31.0 (31.5) million, and the operating profit rate was less than 5%. The exchange rate of the Russian ruble remained stable during the review period, while that of the Ukrainian hryvnia decreased. Sales volumes in the eastern markets fell slightly due to measures taken as a result of a customer analysis conducted in summer 2017. Net sales decreased as low-margin products were repriced and part of the customer volume was discontinued. In addition, other activities carried out in 2017 to improve profitability were completed during the fourth quarter. The logistics terminal project planned in St. Petersburg was discontinued, and logistics functions have been organized using external partners.

During the fourth quarter, net sales in the western markets increased by 2% and operating profit by close to 30%. Volumes decreased but profitability improved as a result of a shift in sales towards technical products. A more systematic way to set product prices also increased the operating profit.

In 2017, 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 Telko's 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 was less than 5%.

Outlook for Telko for 2018

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 Telko Middle East, Telko's subsidiary in Iran, is not expected to have any significant impact on the net sales or operating profit of Telko in 2018.

A new managing director started in Telko's largest market area in Russia in January 2018. He has vast experience in special chemicals and the management of the distribution of chemical raw materials in Russia in the service of a western globally-operating company. Telko's former managing director in Russia will continue to work for the company and focus on implementing Telko's strategy and examining new market areas.

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

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.

	10-12/2017	10-12/2016	Change %	**1-12/2017**	1-12/2016	Change %
Net sales, MEUR	**11.3**	8.3	36.1	**38.6**	33.0	17.0
Operating profit, MEUR*)	**0.0**	0.0	-	**-0.2**	-0.1	-100.0
Operating profit, %	**0.0**	0.0		**-0.5**	-0.3	

*) 1–12/2017 includes a EUR 0.3 million impairment loss of receivables related to previously divested business operations recognized in the first quarter

Kauko's net sales increased in the fourth quarter by 36% to EUR 11.3 (8.3) million. Its operating result was at the level of the comparative period at EUR 0.0 (0.0) million. Revenue from project operations to be discontinued in China stood at EUR 3.7 (0.0) million during the fourth quarter.

The fourth quarter has typically been strong in mobile knowledge work, and 2017 was no exception. 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. During the fourth quarter, CliniQ SiM, Kauko's second computer model designed and manufactured in Germany for the healthcare sector, was certified. It fulfills the product safety requirements set for the EU area. The sale of the computer will begin during the first quarter of 2018. New employees recruited in application business decelerated the development of profitability.

The sale of energy-efficiency equipment, air source heat pumps in particular, decreased slightly from the comparative period. The sale of solar power systems continued to grow during the fourth quarter. Kauko holds a significant market share in solar power systems in the Finnish residential sector. Investments for growth are particularly targeted at larger systems.

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 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.

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

Outlook for Kauko for 2018

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.

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.

	10-12/2017	10-12/2016	Change %	**1-12/2017**	1-12/2016	Change %
Net sales, MEUR	**0.0**	0.0	0.0	**0.0**	0.0	0.0
Operating profit, MEUR	**-1.3**	-1.0	-30.0	**-4.1**	-4.2	2.4

The operating result of other operations was EUR -1.3 (-1.0) million for the fourth quarter and EUR -4.1 (-4.2) million for the financial period. Aspo's administrative costs have stabilized at the level realized in the 2017 review period.

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. The financial instruments are on level 2 of the fair value hierarchy.

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. The financial instruments are on level 2 of the fair value hierarchy.

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.

Investments by segment, acquisitions excluded

	10-12/2017 MEUR	10-12/2016 MEUR	Change %	**1-12/2017 MEUR**	1-12/2016 MEUR	Change %
ESL Shipping	**2.6**	2.4	8.3	**16.8**	5.0	236.0
Leipurin	**0.3**	0.2	50.0	**0.5**	0.3	66.7
Telko	**0.1**	0.6	-83.3	**0.5**	1.4	-64.3
Kauko	**0.0**	0.0	-	**0.1**	0.0	-
Other operations	**0.1**	0.0	-	**0.1**	0.2	-50.0
Total	**3.1**	3.2	-3.1	**18.0**	6.9	160.9

PERSONNEL

Personnel by segment, year-end

	12/2017	12/2016	Change %
ESL Shipping	**235**	226	4.0
Leipurin	**315**	322	-2.2
Telko	**288**	280	2.9
Kauko	**46**	42	9.5
Other operations	**25**	25	0.0
Total	**909**	895	1.6

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

Rewarding

Aspo Group applies a profit bonus system which was adopted in 2013. The profit bonus system 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). The possible reward from the 2017 earnings period will be paid in 2018, partly in treasury shares and partly in cash to cover any taxes and tax-related costs arising from the reward. At most 100,750 treasury shares will be granted, and the amount paid in cash will correspond, at most, to the value of the shares on the payment date.

RESEARCH AND DEVELOPMENT

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

CORPORATE RESPONSIBILITY

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

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

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

Sustainabilty reports of Aspo's businesses were compiled in 2017. All of Aspo's businesses have common and individual information that represents the responsibility of their operations. Aspo's Corporate Responsibility Report will be issued in the Year 2017 publication in conjunction with the issuance of financial statements.

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. 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 in 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 review period. 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.

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.

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

A more detailed account of the risk management policy and the most significant risks has been published on the company's website. More detailed information on financial risks can be found in the notes to the 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.

DIVIDEND PROPOSAL

The Board of Directors proposes that EUR 0.43 (0.42) per share be paid in dividends for the 2017 financial year and that no dividend be paid for treasury shares held by Aspo Plc. The parent company's distributable funds totaled EUR 33,881,234.68, of which the profit for the financial year amounted to EUR 15,047,876.37. There are a total of 30,605,038 shares entitling to dividends on the publication date of this financial statement release.

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 Oy 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 Oy 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.

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.

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 AT THE SHAREHOLDERS' MEETING

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. On March 27, 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.

ASPO NOMINATION BOARD PROPOSALS TO THE ANNUAL 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.

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 will be required to refund to ESL Shipping approximately EUR 3,0 million in accordance with the company's claim, as well as legal expenses and interest. The State lodged an appeal against the District Court's judgement and, in its ruling issued on August 8, 2016, the Court of Appeal overruled the Helsinki District Court's judgement and dismissed ESL Shipping's legal action as time-barred. The company applied for a leave to appeal from the Supreme Court, which dismissed the applicaton.

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.

Helsinki February 15, 2018

ASPO PLC

Board of Directors

ASPO GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	10-12/2017		10-12/2016	
	MEUR	%	MEUR	%
Net sales	132.4	100.0	124.5	100.0
Other operating income	0.3	0.2	0.3	0.2
Materials and services	-95.9	-72.4	-91.0	-73.1
Employee benefit expenses	-10.8	-8.2	-10.1	-8.1
Depreciation, amortization and impairment losses	-2.9	-2.2	-3.0	-2.4
Other operating expenses	-16.6	-12.5	-14.4	-11.6
Operating profit	6.5	4.9	6.3	5.1
Financial income and expenses	-0.4	-0.3	-0.6	-0.5
Profit before taxes	6.1	4.6	5.7	4.6
Income taxes	-0.6	-0.5	-0.5	-0.4
Profit for the period	5.5	4.2	5.2	4.2
Other comprehensive income				
Items that may be reclassified to profit or loss in subsequent periods:				
Translation differences	-0.9		2.1	
Cash flow hedges	-0.4		2.2	
Income tax on other comprehensive income	0.1		-0.1	
Other comprehensive income for the period, net of taxes	-1.2		4.2	
Total comprehensive income	4.3		9.4	
Profit attributable to shareholders	5.5		5.2	
Total comprehensive income attributable to shareholders	4.3		9.4	
Earnings per share, EUR	0.16		0.17	
Diluted earnings per share, EUR	0.16		0.17	

	1-12/2017 MEUR	%	1-12/2016 MEUR	%
Net sales	502.4	100.0	457.4	100.0
Other operating income	2.0	0.4	1.2	0.3
Materials and services	-370.5	-73.7	-334.7	-73.2
Employee benefit expenses	-41.6	-8.3	-40.0	-8.7
Depreciation, amortization and impairment losses	-11.9	-2.4	-11.6	-2.5
Other operating expenses	-57.3	-11.4	-51.9	-11.3
Operating profit	23.1	4.6	20.4	4.5
Financial income and expenses	-2.0	-0.4	-3.0	-0.7
Profit before taxes	21.1	4.2	17.4	3.8
Income taxes	-1.7	-0.3	-1.5	-0.3
Profit for the period	19.4	3.9	15.9	3.5
Other comprehensive income				
Items that may be reclassified to profit or loss in subsequent periods:				
Translation differences	-3.0		3.2	
Cash flow hedges	-3.7		1.4	
Income tax on other comprehensive income	0.2		-0.1	
Other comprehensive income for the period, net of taxes	-6.5		4.5	
Total comprehensive income	12.9		20.4	
Profit attributable to shareholders	19.4		15.9	
Total comprehensive income attributable to shareholders	12.9		20.4	
Earnings per share, EUR	0.56		0.49	
Diluted earnings per share, EUR	0.56		0.49	

ASPO GROUP CONSOLIDATED BALANCE SHEET

	12/2017 MEUR	12/2016 MEUR	Change %
Assets			
Intangible assets	8.0	9.4	-14.9
Goodwill	42.0	42.6	-1.4
Tangible assets	119.9	113.3	5.8
Available-for-sale financial assets	0.2	0.2	0.0
Receivables	3.8	4.9	-22.4
Total non-current assets	173.9	170.4	2.1
Inventories	60.9	56.7	7.4
Accounts receivable and other receivables	66.4	60.0	10.7
Cash and cash equivalents	19.9	22.6	-11.9
Total current assets	147.2	139.3	5.7
Total assets	321.1	309.7	3.7
Equity and liabilities			
Share capital	17.7	17.7	0.0
Other equity	94.6	96.8	-2.3
Total equity	112.3	114.5	-1.9
Loans and overdraft facilities	109.5	116.6	-6.1
Other liabilities	3.8	4.6	-17.4
Total non-current liabilities	113.3	121.2	-6.5
Loans and overdraft facilities	27.1	8.8	208.0
Accounts payable and other liabilities	68.4	65.2	4.9
Total current liabilities	95.5	74.0	29.1
Total equity and liabilities	321.1	309.7	3.7

ASPO GROUP CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

A = Share capital
B = Share premium
C = Fair value reserve
D = Other reserves
E = Treasury shares
F = Translation differences
G = Retained earnings
H = Total

MEUR	A	B	C	D	E	F	G	H
Equity Jan. 1, 2017	17.7	4.3	1.0	37.0	-2.3	-18.6	75.4	114.5
Comprehensive income:								
Profit for the period							19.4	19.4
Translation differences						-3.0		-3.0
Cash flow hedges*			-3.5					-3.5
Total comprehensive income			-3.5			-3.0	19.4	12.9
Transactions with owners:								
Dividend payment							-12.9	-12.9
Interest on hybrid instrument							-2.7	-2.7
Share-based incentive plan					0.2		0.3	0.5
Total transactions with owners					0.2		-15.3	-15.1
Equity Dec. 31, 2017	17.7	4.3	-2.5	37.0	-2.1	-21.6	79.5	112.3
Equity Jan. 1, 2016	17.7	4.3	-0.3	31.9	-2.7	-21.8	73.5	102.6
Comprehensive income:								
Profit for the period							15.9	15.9
Translation differences						3.2		3.2
Cash flow hedges*			1.3					1.3
Total comprehensive income			1.3			3.2	15.9	20.4
Transactions with owners:								
Dividend payment							-12.5	-12.5
Change in hybrid instruments				5.0			-1.2	3.8
Share-based incentive plan					0.4		-0.2	0.2
Transfer of reserves				0.1			-0.1	0.0
Total transactions with owners				5.1	0.4		-14.0	-8.5
Equity Dec. 31, 2016	17.7	4.3	1.0	37.0	-2.3	-18.6	75.4	114.5

* net of taxes

ASPO GROUP CONSOLIDATED CASH FLOW STATEMENT

	1-12/2017 MEUR	1-12/2016 MEUR
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating profit	23.1	20.4
Adjustments to operating profit	13.6	11.6
Change in working capital	-12.6	-10.6
Interest paid	-5.1	-3.7
Interest received	1.0	0.4
Income taxes paid	-2.6	-1.9
Net cash from operating activities	17.4	16.2
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in tangible and intagible assets	-4.0	-5.0
Advance payments for vessels	-13.7	-1.3
Proceeds from sale of tangible assets	0.3	0.2
Proceeds from available-for sale financial assets	0.2	
Sale of business operations	0.6	
Net cash from investing activities	-16.6	-6.1
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in current loans	3.7	-3.5
Proceeds from non-current loans	15.6	7.2
Repayments of non-current loans	-7.8	-6.7
Repayments of hybrid instrument		-20.3
Hybrid instrument, interests	-1.7	-0.9
Proceeds from hybrid instrument issue		24.8
Dividends distributed	-12.9	-12.5
Net cash from financing activities	-3.1	-11.9
Change in cash and cash equivalents	-2.3	-1.8
Cash and cash equivalents Jan. 1	22.6	23.9
Translation differences	-0.4	0.5
Cash and cash equivalents at year-end	19.9	22.6

ASPO GROUP ASSETS AND LIABILITIES BY SEGMENT

Segments' assets, MEUR

	12/2017	12/2016
ESL Shipping		
Leipurin	132.9	121.1
Telko	63.5	62.8
Kauko	76.4	78.1
Unallocated items	23.6	20.0
Total	24.7	27.7
	321.1	309.7

Segments' liabilities, MEUR

	12/2017	12/2016
ESL Shipping	11.0	9.2
Leipurin	17.9	14.3
Telko	29.7	32.0
Kauko	6.6	5.4
Unallocated items	143.6	134.3
Total	208.8	195.2

ASPO GROUP CONTINGENT LIABILITIES

	12/2017 MEUR	12/2016 MEUR
Collateral for own debt:		
Mortgages given	104.5	104.5
Guarantees	27.6	40.3
Other contingent liabilities	36.7	38.1
Operating lease rentals payable	21.5	21.6
Derivative contracts, fair values, net		
-Currency forwards	-1.7	1.7
-Interest rate swaps	-0.4	-0.6

ACCOUNTING PRINCIPLES

Aspo Plc's Financial Statement Release has been prepared in accordance with the principles of IAS 34 *Interim Financial Reporting*. As of January 1, 2017, Aspo applies certain new or amended IFRS standards and IFRIC interpretations as described in the 2016 financial statements. The adoption of these new or amended standards has not had any substantial impact on the reported figures. In other respects, the same accounting principles have been adopted as in the consolidated financial statements on December 31, 2016. The information in this report is unaudited.

Aspo Plc applies the guidance on alternative key figures issued by the European Securities and Market Authority (ESMA). In addition to IFRS figures, the company 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. The calculation formulas of key figures have been described on page 70 of the Year 2016 report.

Aspo has continued its preparations for the adoption of the new IFRS 15 and IFRS 9 standards, starting from January 1, 2018. The estimated impact of these standards on the consolidated financial statements is described in more detail on pages 40–41 of the 2016 financial statements. On the basis of analyses conducted during adoption projects, the adoption of these standards will not have any significant impact on the consolidated statement of comprehensive income or the consolidated balance sheet, compared with currently valid standards. Regarding the adoption of the IFRS 15 standard, Aspo will apply a fully retrospective approach applying practical expedients allowed by the standard. The adoption will not have any impact on figures already reported for 2017. However, net sales will be reported in more diverse ways in the future, also regarding comparative information from 2017. The adoption of the IFRS 15 standard will be described in more detail in Notes to the Financial Statements 2017.

SEGMENT REPORTING

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

The Group reports its net sales on the basis of the following geographical division: Finland; Scandinavia; the Baltic countries; Russia, Ukraine and other CIS countries; and other countries.

PRESS AND ANALYST CONFERENCE

A press and analyst conference will be arranged today, Thursday February 15, 2018 at 13.00 at Hotel Kämp's Mirror Room, Pohjoisesplanadi 29, 00100 Helsinki.

ANNUAL SHAREHOLDERS' MEETING

The Aspo Plc Annual Shareholders' Meeting is scheduled to be held on Thursday, April 10, 2018, at 14.00 in Helsinki.

FINANCIAL INFORMATION IN 2018

Aspo's Financial Statements 2017 will be published on March 20, 2018 at the latest in Finnish and in English. You can read and order the report on our website at www.aspo.com.

In 2018, Aspo Plc will publish two interim reports and a half year financial report:
- interim report for January-March on Thursday, May 3, 2018
- half year financial report for January-June on Tuesday, August 14, 2018
- interim report for January-September on Thursday, October 25, 2018.

Helsinki, February 15, 2018

ASPO PLC

Aki Ojanen	Arto Meitsalo
CEO	CFO

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