FINANCIAL STATEMENTS AND BOARD OF DIRECTORS' REPORT

1 May 2016–30 April 2017

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VAPO IN BRIEF

Vapo is a leading bioenergy company in Finland, Sweden and Estonia. The product and service selection developed for Vapo's energy customers consists of domestic fuels, such as peat, pellets and forest fuels, as well as added value services related to energy production. The company also owns seven combined heat and power (CHP) plants and approximately 150 heating plants producing local energy. Vapo is an important part of the local energy infrastructure in all of its markets.

Vapo Group also includes the gardening group Kekkilä, which is the market leader in gardening products in Finland and Sweden. The company produces garden soils, mulches and fertilisers professional growers, consumers and landscapers in Finland under the Kekkilä brand and in Sweden under the Hasselfors Garden brand.

Vapo Group's Ventures business develops new business solutions based on the Group's strengths. The company's newest businesses are Vapo Fibers and Vapo Carbons. Vapo Fibers focuses on utilising peat fibre for new purposes. Vapo Carbons aims to make a quick entry into the growing international market for peat-based technical carbons.

Vapo Group has more than 770 employees. The company also employs hundreds of local contractors in the fuel production and supply chain.

More information about the company: *www.vapo.com*.

Vapo Group 1 May 2016–30 April 2017

The financial year in figures:	1.5.2016-30.4.2017	1.5.2015-30.4.2016
Turnover, EUR million	392.1	459.8
Comparable turnover, EUR million	392.1	398.8
Operating margin/EBITDA, EUR million	56.9	43.1
Operating profit/EBIT, EUR million	20.0	8.6
Comparable operating profit excluding one-off items and the effect of divested businesses, EUR million	23.2	19.4
Profit/loss for the period	8.1	-4.4
Pre-tax return on invested capital %	3.0	1.2
Free cash flow before taxes, EUR million	73.2	60.7
Equity ratio on 30 April	43.0	37.6
Ratio of interest-bearing net debt to operating margin	4.7	8.5
Energy peat deliveries (TWh)	10.2	10.7
Wood fuel deliveries (TWh)	3.4	3.2
Heating deliveries (TWh)	1.7	1.6
Accident frequency*	19	29

* Accident frequency = number of accidents requiring a visit to occupational health services/million working hours

BOARD OF DIRECTORS' REPORT

Jyrki Vainionpää, Deputy CEO: Vapo's result more than doubled from the previous year

The Group's comparable turnover for the financial year 1 May 2016–30 April 2017 was largely unchanged from the previous year, amounting to EUR 392.1 million (EUR 398.8 million). The actual turnover of the comparison year, EUR 459.8 million, included EUR 63.5 million in turnover from the sawmill business divested in early 2016.

Vapo Group's comparable operating profit excluding one-off items and divested businesses was EUR 23.2 million (comparable operating profit EUR 19.4 million). This represented a substantial improvement compared to the previous year's result, which was weighed down by one-off expenses of nearly EUR 10 million related to the divestment of the sawmill business and the renewal of Vapo Oy's operating model. Peat production in Finland has fallen substantially short of the targeted volume for the past two summers due to the weather conditions, leading to higher expenses in both financial years. The Group's profit for the financial year was EUR 8.1 million (EUR -4.4 million).

Kekkilä Group, a wholly owned subsidiary of Vapo, divested its unprofitable operations in Russia and Norway during the financial year. Losses of approximately EUR 2 million were recognised on the sale of the two businesses. The result of Kekkilä's continuing operations was weaker than in the previous year due to the exceptionally cool spring, which delayed the start of the season.

The Group's most significant increase in profitability was achieved by Vapo Oy's Heat and Power business, where efficiency improvement measures enabled by the digital transformation, such as the remote control of power and heating plants, have reduced operating and maintenance costs. The business recorded turnover of EUR 8.9 million (EUR 5.3 million) for the financial year.

The Group had strong cash flow in the financial year, which will allow the company to repay the EUR 100 million bond issued in 2011 and maturing in June 2017 without the need for refinancing.

During the financial year, Vapo Oy made progress in line with the strategy confirmed by the Board of Directors in both the energy business and in new business areas. In the energy business, the objective is to evolve from a fuel supplier into a provider of energy solutions and services with higher added value, thereby improving customer satisfaction. The company's NPS (Net Promoter Score), which is used to measure customer satisfaction annually, has risen from 1 in 2013 to 38 in the most recent financial year. In spring 2017, the company launched an extensive programme geared towards developing new services and operating models in response to customers' business challenges. The participants in this Lean Service Creation programme include dozens of key employees of Vapo Oy as well as several customers.

The company's second significant focus area is the development of new businesses alongside the energy business and the gardening business. In cooperation with Kekkilä Group, Vapo Fibers is developing business based on refining peat fibres, with progress being made during the past financial year in selecting the market and product segments with the highest potential. Vapo Carbons, which was first announced in October 2016, aims to launch the production of peat-based technical carbons in Finland using a new method developed by the company.

During the financial year, the Finnish Government published an ambitious national energy and climate strategy aimed at international leadership. Vapo supports the implementation of this strategy; for example, the company will play a significant role in Finland achieving 55 per cent self-sufficiency in energy by 2030 and increasing the share of renewable energy to more than 50 per cent. Among other things, the successful implementation of the strategy depends on heating and power production with very high energy efficiency and superior operating efficiency, along with district heating, remaining at the current level. This appears very challenging due to the low electricity prices and I believe that a twofold response is needed: firstly, industry operators must leverage all of the potential benefits of the modernisation and digitisation of production. Vapo is highly committed to this and, in addition to enhancing the efficiency of its power plants through measures such as remote control, the company can also offer its expertise and economies of scale to other operators. Secondly, in addition to actions taken within the industry, achieving this target requires a predictable and long-term energy policy and, above all, that the competitiveness of the domestic fuels used in CHP production is not reduced.

Operating environment

According to preliminary data from Statistics Finland, the total energy consumption of Finland in 2016 was 1,335 petajoules (PJ), or 371 terawatt-hours (TWh), which is two per cent higher than in 2015. Electricity consumption totalled 85.1 TWh, up by approximately three per cent from the previous year. The increase in energy consumption was due to the weather being slightly cooler compared to the record-warm previous year. Compared to the previous years' price levels, the prices of oil, coal and natural gas remained exceptionally low. Combined with the higher-than-usual water reserves in the Nordic countries, they kept electricity prices low. As a result, condensing power plants barely produced any electricity at all, which was reflected in the demand for peat and energy chips.

The Government Programme of Finland's current government includes the goal of increasing the share of renewable and emission-free energy to more than 50 per cent by 2030. The second target set by the Government Programme is to increase the rate of self-sufficiency in energy to 55 per cent, and peat has an important role to play in achieving this. The government wants to halve the use of imported oil and stop the energy use of coal by 2030.

The peat production volume, seven million cubic metres, was lower than planned due to the rainy weather in the late summer. However, the reserve stocks produced in previous summers ensure fuel deliveries to customers.

Temperatures in autumn 2016 were colder than the comparison year throughout the Vapo Group's operating area, but they were nevertheless substantially above the long-term averages. The first months of 2017 were also warmer than average. The warmer-than-average weather reduced the demand for energy peat by nearly 10 per cent.

Vapo Group

The Group's profit for the financial year 1 May 2016–30 April 2017 showed a substantial year-on-year improvement and amounted to EUR 8.1 million (EUR -4.4 million). Turnover decreased to EUR 392.1 million (comparable turnover EUR 398.8 million). The Group's operating profit improved by 133 per cent and totalled EUR 20.0 million (EUR 8.6 million). Comparable operating profit excluding one-off items and divested operations also showed a substantial improvement and totalled EUR 23.2 million (EUR 19.4 million). The measures implemented by the Group to reduce its balance sheet were reflected in strong operating cash flow (free cash flow before taxes), which amounted to EUR 73.2 million (EUR 60.7 million) for the financial year. This has also enabled the reduction of the Group's debt, which is reflected in improved key indicators related to financing. The Group's equity ratio stood at 43 per cent (37.6%) at the end of the financial year, while the ratio of net debt to operating margin was 4.7 (8.5).

Developments by business segment

The company's segment reporting corresponds to the Group's separate companies. However, the Vapo Oy segment also reports the results of smaller subsidiaries that serve the energy business, as their operations are managed by Vapo Oy. These subsidiaries include Salon Energiantuotanto Oy, Piipsan Turve Oy, Suo Oy and Hanhisuon Turve Oy.

Vapo Oy

Vapo Oy provides local fuels, heating solutions and environmental peat products to businesses, municipalities and consumers. Fuels account for approximately 70 per cent of the company's external turnover, heating solutions approximately 25 per cent, and environmental peat approximately five per cent. The company's newest commercial businesses are Vapo Fibers and Vapo Carbons. Vapo Fibers focuses on utilising peat fibre for new purposes. Vapo Carbons aims to make a quick entry into the growing international market for peat-based technical carbons.

The segment's turnover in the final third of the financial year (January–April 2017) was EUR 114.9 million (January–April 2016: EUR 117.3 million). The operating profit for the reporting period was EUR 11.9 million (EUR 6.6 million). The operating profit includes one-off expenses amounting to EUR 6.0 million (EUR -7.9 million), of which EUR 3.5 million was eliminated at the Group level as an item related to the sale of the company's stake in Harvestia. The cold spring was not enough to compensate for the reduced heating needs caused by the mild winter, which was reflected in a year-on-year decline in the demand for energy peat and heating, while the delivery volumes of wood fuels and pellets increased. The sales prices of power and heating plants developed favourably compared to the corresponding period last year.

The segment's turnover for the full financial year was EUR 247.4 million (EUR 257.0 million). Operating profit amounted to EUR 13.2 million (EUR 7.4 million). The operating profit includes one-off items of EUR 4.0 million (EUR -7.7 million). The total volume of energy

Turnover by segment

MEUR	1-4/2017	1-4/2016	Change %	5/2016- 4/2017	5/2015-4/2016	Change %
Vapo Oy	114.9	117.3	-2.1	247.4	257.0	-3.7
Vapo Timber Oy	0.0	5.5	-100.0	0.0	63.5	-100.0
Kekkilä Group	33.5	34.9	-4.2	89.5	87.9	1.8
Neova AB	19.6	21.5	-8.9	43.3	47.8	-9.4
AS Tootsi Turvas	7.5	5.9	26.6	16.0	13.0	23.2
Others	0.1	0.0	-	0.3	0.0	1,964.2
Inter-segment turnover	-1.9	-2.6	28.9	-4.4	-9.4	53.5
Total	**173.7**	**182.6**	**-4.9**	**392.1**	**459.8**	**-14.7**

Operating profit/loss by segment

MEUR	1-4/2017	1-4/2016	Change %	5/2016- 4/2017	5/2015-4/2016	Change %
Vapo Oy	11.9	6.6	79.3	13.2	7.4	78.0
Vapo Timber Oy	0.0	-0.6	100.0	0.0	-2.2	100.0
Kekkilä Group	-0.6	0.6	-199.2	-1.1	-1.3	13.9
Neova AB	1.9	2.6	-26.3	0.9	1.7	-48.7
AS Tootsi Turvas	1.0	0.3	216.2	1.3	1.1	20.2
Others	-0.2	0.3	-166.6	-0.8	0.2	-420.7
Associates	1.1	2.2	-50.5	0.6	1.4	-57.4
Eliminations	5.4	6.0	-10.2	5.8	0.3	1,746.9
Total	**20.5**	**18.1**	**13.2**	**20.0**	**8.6**	**131.2**

peat deliveries for the full financial year decreased year-on-year due to the temperature, the increased supply of wood fuels and low electricity prices. Significant cost savings were achieved in the operation and maintenance of power and heating plants as a result of efficiency improvement measures. Investments amounted to EUR 30.9 million (EUR 31.3 million). Energy peat deliveries during the financial year totalled 9.2 TWh (9.7 TWh) while heating deliveries amounted to 1.2 TWh (1.2 TWh).

Peat production in the summer 2016 production season was substantially below the targeted volume and below the heating season's order backlog. Stockpiles accumulated in previous years secured fuel deliveries to customers.

The profitability of forest fuels declined year-on-year due to oversupply. The sales volume was on a par with the comparison period, but sales prices declined, particularly due to the high supply of by-products from the wood processing industry.

The turnover and profitability of the pellet business improved year-on-year, although the profitability of the business remained at a weak level. The domestic delivery volume increased due to higher demand from power plants. Profitability was improved by efficiency improvement measures implemented in production and raw material procurement.

The company's investments in the development of the digital customer experience took concrete form in the launch of a new district heating portal and an online pellet store, both of which were well received. A growing proportion of the consumer pellet trade is taking place online.

Neova AB

Neova AB is a Swedish subsidiary of Vapo Oy. It provides district heating to its customers through its own district heating networks and offers customised heating solutions for industrial customers. The company also produces and markets peat products for its energy customers and users of agricultural peat products. Its annual turnover is evenly divided between heating solutions and peat productions.

Turnover in the final third of the financial year (January–April 2017) amounted to EUR 19.6 million (EUR 21.5 million). The operating profit for the period was EUR 1.9 million (EUR 2.6 million). The latter part of the period being colder than the autumn and early winter helped increase demand for fuels and heating. Turnover was also boosted by the increased sales of agricultural peat. Decreased demand for energy peat led to the closure of peat production areas in certain regions in Sweden. This caused a write-down of EUR 1 million recognised in the result for the final third of the year.

Turnover for the full financial year was EUR 43.3 million (EUR 47.8 million) and the operating profit was EUR 0.9 million (EUR 1.7 million). Investments during the financial year amounted to EUR 3.2 million (EUR 3.8 million). The operating profit includes one-off expenses and write-downs totalling EUR 0.6 million (EUR 0.0 million).

Energy peat deliveries during the financial year totalled 0.6 TWh (0.7 TWh) while heating deliveries amounted to 0.4 TWh (0.4 TWh). Deliveries of agricultural peat totalled 0.6 million cubic metres (0.6).

Brostorpsmossen, a subsidiary of Neova AB, was merged with the parent company in September 2016.

AS Tootsi Turvas

AS Tootsi Turvas is Vapo Oy's Estonian subsidiary. Its primary business is the sale of agricultural peat products, energy peat products and wood fuels, as well as the production and sale of heating. Agricultural peat accounts for 45 per cent of the subsidiary's annual turnover, while wood fuels account for 30 per cent, energy peat 15 per cent and heating 10 per cent.

Turnover in the final third of the financial year (January–April 2017) amounted to EUR 7.5 million (EUR 5.9 million). The operating profit for the period was EUR 1.0 million (EUR 0.3 million).

Turnover for the full financial year was EUR 16.0 million (EUR 13.0 million) and the operating profit was EUR 1.3 million (EUR 1.1 million). Investments during the financial year amounted to EUR 3.3 million (EUR 1.1 million). The turnover and profit for the financial year were boosted by successful sales, cost savings in logistics and the acquisition of the district heating company Uuemõisa Teenused AS in summer 2016. The company was merged with the parent company in September 2016.

Energy peat deliveries for the financial year totalled 0.2 TWh (0.2 TWh). Deliveries of agricultural peat totalled 0.7 million cubic metres (0.6).

Kekkilä Group

Kekkilä Group develops, produces and markets high-end garden substrates, plant fertilisers and mulches as well as home garden and yard construction products for amateur and professional growers and landscapers.

Turnover in the final third of the financial year (January–April 2017) amounted to EUR 33.5 million (EUR 34.9 million). The operating result for the period was EUR -0.6 million (EUR 0.6 million). The result for the final third of the year includes one-off expenses of EUR 3.0 million (EUR -1.1 million) related to the divestment of the Norwegian business.

The Group's turnover for the final third of the year declined year-on-year in the consumer and landscaping businesses. The first three months of the final third of the year were strong compared to the previous year, but the delayed spring meant that the start of the peak season was pushed to the next financial year. Kekkilä's professional grower and recycling businesses grew year-on-year. Higher sales also helped improve the operating result of the business.

Turnover for the full financial year was EUR 89.5 million (EUR 87.9 million) and the operating result was EUR -1.1 million (EUR -1.3 million). Investments during the financial year amounted to EUR 2.2 million (EUR 3.6 million).

Cumulative turnover growth was achieved particularly in the professional grower and landscaping businesses. The consumer business suffered from excess capacity in the production of soil products and a consolidation of purchasing power within the customer base.

The full-year result includes one-off expenses of EUR 3.2 million (EUR -1.6 million).

On 31 December 2016, Kekkilä Oy divested its stake in Kekkilä Group's Russian subsidiary by selling its shares to the acting local management.

On 31 March 2017, Kekkilä Oy divested its stake in Kekkilä Group's Norwegian subsidiary by selling its shares to the Norway-based company Nordic Garden AS.

Other activities

The Others segment includes Vapo Clean Waters Oy and the Danish subsidiary Vapo A/S. It also includes Forest BtL, the operations of which were discontinued in 2014.

Vapo Clean Waters Oy began its operations on 1 May 2016. The company specialises in design, construction and maintenance services and products related to water protection and biodiversity. During the financial year, the company participated in the Storm Filter project led by VTT Technical Research Centre of Finland, aimed at developing clean technology for the management of drainage waters. The company also coordinated the PäästöSäästö project in cooperation with the Natural Resources Institute Finland and other partners. The project is focused on testing new types of domestic organic soil-conditioning substances to improve crop yields and reduce the nutrient load of agriculture. The company partnered with the Finnish Defence Forces in a project coordinated by the Centre for Economic Development, Transport and the Environment focused on the restoration of areas with contaminated soil.

The Others segment had an impact of EUR 0.1 million (EUR 0.0 million) on the turnover for the final third of the year and its impact on the operating result was EUR -0.2 million (EUR 0.3 million). Turnover for the full financial year was EUR 0.3 million (EUR 0.0 million) and the operating result was EUR -0.8 million (EUR 0.2 million).

Cash flow, investments and financing

The Group's free cash flow before taxes in the financial year 1 May 2016–30 April 2017 amounted to EUR 73.2 million (EUR 60.7 million). The difference compared to the previous year was mainly attributable to an increase in the operating margin of the Group's businesses. Working capital continued to decrease, particularly due to lower fuel stockpiles, which increased cash flow by EUR 14.7 million (EUR 39.6 million).

Gross investments in the financial year were EUR 39.6 million (EUR 38.5 million), or 110 per cent of the amount of depreciation (110%). The most significant investments in the financial year were allocated to capacity expansion, energy efficiency investments and reducing the use of fossil fuels in the Heat and Power business as well as the preparation and acquisition of new peat production areas. Net investments amounted to EUR 1.6 million (EUR -21.9 million).

Interest-bearing net debt at the end of the financial year was EUR 269.6 million (EUR 366.6 million). Interest-bearing net debt includes a EUR 5 million capital loan in one of Vapo's subsidiaries. The ratio of interest-bearing net debt to operating margin (net debt/EBITDA) on 30 April 2017 was 4.7 (8.5). Short-term interest-bearing debt was EUR 127.4 million (EUR 35.0 million). Of Vapo's long-term interest-bearing debt, 36.5 per cent is covered by a covenant related to the company's equity ratio. The terms of the covenant were met at the end of the review period. The equity ratio at the end of the financial year was 43.0 per cent (37.6%) and the gearing ratio was 79.4 per cent (127.2%). The consolidated balance sheet total was EUR 812.4 million (EUR 795.0 million). The Group's net financing items were EUR -9.8 million (EUR -9.7 million). Net financing items were 2.5 per cent (2.1%) of turnover.

In accordance with its hedging policy, the Group hedges the majority of its predicted net foreign currency exposure for the next 12 months. The hedging instruments used are primarily forward exchange agreements and currency swaps. The most important hedged currency is the Swedish krona. At the end of April, the Group's currency hedging ratio for the next 12 months was 94 per cent.

The company issued a EUR 50 million hybrid bond during the financial year. The arrangement strengthened the Group's financial position and provides flexibility for the funding of future strategic investments. The Group's strong cash flow enables the repayment of the EUR 100 million bond maturing in June without the need for refinancing.

Natural seasonal fluctuation in activities

The Group's business is cyclical to a significant extent due to seasonal variation in the demand for heating. In the first third of the financial year, from May to August, the focus is on fuel production and acquisition, while the second third of the financial year brings with it the start of the heating season, and the volume of fuel deliveries increases. The final third of the financial year is the strongest period for the company's sales of heating, electricity and fuels. The temperatures during the heating season in the financial year were warmer than average aside from the exceptionally cool April, which had a negative impact on the sales of heating and fuels.

Kekkilä's gardening business is also sensitive to seasonal fluctuations, with demand peaking in the spring. During the past financial year, the spring season did not get up to full speed by the end of April, which moved sales to the following financial year and reduced the duration of the season.

Notable risks and uncertainty factors

Regulation

The uncertainty associated with securing environmental permits, caused by increasingly strict regulations that are open to interpretation, is a significant risk from the perspective of all of Vapo's peat-related businesses and, with respect to energy peat, also from the perspective of Finland's self-sufficiency in energy. This risk, which has already materialised to an extent, prevents and slows down the commissioning of new peat production areas to adequately meet future customer needs in all circumstances. For the continuity of peat production, it is important that the issuing of environmental permits for new peat production areas is consistent throughout the country and based on unambiguous environmental criteria.

Vapo has increased its investments in environmental protection at its production sites and enhanced the treatment of leachates originating from its peat production areas to ensure that there are no obstacles to the granting of permits attributable to Vapo itself. In accordance with the mire and peatland strategy approved by the Finnish government, Vapo applies for environmental permits and opens new production areas only in peatlands where the natural state has been altered, meaning forest-ditched peatlands.

Vapo's Wood Fuels business also involves regulatory risks. The regulatory treatment of the sustainability criteria of wood-based solid fuels will determine the extent to which they will represent a threat to the use of wood-based fuels and the national economy of Finland.

In the energy industry, operations are typically developed in accordance with long-term objectives, and investments in the industry often have a decades-long life span. Continuously changing regulations constitute a regulatory risk that complicates the industry's operations, for example through a dramatic decline in the market prices of electricity caused by subsidies. This has led to a situation in which investments in plants using fuels have decreased from their previous level. The fuel market has contracted, which is reflected in the reduced use of energy peat and the petering out of growth in the use of wood chips.

One positive regulatory change in 2016 was the reduction in peat tax to EUR 1.90 per MWh and the corresponding increase of fuel wood subsidies. However, the impact of these changes on the demand for fuels did not yet materialise in the past financial year. Going forward, the change in taxation is likely to have the effect of increasing demand, although there is a concurrent move away from combustion-based energy production in the customer base due to regulatory reasons as well as other factors.

The Finnish Government published its energy and climate strategy to 2030. In line with the Government Programme, the strategy states that Finland's goal is to increase its self-sufficiency in energy to the current level of approximately one third to 55% by 2030, with the share of renewable energy rising to 50% during the same time frame. The strategy is aimed at phasing out coal and maintaining peat's position to ensure the security of supply. The relevant legislative proposal will be drafted during the term of the current government and it may still introduce changes to the previously announced targets.

Regulatory changes pertaining to the energy sector constitute the most significant risk in Vapo Oy's business. The profitability of heat and power production will be further reduced by the LCP BREF document, which will significantly tighten the emission limits on large combustion plants (over 50 MW) and agreeing on the EU sustainability criteria concerning the energy use of wood. This will be reflected in the continued elimination of back-pressure production capacity, which will reduce fuel demand. The sustainability criteria concerning the energy use of wood will be agreed upon in the European Commission's energy package, but the process is still unfinished.

The LULUCF land use directive, which affects sectors outside emissions trading, can also affect the operating environment in the energy sector if the carbon sink calculations for forests become more disadvantageous.

The discussion of the EU's clean energy package will continue in 2017 in the European Parliament and the Council of Europe. The package comprises eight legislative proposals. Amongst others, they include the renewable energy directive, REDII, according to which the EU's binding target for renewables is 27 per cent by 2030. The final content is likely to be confirmed in 2018 at the earliest. The European Commission has also proposed increasing the use of renewable energy in heating and cooling by one percentage point per year.

Market risks

Vapo's energy business is subject to significant market risks related to end product demand as well as the prices and availability of wood-based fuels and their raw materials.

Concern about the climate has led to a transformative shift in the energy industry, which will inevitably see a reduction in the share of energy solutions based on traditional fossil fuels. According to Statistics Finland, the use of peat as an energy source in Finland amounted to 27 TWh in 2010 (seven per cent of the total consumption), while the corresponding figure in 2015 was 16 TWh (four per cent). The rate of decline has been the fastest in electricity production. To mitigate the demand risk of peat, Vapo invests in developing deeper relationships with existing fuel customers by offering the most reliable fuel and energy solutions through plant operation services, plant efficiency improvement projects and other added value services.

The demand for wood fuels has increased as energy companies have sought alternatives to fossil fuels. The higher demand has led to increased pellet production in Europe. Imports from outside of Europe have also increased. The competition in the pellet market has intensified due to oversupply, which is reflected in a decrease in market prices in the company's primary markets in Finland and Sweden. As the market grows, the availability of appropriately priced raw material in relation to the price of the end product plays a key role in ensuring competitiveness. The efficiency improved programmes launched at Vapo are expected to substantially improve the profitability of the wood fuels business in the coming financial year.

The Heat and Power business is influenced by the development of the heating, industrial steam and electricity markets as well as fuel markets and the markets for competing energy solutions. Electricity prices in Finland and Europe remained at a low level, which reduced electricity sales revenue. In the fuel market, the low price of oil has had a positive effect in the form of lower costs, but it has also had a negative effect on the sales of fuels produced by Vapo, as customers have postponed their decisions on replacing oil with solutions based on domestic fuels. Competing energy solutions based on new technology constitute a growing threat to energy produced from domestic fuels, although the costs of heating alternatives that compete with district heating remained largely unchanged during the past financial year, and district heating remained competitive. New forms of heating, combinations of different forms of heating, and energy conservation are key considerations in the development of the district heating business.

Weather risks

Weather is a risk that has extensive effects on Vapo's business. In the winter, temperature influences the fuel needs of external and internal customers and the utilisation rates of the Group's own heat and power plants. In the spring, the weather conditions also determine the timing of the peak season in the gardening trade. As the peak season takes place around the end of the Group's financial year, its timing affects the profit performance for the full year. During the summer, the effects of weather concern the production volumes and quality of wood fuels and environmental products.

In summer 2016, peat production was in line with the plans in Sweden but fell short of the targets in Finland and Estonia. Falling short of the target increased the costs recognised through profit and loss allocated to the financial year as the quantity of stored peat was lower than expected. Due to the Group companies' own commercial stockpiling, however, the lower level peat production will not have a material impact on the company's supply in the coming heating and production season.

In the upcoming production season, fuels will be scaled according to anticipated demand in the coming years as well as customer-specific storage requirements that are known to the company. This means that production targets will be lowered at certain production areas compared to previous production seasons. This may make it more difficult to find peat contractors in the future, at least at the regional level, due to contractors exiting the market, which would also have long-term effects in the form of lost industry expertise.

Damage risks

Damage risks include occupational safety risk, property risk, interruption risk and environmental risk. Vapo aims to prevent damage risks through proactive risk management measures and by reacting quickly to any observed hazards. Risks that cannot be managed by the company's own actions are insured where possible. The goal is to continuously promote a positive culture of occupational safety and asset protection throughout the organisation. Extensive investments in changing the organisation's safety culture are already being reflected in a reduced number of accidents and lower accident frequency as well as an increase in safety observations and related improvement measures throughout Vapo Group.

Financing and commodity risks

The company manages its financing risk and maintains liquidity by balancing the proportional share of short-term and long-term loans and the repayment schedules of long-term loans. In addition, the risk related to the availability and price of financing is managed by diversifying fundraising between different banks and financial instruments.

The company's main financial risks are currency risk, interest rate risk and liquidity risk. The Group treasury, guided by the financial policy ratified by the Board of Directors, is responsible for identifying and managing financial risks. The Group's risk management tools include currency derivatives and options, currency swaps, foreign currency loans, interest rate swaps and commodity derivatives.

With regard to commodity risks, Vapo purchases hedging services related to the purchase and sale of electricity. Electricity trading represents a very minor share of Vapo's business.

Research and development

The Group's research and development investments during the financial year 1 May 2016–30 April 2017 amounted to EUR 1.1 million (EUR 1.1 million), which is equal to 0.3 per cent of turnover (0.2%). Research and development activities were focused on supporting the company's strategic renewal in Vapo Oy and Vapo Clean Waters Oy.

Vapo Ventures develops and commercialises new businesses based on Vapo's competencies and networks. The first new businesses developed by Vapo Ventures are Vapo Clean Waters Oy, which provides treatment solutions for natural waters, and Vapo Fibers, which produces natural fibre solutions. The company announced its latest new initiative, the Vapo Carbons project, in October 2016. Vapo Carbons aims to enter the growing international market for technical carbons.

Vapo Oy's other research and development activities consisted of the development of environmental responsibility and new businesses and technologies as well as the production methods of energy peat and environmental peat. As part of following through on its environmental commitments, the company developed entirely new kinds of water treatment methods to achieve even higher performance in water purification and minimise the negative environmental impacts of peat production. The new methods were related to areas such as utilising natural microbiological purification processes. The company also investigated the suitability of solar power systems to pumping drainage waters in peat production. To improve peat quality management, the company developed various measurement methods for quickly measuring fuel moisture.

The creation of new business based on sphagnum moss biomass was promoted by developing the sphagnum moss production method and treatment process. To support the commercialisation of raw materials derived from sphagnum moss biomass, research projects were launched on raw material attributes, the eco-friendliness of production and the regeneration of harvested areas.

The company partnered with Peatmax Oy to jointly develop a new harvester for sod peat, with test runs initiated in late summer. The new harvester offers improved opportunities for utilising production areas that are small in size.

Vapo Clean Waters Oy participated in the Storm Filter project aimed at developing clean technology for the management of drainage waters. Materials and structures that absorb and purify water can be used to reduce surface runoff as well as filter and retain contaminants in materials that purify water mechanically.

The PäästöSäästö project aims at mitigating the environmental impacts of agriculture and improving the growth of plants by testing new types of domestic organic soil-conditioning substances to improve crop yields and reduce the nutrient load of agriculture. In addition, a natural and domestic water purification system based on peat filtration was developed for risk management related to waters at shooting ranges.

Vapo Clean Waters Oy also continued its development activities for Vapo Oy. Development efforts related to water treatment in peat production were focused on various advanced filtration and sedimentation methods. Research related to acidic sulfide soil was continued under the Sulfa II project led by the Finnish Environment Institute.

Environmental responsibility

Environmental responsibility is an important element of Vapo's day-to-day business operations. The company has implemented an environmental programme that was unique even by international standards. One goal of the project, known as Tiger's Leap, was to build water treatment systems using the best available water treatment technology (BAT) at all of Vapo's peat production areas. Summer 2016 was the second production season in which all of Vapo's peat production areas had water treatment systems using the best available technology. Vapo is committed to ensuring that areas released from peat production will be in active after-use within two years of the end of production operations. The programme's other goals included improving the effectiveness of voluntary environmental inspections and engaging in even more active communications on the overall impacts of using peat.

Vapo increased its emissions monitoring activities further in spite of the total peat production area declining by eight per cent from the previous year. In 2016, more than 18,000 samples (17,800 samples) were taken as part of emissions monitoring, with approximately 145,000 analyses (150,000 analyses) carried out. A further 2,900 samples (2,600 samples) were taken in the context of monitoring waterways, with 35,000 analyses (35,200 analyses) carried out.

The company continued to carry out self-initiated environmental impact inspections at peat production areas. Contractors inspected water treatment structures in two-week intervals during the production season. In addition, 25 environmental inspectors recruited for the summer season inspected water treatment methods and other aspects related to environmental permit conditions at all production areas. In 2016, Centres for Economic Development, Transport and the Environment made 128 inspection visits to Vapo's peat production areas.

Vapo continued to sell peat bogs of high natural value for protection purposes.

In accordance with its permit policy, Vapo only applies for new production permits for ditched peatlands. In 2016, 690 hectares in newly approved production sites were obtained through environmental permit applications for peat production. The EIA process was completed for areas totalling 402 hectares. Two new environmental permit decisions were received concerning heating plants.

Vapo is committed to ensuring is that all new production areas opened after 2016 will have a lower solid and humus load on downstream watercourses than before peat production. To follow through on these commitments, Vapo launched the Clean Water and Monitoring 100 projects involving the monitoring of the impacts of new production areas on watercourses at approximately 80 sites before the potential start of peat production.

The Group's environmental investments amounted to EUR 2.3 million (EUR 4.0 million) and were primarily related to improving and building water treatment structures at peat production sites and investments required by environmental legislation in the Heat and Power business area. The company also invested in energy efficiency and reducing the use of fossil fuels. Excluding Vapo's own personnel's input, environmental protection costs for the period amounted to EUR 18.8 million (EUR 20.8 million). The costs primarily consisted of the maintenance of water treatment structures in peat production and environmental load monitoring.

Active production areas in Finland amounted to 32,000 hectares (34,900 ha) in summer 2016. A total of 311 hectares (265 ha) of new peatlands became ready for production by the end of the financial year. Peatlands released from production during the financial year amounted to 1,156 hectares (545 ha).

A total of 4,194 hectares (4,996 ha) were transferred to other land use methods, of which 1,371 hectares (826 ha) were sold. A total of 1,235 hectares (2,024 ha) were assigned for forestation, 0 hectares (0 ha) for farming, and 223 hectares (150 ha) for building wetland habitats for birds. A total of 1,364 hectares (1,996 ha) were returned to landowners. Vapo has an aftercare reserve for the costs resulting from the rehabilitation of decommissioned production areas, which covers the costs of water protection measures, water rehabilitation, landscaping and other restoration measures after decommissioning.

In 2016, Vapo continued its own power and heating plants' multi-year development programme aimed at reducing oil consumption and improving energy efficiency. The use of domestic fuels increased further at Vapo's power and heating plants. The share of domestic fuels was 95.3 per cent (93.7%) at the Group level and 94.3 per cent (92.3%) in Finland. The coefficient of efficiency improved for power plants and pellet heating plants and remained on a par with the previous year for other heating plants.

The most significant energy efficiency investments in 2016 were the flue gas scrubber investment at the Sotkamo power plant and the Forssa power plant's 4,000 cubic metre district heating battery that can be charged and discharged at an output of 15 MW. The plants' carbon dioxide emissions remained on a par with 2015. Particle emissions decreased by seven per cent, NOx emissions by three per cent and SO2 emissions by four per cent. The reduction in particle and SO2 emissions was particularly attributable to the deployment of a flue gas scrubber at the Sotkamo power plant. The reduction in nitrogen oxides was mainly due to combustion optimisation and boiler adjustments.

Vapo Oy's share capital and shareholders

Vapo Oy has one class of shares. The total number of shares is 30,000. Each share carries one vote at the General Meeting, and all shares carry the same dividends. If a Vapo share is transferred to an external party other than one that is in a Group relationship with the shareholder pursuant to Chapter 8, Section 12 of the Finnish Limited Liability Companies Act, the company's shareholder shall have the right to redeem the share in question. If more than one shareholder wishes to exercise this redemption right, the shares are divided between the parties wishing to redeem them in proportion to their existing shareholdings. At the end of the financial year, on 30 April 2017, Vapo Oy's share capital amounted to EUR 50,456,377.94.

Vapo Oy is a joint venture of the Finnish State and Suomen Energiavarat Oy. The Finnish State holds 50.1% of the shares (15,030 shares) and Suomen Energiavarat Oy 49.9% (14,970 shares).

General Meetings

Vapo Oy's Annual General Meeting was held in Helsinki on 22 September 2016. The AGM adopted the financial statements and consolidated financial statements for the financial year 1 May 2015–30 April 2016 and discharged the members of the Supervisory Board and the Board of Directors, as well as the CEO, from liability. The AGM resolved to distribute a dividend for the financial period ended 30 April 2016 amounting to EUR 133.33 per share, or EUR 4.0 million in total. The dividend payment date was 23 September 2016.

The AGM confirmed the number of members of the Supervisory Board as eight. Johanna Ojala-Niemelä was elected Chairman, with Heikki Miilumäki as Vice Chairman. Markku Eestilä, Hanna Halmeenpää, Reijo Hongisto, Hannu Hoskonen, Eero Kubin, Esko Kurvinen, Tommi Lunttila and Tiina Snicker were re-elected as members.

The AGM confirmed the number of members of the Board of Directors as six. Jan Lång will continue as Chairman, with Hannu Linna elected Vice Chairman. Pirita Mikkanen, Minna Pajumaa and Martti Haapamäki were re-elected to the Board of Directors, and Markus Tykkyläinen was elected as a new member.

The audit firm KPMG Oy Ab was elected as auditor.

Vapo Oy's Extraordinary General Meeting was held in Helsinki on 13 October 2016. The AGM confirmed the number of members of the Board of

Vapo Group's personnel on average:

	5/2016-4/2017	5/2015-4/2016	5/2014-4/2015
Finland	515	654	707
Other countries	258	260	254
Total	**773**	**914**	**961**

Vapo Group employees by segment, average:

	5/2016-4/2017	5/2015-4/2016	5/2014-4/2015
Vapo Oy	383	451	466
Vapo Timber	0	81	107
Kekkilä Group	261	256	248
Neova AB	86	92	87
AS Tootsi Turvas	33	33	35
Others	10	1	18
Total	**773**	**914**	**961**

Directors as seven. Tuomas Hyyryläinen was elected to the Board of Directors as a new member. Vapo Oy's Extraordinary General Meeting held on 7 December 2016 confirmed the number of members of the Board of Directors as eight and elected Minna Smedsten to the Board of Directors as a new member.

Vapo Oy's Board of Directors elected Jan Lång (Chairman), Martti Haapamäki, Tuomas Hyyryläinen and Minna Pajumaa to the Personnel Committee (formerly the Compensation Committee) from among its members. Hannu Linna (Chairman), Pirita Mikkanen, Minna Smedsten and Markus Tykkyläinen were elected to the Audit Committee.

A more detailed description of the company's governance system during the financial year is available in a separate statement published on the company website.

Personnel

The Group employed an average of 773 (914) persons in the financial year.

As planned, Vapo Oy's codetermination committee met twice during the financial year to discuss current topics. Kekkilä Oy held codetermination negotiations to support the company's profitable growth and clarify the Group's business structure. The negotiations covered Kekkilä Oy's personnel in Finland, excluding blue collar workers. The Group announced its new organisational structure and Group Management Team on 20 October 2016. The decisions made following the negotiations did not have personnel impacts.

The Board of Directors of Vapo Oy appointed Jyrki Vainionpää as the company's deputy CEO on 17 October 2016.

Vapo Oy's CEO Tomi Yli-Kyyny announced his resignation in late December and left the company on 30 April 2017. The Board of Directors appointed Vesa Tempakka as the new CEO. He took up his post on 29 May 2017. Kekkilä Oy appointed its Chief Operating Officer Juha Mäkinen as the Kekkilä Group's new CEO on 1 March 2017.

Changes in the organisation

Vapo Clean Waters Oy began operating as a wholly owned subsidiary of Vapo Oy on 1 May 2016.

Brostorpsmossen AB, a subsidiary of Neova AB, was merged with the parent company in September 2016.

In September 2016, AS Tootsi Turvas merged with AS Uuemõisa Teenus, a heating production and distribution company it acquired in June 2016 from Ridala municipality.

Kekkilä Oy sold its loss-making Russian subsidiary Kekkilä RUS LLC to the subsidiary's Managing Director in an MBO transaction. The transaction was completed on December 30, 2016.

Vapo Oy agreed to sell its 45 per cent stake in the wood sourcing company Harvestia Oy to Powerflute Oyj. The agreement was signed on 31 October 2016 and the transaction entered into effect on 2 January 2017.

Kekkilä Oy sold its wholly owned subsidiary Hasselfors Garden AS and its 60 per cent stake in Andoy Torv AS in Norway to Nordic Garden AS. The transaction was completed on 31 March 2017.

Board of Directors' proposal for the distribution of profits

The Board of Directors proposes to the General Meeting to be convened on 6 September 2017 that Vapo Oy's profit for the financial year, EUR 5,658,831.15, be added to retained earnings, after which the distributable funds available to the General Meeting amount to EUR 172,385,033.79.

In line with its dividend policy, Vapo Oy distributes as dividends 50 per cent of the annual profit shown in the company's financial statements. There have been no substantial changes in the company's financial position after the end of the financial year. The Board of Directors also proposes to the General Meeting that EUR 4.0 million, which is EUR 133.33 per share, be paid as dividends for the financial year 1 May 2016–30 April 2017.

Events after the review period

In October 2016, Vapo Oy announced it aims to increase the efficiency of its land use and release capital tied up in land assets. During the financial year, the company assessed alternative implementation models for selling land assets while ensuring the continuity of peat production to serve the company's future needs. Investor negotiations related to the sale of land assets continued after the end of the financial year and the aim is to carry out the transaction by autumn 2017.

Vesa Tempakka took up his post as Vapo Oy's new Chief Executive Officer on 29 May 2017.

Future outlook

Vapo Group is one of the world's largest producers of energy peat and environmental peat. The company holds an important role in ensuring Finland's self-sufficiency in energy and the security of supply. Political decisions have a substantial impact on the profitability of Vapo's business operations and its capacity to make investments.

Vapo will continue to implement measures in line with its strategy to increase the competence of its personnel and achieve market-leading customer service in the local energy value chain. This includes the development of new services and comprehensive solutions for our energy customers. At the same time, the company will continue to increase the efficiency of its business processes in order to improve profitability. Vapo wants to lead its industry with respect to the speed of its digital transformation. Combined with a diverse selection of products and services, highly competent personnel and a comprehensive service network, this will increase the company's competitiveness. The fuel market is not expected to see significant growth due to the low volume of electricity production from solid fuels.

In the new financial year, Kekkilä Group will invest in developing its product selection and increasing its sales in the consumer, professional grower and landscaping businesses. Kekkilä will continue to develop production capacity for the manufacturing of peat fibres in partnership with the Vapo Fibers business.

The restructuring measures implemented by Vapo Group in recent years to eliminate unprofitable units will enable the company to engage in more profitable business operations in the upcoming financial year.

Vapo will continue the commercialisation of new business operations in the Vapo Carbons and Vapo Fibers businesses as well as researching of further new business initiatives in the Vapo Ventures business area. The plans for Vapo Carbon's first pilot plant for producing technical carbons are moving ahead, and the location of the plant will be decided during the upcoming financial year. The new businesses will not yet generate significant turnover during the upcoming financial year.

Consolidated key figures

MEUR	1-4/2017	1-4/2016	5/2016-4/2017	5/2015-4/2016	5/2014-4/2015
Turnover	173.7	182.6	392.1	459.8	486.9
Turnover, continuing operations			392.1	398.8	
Operating profit (EBIT)	20.5	18.1	20.0	8.6	36.9
Operating profit (EBIT), continuing operations			20.0	12.0	
% of turnover	11.8	9.9	5.1	1.9	7.6
Operating profit (EBIT) before impairments	22.7	12.8	22.4	9.4	37.6
% of turnover	13.1	7.0	5.7	2.1	7.7
Profit/loss for the reporting period	14.6	10.0	8.1	-4.4	19.8
Operating margin (EBITDA)	32.6	20.7	56.9	43.1	74.7
+/- Change in working capital	24.1	31.5	14.7	39.6	-32.7
- Net investments	0.4	-10.1	1.6	-21.9	-67.1
Free cash flow before taxes	57.1	42.1	73.2	60.7	-25.1
Gross investments	13.4	11.9	39.6	38.5	88.4
Return on invested capital % *			3.0	1.2	5.3
Return on invested capital % *, continuing operations			3.0	1.7	
Return on invested capital % before impairments *			3.4	1.4	5.5
Return on equity % *			2.6	-1.5	6.6
Balance sheet total			812.4	795.0	838.2
Shareholders' equity			339.7	288.2	304.4
Interest-bearing net debt			269.6	366.6	393.1
Equity ratio %**			43.0	37.6	37.8
Interest-bearing net debt/operating margin			4.7	8.5	5.3
Gearing %			79.4	127.2	128.7
Average number of employees			773	914	961

* Previous 12 months

** In calculating the equity ratio, the capital loan on the balance sheet was calculated as shareholders' equity

For continuing operations, the figures for the comparison period are reported exclusive of the divested Vapo Timber Oy

Key figures for parent company Vapo Oy

MEUR	5/2016-4/2017	5/2015-4/2016	5/2014-4/2015
Turnover	241.9	252.0	244.8
Operating profit (EBIT)	11.8	8.4	46.2
% of turnover	4.9%	3.3%	18.9%
Operating profit (EBIT) before impairments	13.6	8.6	46.8
% of turnover	5.6%	3.4%	19.0%
Profit/loss for the period	5.7	-7.3	26.3
Operating margin (EBITDA)	33.4	28.4	70.1
Return on invested capital % *	2.0%	1.2%	8.0%
Return on invested capital % before impairments *	2.3%	1.2%	8.0%
Return on equity % *	2.1%	-2.9%	10.0%
Balance sheet total	777.0	770.8	802.8
Shareholders' equity	302.9	251.3	263.1
Equity ratio %	39.4%	33.2%	34.0%

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Consolidated statement of comprehensive income

EUR 1,000	Note	5/2016-4/2017	5/2015-4/2016
TURNOVER	**2**	**392,103**	**398,814**
Change in stock levels of finished and unfinished products		-20,284	-14,228
Production for own use		395	844
Other operating income	5	11,020	8,591
Share of results of companies consolidated using the equity method		1,106	1,381
Materials and services	6	-155,684	-167,137
Expenses arising from staff benefits	7	-48,123	-50,641
Depreciation	8	-35,616	-33,790
Impairment	8	-2,424	-789
Impairment of goodwill	8	0	0
Other operating expenses	9	-122,516	-131,013
OPERATING PROFIT		**19,977**	**12,030**
Financial income	10	5,995	6,379
Financial expenses	10	-15,819	-15,771
PROFIT/LOSS BEFORE TAXES		**10,152**	**2,638**
Income taxes	11	-2,038	-3,516
Profit/loss from discontinued operations			-3,567
PROFIT/LOSS FOR THE PERIOD		**8,115**	**-4,444**
OTHER COMPREHENSIVE INCOME ITEMS (items that may be reclassified subsequently to profit or loss):			
Translation differences from foreign units		-775	52
Other comprehensive income items for the period after taxes		7,340	-4,392
PROFIT/LOSS FOR THE PERIOD			
Distribution of profit for the period:			
To parent company shareholders		8,133	-4,392
To non-controlling shareholders		-18	-52
		8,115	-4,444
Distribution of comprehensive income for the period:			
To parent company shareholders		7,353	-4,275
To non-controlling shareholders		-12	-117
		7,340	-4,392
Earnings per share calculated from profits due to parent company shareholders			
Earnings/share, EUR		271	-146
Average number of shares		30,000	30,000

Consolidated balance sheet

EUR 1,000	Note	30.4.2017	30.4.2016
ASSETS			
Long-term assets			
Intangible assets	12	12,940	10,701
Goodwill	12	5,436	5,799
Land and water areas	13	43,169	45,403
Buildings and structures	13	38,683	46,181
Machinery and equipment	13	121,956	129,465
Other tangible assets	13	221,583	217,301
Prepayments and unfinished acquisitions	13	43,849	48,596
Shares in entities consolidated using the equity method	14	20,654	26,153
Other long-term financial assets	15	756	8,028
Long-term sales and other receivables	16	3,272	4,687
Deferred tax asset	18	204	136
Long-term assets total		**512,502**	**542,449**
Current assets			
Inventories	19	123,469	147,931
Sales and other receivables	20	80,138	92,839
Income tax receivables		806	2,351
Cash and cash equivalents	21	95,495	9,415
Current assets total		**299,908**	**252,536**
ASSETS TOTAL		**812,410**	**794,985**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		50,456	50,456
Fair value fund and other funds		30,236	30,126
Translation differences		-3,020	-2,242
Retained earnings		211,661	208,804
Hybrid bond		50,000	0
Parent company shareholders' share of shareholders' equity		**339,334**	**287,144**
Non-controlling shareholders		**384**	**1,039**
Shareholders' equity total	**22**	**339,718**	**288,183**
Long-term liabilities			
Deferred tax liability	18	15,925	16,761
Long-term interest-bearing liabilities	23	241,122	349,446
Long-term non-interest-bearing liabilities	24	7,077	7,393
Long-term provisions	25	7,749	8,090
Pension liabilities		4,629	3,482
Long-term liabilities total		**276,501**	**385,172**
Current liabilities			
Current interest-bearing liabilities	23	127,399	35,016
Current non-interest-bearing liabilities	27	68,687	86,310
Current provisions		105	304
Current liabilities total		**196,191**	**121,630**
SHAREHOLDERS' EQUITY AND LIABILITIES		**812,410**	**794,985**

Consolidated cash flow statement

EUR 1,000	30.4.2017	30.4.2016
Cash flow from operating activities		
Profit/loss for the period	8,115	-4,444
Adjustments to the result for the period		
Depreciation and impairment	38,040	35,810
Share of results of entities consolidated using the equity method	-1,106	-1,381
Financial income and expenses	5,243	14,082
Income taxes	2,038	3,387
Other adjustments	320	6,608
Adjustments to the profit/loss for the period total	44,535	58,506
Change in working capital		
Increase/decrease in inventories	20,582	11,801
Increase/decrease in sales receivables and other receivables	5,428	-1,388
Increase/decrease in accounts payable and other debts	-14,974	13,701
Change in provisions	78	227
Change in working capital total	11,113	24,341
Interest paid	-8,891	-9,705
Interest received	389	492
Other financial items	2,801	-4,252
Taxes paid	-1,467	-2,467
Cash flow from operating activities	**56,596**	**62,471**
Cash flow from investing activities		
Investments in tangible and intangible assets	-37,920	-38,739
Proceeds from disposal of tangible and intangible assets	34,797	18,457
Acquisition of subsidiaries, net of cash	-1,237	0
Disposal of subsidiaries, net of cash	3,502	3,468
Associates’ shares bought	0	0
Associates’ shares sold	3,592	0
Other investments	0	-80
Proceeds from disposal of other investments	7,669	3
Loans granted	0	-200
Repayments of loans receivable	5,099	2,604
Dividends received	2,623	48
Cash flow from investing activities	**18,125**	**-14,437**
Cash flow from financing activities		
Proceeds from hybrid bond	50,000	
Increase (+)/decrease (-) in short-term loans	-6,246	-3,032
Proceeds from long-term loans	815	70,131
Repayment of long-term loans	-27,077	-96,974
Repayment of finance lease liabilities	-2,065	-933
Dividends paid	-4,000	-12,055
Cash flow from financing activities	**11,427**	**-42,863**
Change in cash and cash equivalents	**86,148**	**5,171**
Cash and cash equivalents opening balance	9,415	4,147
Change in cash and cash equivalents	86,148	5,171
Effect of changes in exchange rates	-66	97
Cash and cash equivalents at end of period	95,497	9,415

Consolidated statement of changes in shareholders' equity

EUR 1,000	Share capital	Other funds	Translation differences	Retained earnings	Hybrid bond	Total	Non-controlling shareholders	Total
SHAREHOLDERS' EQUITY 1.5.2016	**50,456**	**30,123**	**-2,242**	**208,804**		**287,144**	**1,039**	**288,183**
Changes in shareholders' equity								
Dividend distribution	0	0	0	-4,000		-4,000	0	-4,000
Transfers between items		111		-111		0		0
Total comprehensive income		0	-778	8,130		7,353	-12	7,340
Other changes								**0**
Other changes				-1,162	50,000	48,838		48,838
Changes in holdings in subsidiaries				0		0	-643	-643
SHAREHOLDERS' EQUITY 30.4.2017	**50,456**	**30,234**	**-3,020**	**211,661**	**50,000**	**339,334**	**384**	**339,718**

EUR 1,000	Share capital	Other funds	Translation differences	Retained earnings	Hybrid bond	Total	Non-controlling shareholders	Total
SHAREHOLDERS' EQUITY 1.5.2015	**50,456**	**30,099**	**-2,359**	**225,928**		**304,151**	**1,211**	**305,362**
Changes in shareholders' equity								
Dividend distribution	0	0	0	-12,000		-12,000	-55	-12,055
Total comprehensive income			117	-4,392		-4,275	-117	-4,392
Other changes								
Imputed taxes								
Other changes		27		-732		-732		-732
SHAREHOLDERS' EQUITY 30.4.2016	**50,456**	**30,126**	**-2,242**	**208,804**	**0**	**287,144**	**1,039**	**288,183**

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Company

Vapo is a leading supplier and developer of bioenergy in Finland, Sweden and Estonia. Vapo produces energy responsibly from sources including peat and wood. The company's services also include various comprehensive energy solutions as well as related digital services and environmental business solutions. Vapo is an important part of the local energy infrastructure in all of its markets. Vapo Group also includes the gardening group Kekkilä.

Vapo Group consists of five business areas: Vapo Peat Products, Vapo Heat and Power, Vapo Wood Fuels, Vapo Ventures and Kekkilä Group. The Group has subsidiaries in Finland and other countries.

The parent company, Vapo Oy, is a Finnish company established in compliance with Finnish laws, domiciled in Jyväskylä at the registered address Vapo Oy, Yrjönkatu 42, PO Box 22, 40101 Jyväskylä, Finland. The company website is at www.vapo.com.

The Board of Directors of Vapo Oy approved these financial statements for publication at its meeting on 20 June 2017.According to the Finnish Companies Act, shareholders are entitled to either approve or dismiss the financial statements at the General Meeting of Shareholders following their publication. The General Meeting is also entitled to vote on a revision of the financial statements.

A copy of the consolidated financial statements is available at www.vapo.com or from the head office of the parent company.

1. Accounting policies for the consolidated financial statements

1.1 General

Vapo Oy's consolidated financial statements have been compiled in accordance with the International Financial Reporting Standards (IFRS), which have been approved for use in the EU, and in accordance with the IAS and IFRS standards in force on 30 April 2017 as well as the SIC and IFRIC standing interpretations. International accounting standards refer to standards and their interpretations approved to be used in the EU according to the Finnish Accounting Act and regulations based on it in accordance with the procedures set in EU regulation (EC) No 1606/2002. Vapo Group adopted the IFRS accounting standards in its financial reporting in 2006. Previously, the Group complied with Finnish Accounting Standards (FAS).

The notes to the consolidated financial statements also comply with the requirements of the Finnish accounting and company acts which complement the IFRS regulations. The profit and loss statement figures are presented in thousands of euros and are based on the original acquisition costs, unless stated otherwise in the accounting policies. For presentation purposes, individual figures and totals have been rounded up to the nearest thousand, resulting in rounding differences in the totals.

The new narrow-scope amendments to IFRS standards applicable from the start of the financial year have not had an impact on Vapo's consolidated financial statements.

1.2. Consolidation principles

The consolidated financial statements cover the parent company, Vapo Oy, and all subsidiaries in which the parent company holds over 50% of the votes carried by shares, or which are otherwise controlled by the parent company. Piipsan Turve Oy, in which Vapo's holding is 48%, has been consolidated as a subsidiary in the consolidated profit and loss statements. Associates in which Vapo controls 20–50% of the share votes, and in which Vapo has considerable influence but no absolute control, have been consolidated using the capital share method. When the Group's share of the associate's result exceeds the book value, the investment is recognised in the balance sheet at zero value and the exceeding losses are not recognised unless the Group has incurred obligations or made payments on behalf of the associate.

Acquired subsidiaries have been consolidated in the consolidated financial statements from the date on which the Group acquired control until this control ceases. Group companies' mutual share ownerships have been eliminated using the acquisition cost method. The acquisition cost has been allocated to the acquired company's assets and debts at their fair value at the time of the acquisition, where a reliable figure could be determined. For these allocations, imputed taxes have been estimated at the current tax rate and the remainder has been entered in the balance sheet as goodwill.

The Group's internal business transactions, receivables, debts, unrealised margins and internal distribution of profit are not included in the consolidated financial statements. Total comprehensive income is allocated to the owners of the parent company, even if this means that the non-controlling shareholders' share becomes negative. The share of non-controlling shareholders is also presented as a separate item as part of shareholders' equity. The changes in the share of ownership of the subsidiary by the parent company, which do not lead to loss of control, shall be treated as business operations regarding shareholders' equity.

1.3 Summary of key accounting principles

Compilation principles requiring management judgement and key uncertainties related to estimates

When compiling financial statements, it is necessary to make estimates and assumptions about the future. The actual outcome can be different from the estimates and assumptions made. In addition, it is necessary to exercise judgement when applying the financial statement compilation principles.

The Group management makes decisions based on discretion concerning the choice and application of the financial statement compilation principles. This particularly concerns cases where the IFRS norms have alternative entry, valuation and presentation methods. The most significant components for which management discretion has been applied concern the amounts of reserves, compiling the impairment testing and the assumptions used therein, as well as determining the fair values of the financial assets and debts.

Income recognition principles

Sales are entered as income once the significant risks and benefits associated with the ownership of the products sold have passed to the buyer and Vapo Group has no actual authority over the goods sold.

Income from services is recorded once these services have been performed. When turnover is calculated, indirect taxes and reductions are deducted from sales revenue.

Interest income is entered according to the effective interest method and dividend income when there is a right to the dividend.

Transactions denominated in foreign currency

Figures concerning the result and financial status of the Group's units are defined in the currency that is the currency in each unit's main operational environment ('functional currency'). The consolidated financial statements are presented in euros, which is the parent company's functional and presentation currency.

Transactions in foreign currencies are translated into the functional currency using the foreign exchange rate prevailing on the transaction date. Monetary items are translated into functional currency using the exchange rates prevailing on the balance sheet date.

Profits and losses arising from transactions denominated in foreign currency and translation of monetary items have been treated through the profit and loss account. The exchange rate gains and losses of business operations are included in financial income and expenses.

Conversion of foreign Group company financial statements

The income and expense items on the comprehensive income statements and separate income statements of foreign subsidiaries are converted to euros using the average exchange rate for the period and the balance sheets are converted using the exchange rate on the closing date. The average exchange rate difference arising from the different exchange rates used for the income statement, comprehensive income statement and balance sheet creates a translation difference recognised in equity. The change in the translation difference is recognised in other comprehensive income. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries and the translation of equity items accrued after the acquisition are recognised in other comprehensive income. When a subsidiary is sold as a whole or in part, the conversion differences gained are transferred through profit and loss as a part of gains or losses on sale.

Research and development expenditure
Research expenses are entered as expenditure for the accounting period in which they are incurred. Development expenses from the design of new or significantly improved products are capitalised as intangible assets on the balance sheet once the expenses of the development phase can be calculated reliably, once the product can be utilised technically and commercially, once the Group expects the product to generate a likely future financial benefit, and once the Group has both the intention and resources to complete the development work.

Goodwill
Goodwill arising from the acquisition of a company is the difference between the acquisition cost and the acquired, individualised net assets measured at fair value. Goodwill is assigned to cash flow generating units and is tested annually for impairment. In the case of associates, goodwill is incorporated into the value of the associate investment. If the said goodwill can be seen to be associated with the funds or other intangible rights of the acquired associate, it is depreciated over its useful life. Goodwill is valued at the original acquisition cost less impairment.

Other intangible assets
An intangible asset is entered on the balance sheet at the original acquisition cost if it can be reliably defined, and it is likely that the corresponding economic benefit expected will profit the Group. Other intangible assets include patents, copyright, trademarks, software licences and customer relationships. They are valued at the original acquisition cost and depreciated using straight line depreciation over their estimated economic life, which can vary from five to 25 years.

Tangible fixed assets
Tangible fixed assets acquired by Group companies are measured at the original acquisition cost. The tangible fixed assets of acquired subsidiaries are measured at the fair value at the time of acquisition. Tangible fixed assets are presented on the balance sheet at the acquisition cost less accumulated depreciation and impairment losses. If a fixed asset consists of a number of parts with differing economic lives, the parts are treated as separate assets.

Depreciation is based on the following expected economic lives:

Buildings and structures	15–40 years
Machinery and equipment	3–25 years
Other tangible assets	5–30 years

No depreciation is recorded on land areas; peat assets are depreciated by substance depreciation over their estimated economic life. Ordinary repair and maintenance expenses are entered as expenditure during the accounting period in which they are incurred. Expenses for significant renewal and improvement projects are entered on the balance sheet if it is likely that they will increase the economic benefit accrued by the company. Profits and losses arising from the sale and disposal of tangible fixed assets are calculated as the difference between the net income received and the carrying amounts. Gains and losses on sales are included in the profit and loss statement under operating profit. When a fixed asset is classified as held for sale according to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, depreciation is no longer recorded.

Peat assets
The peat assets relating to Vapo's peat division are included under tangible assets on the balance sheet. Depreciation of peat assets is applied according to use. With regard to the acquisition of new production areas, a portion of the total purchase price that corresponds to the estimated volume of the peat assets is entered as an increase in peat assets.

Costs arising from preparing peat production areas for production are treated as an addition to the acquisition cost of peat assets. The volume (m3) of peat assets in the Group's production areas is monitored by measurement. Measurement results do not lead to changes in the carrying amounts, but the depreciation plan, which is based on volumes of planned use and remaining peat, is revised as necessary.

Subsidies received
Subsidies received from states or other organisations are entered as income in the profit and loss statement. Entries are made systematically, which means that subsidies are entered under the expenses which they are intended to cover. Subsidies granted for the acquisition of fixed assets are entered as deductions to the book values of fixed assets when it is reasonably certain that the subsidies will be received and the Group satisfies the conditions for eligibility for the subsidy. Subsidies are recognised as income according to the economic life of the asset.

Impairments
Carrying amounts of assets are assessed at the end of each reporting period in order to determine impairment. Key financial figures, official decisions, energy market changes and regulations as well as the actions of competitors are monitored as factors which may suggest a need to adjust the value of assets. The impairment is examined at the level of cash flow generating units, i.e. at the lowest unit level, since this is largely independent of other units and the cash flows can be separated. The impairment is calculated by comparing the carrying amount of the item with the recoverable value of the corresponding assets. As a rule, the recoverable value is based on the future discounted net cash flow obtainable with the aid of the corresponding asset.

In order to determine a possible impairment of peat production areas, Vapo Group monitors factors affecting the income-generating capacity of these areas. These include the volume of peat and its thermal content, the logistical location of the peatland, its geographical conditions, the environmental permit process, the acquisition price, the preparation cost and the stage of the life cycle.

Pension liabilities
Pension plans are classified as defined benefit and defined contribution plans. Contributions to defined contribution plans are recognised in the income statement in the financial period to which they relate to. The statutory pension security of the Group's Finnish companies is arranged with Finnish pension insurance companies. The statutory employment security is a defined contribution plan.

Defined benefit plans are based on defining the pension benefit the employee will receive upon retirement. The size of the benefit depends on factors such as age, years of employment and pay. Current service cost is the present value of the post-employment benefit, which is earned by the employees during the financial year and recognised in personnel expenses. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The discount rate used in the calculation of the present value of the obligation is based on the average interest rates of long-term government bonds in the euro zone.

The Group's Estonian subsidiary AS Tootsi Turvas has defined contribution pension plans as well as a defined benefit pension plan under which the company is obligated to pay a fixed pension to 17 employees under pre-specified conditions. The average gross monthly wage in Estonia in 2001 is the basis of the benefit. This sum is adjusted annually in accordance with the change in the cost-of-living index and factors related to the person's employment relationship. The liability to pay the pension benefit arises when the employee entitled to the benefit turns 65. The liability is discounted on the basis of the estimate that the liability will continue until 2042, considering the statistical life expectancy.

Inventories
Inventories have been valued at the lower of acquisition cost and net realisable value. The net realisable value is the estimated selling price obtainable in ordinary business activities less estimated expenses arising from the preparation and implementation of the transaction. The value of inventories has been determined using the FIFO method and it includes all expenses arising from the acquisition as well as other indirect allocable expenses. The acquisition cost of manufactured inventories includes not only the cost of purchasing materials, direct labour and other direct costs, but also the share of general costs corresponding to the normal production level, excluding the costs of general administration, sales and financing. Peat production inventories include the sales stock of peat, i.e. the volume of peat extracted in the summer. The exception to the use of FIFO valuation is peat produced in stacks, which is valued at the average price per stack. The value of inventories has been depreciated with respect to non-marketable assets.

Cash assets
Cash assets consist of cash funds, short-term bank deposits and other short-term highly liquid money market investments which have a maximum maturity of three months.

Financial assets
Financial assets are classified in the following groups on the basis of IAS 39: assets at fair value through profit or loss, held for sale financial assets, and loans and receivables. Classification is based on the function of the acquisition of financial assets, and they are classified in connection with the original acquisition. Transaction expenses are included in the original book value of the financial assets for items that are not measured at fair value through profit or loss. All purchases and sales of financial assets are entered on the day of the sale, which is the day on which the Group commits to purchasing or selling the financial instrument. Derecognition of a financial asset from the balance sheet takes place when the Group has lost the contractual right to cash flow or when it has transferred a significant part of the risks and profits outside the Group.

Held for sale financial assets as well as financial assets recognised at fair value through profit or loss are measured at fair value using quoted market prices and rates. Unquoted shares whose fair value cannot be determined reliably are entered at acquisition cost less impairment write-downs. Changes in the fair value of held for sale financial assets are entered directly under shareholders' equity. When an asset of this kind is sold, the accrued changes in fair value are carried over from shareholders' equity to the profit and loss statement.

Loans and other receivables are assets which are not part of derivative assets and their payments are fixed or can be defined and that are not notified on the active market, and the Group does not hold them for trading or define them as being for sale in connection with the original entry. They are measured at amortised cost using the effective interest method. They are included in short- or long-term assets on the balance sheet according to their nature: long-term if they fall due after more than 12 months.

The Group records a credit loss on sales receivables when there is objective evidence that the receivable will not be collected in full. A debtor being in significant financial difficulties, probable bankruptcy, delinquent payments, or payments that are more than 90 days overdue constitute evidence of probable credit loss.

Financial liabilities
Financial liabilities are initially recorded at fair value. Transaction costs related to financial liabilities are recorded as expenses. Financial liabilities, excluding derivative liabilities, are subsequently measured at amortised cost. Financial liabilities are included in non-current and current liabilities. Financial liabilities are classified as current if the Group does not have an absolute right to postpone the repayment of the debt at a minimum of 12 months after the closing date of the reporting period.

Derivative instruments and hedge accounting
All derivatives are measured and recorded at fair value on the transaction and closing date. Fair value measurement is based on quoted market prices. The Group does not apply hedge accounting. Realised and unrealised gains and losses from derivative instruments are recorded in the financial items of the statement of income.

Emission rights
The principles of emission right calculation are based on valid IFRS standards. Emission rights are intangible rights measured at cost. Emission rights received without consideration are measured at nominal value, meaning that their value is nil. A provision for fulfilling the obligation to return the emission rights is recorded if the emission rights received without consideration are not sufficient to cover the actual amount of emissions. Therefore, the possible impact on the result is the difference between actual emissions and emission rights received.

Provisions and contingent liabilities
A provision is entered on the balance sheet if the Group has a legal or factual obligation as a result of a previous event and it is probable that fulfilling the obligation requires payment or results in an economic loss and the amount of the liability can be reliably estimated. The amount of provisions is adjusted at each closing date, and their amounts are adjusted to reflect the best estimate at the time of review. Adjustments to provisions are recognised in the same item of the income statement in which they were initially recognised. Provisions may be related to restructuring of functions, loss-making agreements, as well as environmental and pension liabilities.

Provision for environmental liabilities
A provision for environmental liabilities is recognised whenever the Group has

an obligation based on environmental legislation and the Group's principles of environmental liability that is related to the decommissioning of a production plant, clean-up of environmental damage or transfer of equipment from one place to another. Starting peat production in a mire area requires an environmental permit. The permit specifies, among other things, the clean-up measures in the area after the end of peat production. In order to prepare for the clean-up measures, Vapo Group accumulates provisions varying annually on the basis of the production volume; for leased land areas it is recognised in the income statement as an expense, and the amount of the provision on the balance sheet is accumulated at the same time. The corresponding provision for company-owned land is recognised in fixed assets as an acquisition cost of other tangible assets. For leased land areas, the provision is cancelled by recognising it as an expense in the income statement annually on the basis of the actual costs incurred from clean-up measures and, for company-owned land, the cancellation of the provision is recorded as depreciation.

Other provisions
Other provisions include the liability to compensate for permanent health damage recognised in AS Tootsi Turvas as well as the provision recognised in AS Tootsi Turvas for the costs of closing down the briquette plant.

Lease agreements
Lease agreements concerning property, plant and equipment in which an essential part of the risks and benefits of ownership is transferred to the Group are classified as financial leases. An asset obtained through a financial lease is recognised as an asset on the balance sheet at the beginning of the lease period at the lower of the fair value of the object of the lease or current value of minimum rents. Assets leased through financial leases are amortised over the shorter of economic useful life or duration of the lease. Paid leasing rents are divided into financial expenses and repayment of debt. The corresponding leasing rent liabilities are recognised in interest-bearing liabilities as current and non-current liabilities. Lease agreements concerning property, plant and equipment in which an essential part of the risks and benefits of ownership remain with the lessor are classified as other leases. Rents determined on the basis of other leases are recognised as expenses in the income statement.

Taxes and deferred taxes based on the taxable income for the period
Tax expenses comprise taxes based on the taxable income for the period and deferred tax. Taxes are recognised through profit or loss, except if they are related to items recognised in shareholders' equity or other items of comprehensive income. In this case, the tax is also recognised under these items. The tax based on the taxable income for the period is calculated on the basis of taxable income in accordance with the tax rate valid in each country.

Deferred taxes are calculated on all temporary differences between accounting and taxation using the tax rates in force at the closing date. Deferred tax is recognised in the case of investments in subsidiaries or associates, except if the Group is able to determine the time the temporary difference will be eliminated and the temporary difference will probably not be eliminated during the foreseeable future. The most substantial temporary differences arise from appropriations, measurement of the net assets of acquisitions at fair value, measurement of financial assets held for sale at fair value, unused tax losses and internal margins. Deferred tax receivables are recognised up to the probable amount of taxable income in the future against which the temporary difference can be utilised. The conditions for recognising a deferred tax liability are estimated in this respect on each closing date of a reporting period.

The Group offsets deferred tax assets and liabilities if they are related to the same taxpayer and the same tax collector and the deferred tax liabilities are higher than the deferred tax assets.

Non-current assets held for sale and discontinued operations
A non-current asset (or a disposal group) as well as assets and liabilities associated with a discontinued operation are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The recognition criteria are regarded to be met when: a sale is highly probable, the asset (or a disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary, the management is committed to the plan to sell the asset and the sale is expected to take place within one year from the date of classification. Immediately before the initial classification of the asset or disposal group as held for sale, the assets and liabilities will be measured in accordance with applicable IFRS standards. After classification as held for sale, assets (or disposal groups) are measured at the lower of the carrying amount or fair value less selling costs. Depreciation of these assets will be discontinued upon classification. Assets included in disposal groups that do not fall within the scope of application of the measurement rules of IFRS 5 and liabilities are measured in accordance with the applicable IFRSs also after classification.

Operating profit
IAS 1 Presentation of Financial Statements does not give a definition for operating profit. The Group has specified it as follows: operating profit is the net of turnover and other operating income, acquisition costs adjusted for change in inventories of finished goods and work in progress and costs of production for own use, employee benefit expense, depreciation and any impairment losses and other operating expenses. All income statement items other than the above are presented below operating profit.

Application of upcoming IFRS standards and IFRIC interpretations
IFRS 15 Revenue from Contracts with Customers and the related Clarifications* are effective for financial years beginning on or after 1 January 2018. The new standard replaces the current IAS 18 and IAS 11 standards and the related interpretations. IFRS 15 includes a five-step model for the recognition of revenue: to which amount and when it is recognised. Revenue is recognised as control is passed, either over time or at a point in time. The standard also increases the number of notes presented.

Vapo Group has analysed customer contracts with different types of revenue streams using the five-step model included in the standard. Based on the analysis, IFRS 15 will not lead to substantial changes in the determination of the Group's sales revenue or the timing of its recognition.

IFRS 9 Financial Instruments and amendments thereto (effective for financial years beginning on or after 1 January 2018): IFRS 9 replaces the existing IAS 39 standard. The new standard includes revised guidance on the classification and measurement of financial instruments. It also includes a new expected credit loss model for determining impairment on financial assets. The standard's requirements concerning general hedge accounting have also been revised. Based on the Group's preliminary assessment, the standard will only have a minor effect on Vapo's consolidated financial statements.

IFRS 16 Leases* is effective for financial years beginning on or after 1 January 2019. The new standard replaces the IAS 17 standard and the related interpretations. The IFRS 16 standard requires lessees to record leases in the balance sheet as a lease liability and a related asset. Recording in the balance sheet is highly similar to the accounting for financial leasing in accordance with IAS 17. There are two exemptions to recording in the balance sheet, applicable to short-term leases with a lease term of 12 months or less and assets with a value of USD 5,000 or less. For lessors, the accounting will largely remain as defined in the current IAS 17.

The Group has begun a preliminary assessment of the standard's impacts. The standard will have an impact on Vapo's consolidated financial statements. The assessment of the standard's impacts will continue in the upcoming financial year.

Other new or revised standards are not estimated to have an impact on Vapo Group's financial statements.

(*) not yet approved in the EU

2. Segment information

The Group's organisational structure was revised in 2015 in accordance with the holding model and administrative functions that support operations were moved closer to business functions. Vapo's energy business constitutes a tight-knit structure that is managed consistently across subsidiaries located in different countries in order to maximise cross-business synergies. As a result, Vapo changed its reporting practices starting from the 2016 financial year, with the separate companies constituting the reporting segments instead of the previous business areas.

Business transactions between the segments are based on market prices or, if there is no market price, on fair value. All sales and other transactions between segments are eliminated upon consolidation. The segments report the operating result as their result. The assets of a segment include all of the assets of units belonging to the segment except for assets related to financing and taxes. Goodwill from the acquisition of subsidiaries is allocated to the business segments. The liabilities of a segment include all of the liabilities of the business functions belonging to the segment except for liabilities related to financing and taxes. Functions not included in the main segments are reported in the Other operations segment.

Vapo Oy: The Vapo Oy segment also reports the smaller subsidiaries that serve the energy business, as their operations are managed by Vapo Oy. These subsidiaries include Salon Energiantuotanto Oy, Piipsan Turve Oy, Suo Oy and Hanhisuon Turve Oy. Vapo Oy provides local fuels, heating solutions and environmental peat products to businesses, municipalities and consumers in Finland. Fuels account for approximately 70 per cent of the company's external turnover, heating solutions approximately 25 per cent, and environmental peat approximately five per cent.

Neova AB: the company operates in Sweden, providing district heating to its customers through its own district heating networks and offering customised heating solutions for industrial customers. The company also produces and markets peat products for its energy customers and users of agricultural peat products. Its annual turnover is evenly divided between heating solutions and peat productions. The segment information also includes Brostorpsmossen AB, a subsidiary of Neova AB that focuses on the energy business.

AS Tootsi Turvas: the company's primary business is the sale of agricultural peat products, energy peat products and wood fuels, as well as the production and sale of heating, in Estonia. Agricultural peat accounts for 40 per cent of the subsidiary's annual turnover, while wood fuels account for 30 per cent, energy peat 20 per cent, and heating 10 per cent.

Kekkilä Group: the company develops, produces and markets high-end garden substrates, plant fertilisers and mulches as well as home garden and yard construction products for amateur and professional growers and landscapers. The products are marketed under the Kekkilä brand in Finland and under the Hasselfors Garden brand in Sweden and Norway. In addition to Finland, the company has production operations in Sweden, Norway and Estonia.

Others: The Others segment reports the result for the period of Group companies that do not belong to the above segments. Such Group companies include Vapo Clean Waters Oy, Forest BtL and Vapo A/S, which did not carry out any business operations during the financial year. Vapo Clean Waters Oy provides solutions for the purification of natural waters in natural environments as well as water treatment solutions for waters in agriculture and forestry, and drainage waters in cities.

* ei vielä hyväksytty EU:ssa

Segment information 5/2016–4/2017

EUR 1,000	Vapo Oy	Kekkilä Group	Neova AB	AS Tootsi Turvas	Other	Eliminations	Group total
External turnover	245,837	88,014	42,733	15,257	132	134	392,103
Internal turnover	1,561	1,531	541	698	171	-4,502	0
Turnover	**247,398**	**89,545**	**43,273**	**15,955**	**304**	**-4,368**	**392,103**
Segment operating profit/loss	13,227	-1,126	874	1,318	-751	6,435	19,977
Financial income and expenses	-5,668	-1,266	-56	39	-230	-2,640	-9,820
Appropriations and income taxes	-585	-168	399	0	153	-1,838	-2,038
Result for the period	**6,975**	**-2,559**	**1,217**	**1,357**	**-828**	**1,958**	**8,119**
Segment assets	833,869	104,043	85,203	48,814	9,245	-289,010	792,164
Shares in associates	898	0	18,151	0	0	1,605	20,654
Unallocated assets							
Assets total	**834,767**	**104,043**	**103,353**	**48,814**	**9,245**	**-287,404**	**812,818**
Segment debt	560,428	76,315	85,674	5,869	6,171	-260,840	473,617
Unallocated debt							
Debt total	**560,428**	**76,315**	**85,674**	**5,869**	**6,171**	**-260,840**	**473,617**
Investments	30,924	2,225	3,219	3,324	20	-102	39,611
Depreciation	22,857	6,706	4,989	1,499	128	-562	35,616

Vapo Timber Oy has been eliminated from the segments and reported in item 3. Businesses sold.

Segment information 5/2015–4/2016

EUR 1,000	Vapo Oy	Vapo Timber Oy	Kekkilä Group	Neova AB	AS Tootsi Turvas	Other	Eliminations	Group total
External turnover	253,733	60,986	86,215	46,563	12,284	15	4	459,800
Internal turnover	3,277	2,512	1,728	1,202	667	0	-9,387	0
Turnover	**257,010**	**63,498**	**87,943**	**47,765**	**12,952**	**15**	**-9,383**	**459,800**
Segment operating profit/ loss	7,432	-2,214	-1,307	1,702	1,097	234	1,698	8,641
Financial income and expenses	-5,738	-408	-1,351	-1,974	63	-240	-50	-9,698
Appropriations and income taxes	-2,134	540	268	-24	0	0	-2,038	-3,387
Result for the period	**-440**	**-2,082**	**-2,390**	**-295**	**1,160**	**-5**	**-391**	**-4,444**
Segment assets	809,827	0	118,718	92,218	47,509	8,664	-308,104	768,832
Shares in associates	7,962	0	0	19,067	0	0	-876	26,153
Unallocated assets								
Assets total	**817,789**	**0**	**118,718**	**111,285**	**47,509**	**8,664**	**-308,979**	**794,985**
Segment debt	483,047	0	87,191	94,543	4,810	6,262	-169,052	506,801
Unallocated debt								
Debt total	**483,047**	**0**	**87,191**	**94,543**	**4,810**	**6,262**	**-169,052**	**506,801**
Investments	31,297	240	3,591	3,759	1,109	12	-1,481	38,527
Depreciation	21,653	1,230	6,675	4,982	1,343	162	-1,024	35,020

3. Businesses sold

Kekkilä Oy sold its Russian subsidiary Kekkilä RUS LLC to the subsidiary's Managing Director in an MBO transaction. The transaction was completed on 30 December 2016.

Kekkilä Oy sold its wholly owned subsidiary Hasselfors Garden AS and its 60 per cent stake in Andoy Torv AS in Norway to Nordic Garden AS. The transaction was completed on 31 March 2017.

The operating result, profit on sale and share of cash flow of the sold business units were as follows:

The Group's loss on the sale of its Norwegian companies, totalling EUR 1.067 million, is recognised in the income statement under Other operating expenses. The consideration received for the Norwegian companies was EUR 3.6 million. The company's cash assets at the time of the sale amounted to EUR 0.08 million.

The divestment of Kekkilä RUS LLC did not have a significant effect on cash flow.

The assets and liabilities of Hasselfors Garden AS and Andoytorv AS

EUR 1,000	2017	2016
Assets		
Fixed assets	3,802	3,594
Deferred tax assets	10	52
Inventories	2,830	2,068
Sales and other receivables	1,359	3,491
Assets total	**8,001**	**9,205**
Liabilities		
Accounts payable and other non-interest-bearing debt	1,222	2,487
Provisions	14	9
Liabilities total	**1,236**	**2,496**

Kekkilä RUS assets and liabilities

EUR 1,000	2017	2016
Assets		
Fixed assets	9	10
Deferred tax assets	53	36
Inventories	37	95
Sales and other receivables	36	60
Assets total	**135**	**201**
Liabilities		
Accounts payable and other non-interest-bearing debt	13	66
Provisions	0	0
Liabilities total	**13**	**66**

In the comparison period, Vapo Oy divested its sawmill business and sold Vapo Timber Oy to the Austrian wood processing group Binder Beteiligungs AG.

Vapo Timber Oy's assets and liabilities

EUR 1,000	2017	2016
Assets		
Fixed assets	0	8,536
Deferred tax assets	0	9
Inventories	0	16,986
Sales and other receivables	0	8,519
Assets total	**0**	**34,051**
Liabilities		
Accounts payable and other non-interest-bearing debt	0	12,638
Provisions	0	47
Liabilities total	**0**	**12,685**

4. Acquisitions

During the financial year, Vapo Oy's subsidiary AS Tootsi Turvas acquired the heating production and distribution company AS Uuemõisa Teenus from Ridala municipality. The acquired company was merged with the parent company in September 2016.

No acquisitions were made during the comparison period.

EUR 1,000	Fair value recorded upon consolidation
Effect on assets (+)	**2017**
Effect on assets (+)	
Tangible assets	1,050
Intangible assets	0
Available-for-sale investments	0
Inventories	7
Sales and other receivables	16
Cash on hand and in the bank	150
Effect on liabilities (-)	1,224
Effect on minority interest	0
Effect on liabilities (-)	**2017**
Deferred tax liability	0
Provisions	0
Long-term interest-bearing liabilities	0
Current interest-bearing liabilities	0
Accounts payable and other debts	-19
Effect on liabilities	-19
Effect on net assets	2,429
Goodwill from acquisition	182
Cost	1,387
Cash in hand of the acquired subsidiary	150
Cash flow effect	1,237
Itemisation of purchase price	**2017**
Paid in cash	1,387

5. Other operating income

EUR 1,000	2017	2016
Rental revenue	595	750
Grants and public subsidies	446	787
Other operating income	2,963	4,137
Gains on the sale of tangible assets	7,016	2,994
Other operating income	11,020	8,668

6. Materials and services

EUR 1,000	2017	2016
Purchases during the financial period	-89,662	-136,994
Increase/decrease in inventories	234	-1,308
External services	-66,257	-75,205
Materials and services	-155,684	-213,507

7. Expenses arising from staff benefits

EUR 1,000	2017	2016
Salaries and fees	-37,224	-42,001
Pension expenses, defined contribution	-5,872	-7,087
Voluntary pensions	-542	-540
Pension expenses, defined benefit	-135	-349
Pension expenses	-6,550	-7,975
Other fixed personnel expenses	-4,349	-4,178
Expenses arising from staff benefits	-48,123	-54,154
Management salaries and fees		
Salaries and other short-term employment benefits	1,041	1,035
Benefits paid in connection with dismissals	0	123
Total	**1,041**	**1,158**
Salaries and fees		
CEO and the Managing Directors of subsidiaries	767	913
Members of the Board of Directors	238	222
Members of the Supervisory Board	36	23
Management salaries, fees and fringe benefits total	**1,041**	**1,158**

The company publishes a separate corporate governance statement and remuneration statement annually. The reports are available on the company's website at *www.vapo.com*.

Employees, average

	2017	2016
Vapo Oy	383	451
Vapo Timber Oy	0	81
Kekkilä Group	261	256
Neova AB	86	92
AS Tootsi Turvas	33	33
Others	10	1
Total	**773**	**914**

8. Depreciation and impairment

EUR 1,000	2017	2016
Depreciation		
Intangible rights	-2,252	-2,856
Buildings and structures	-3,762	-4,275
Machinery and equipment	-18,137	-17,921
Other tangible assets	-10,940	-9,969
Total	**-35,090**	**-35,020**
Impairment		
Land areas	-168	-154
Buildings	-492	-138
Machinery and equipment	-1,125	-148
Other tangible assets	-639	-249
Inventories	0	-101
Total	**-2,424**	**-789**
Depreciation and impairment total	-37,514	-35,810

9. Liiketoiminnan muut kulut ja tilintarkastajien palkkiot

EUR 1,000	2017	2016
Rents	-10,467	-11,992
Cost of sales freight	-50,665	-60,266
Losses on the sale and scrapping of tangible assets	-2,314	-8,586
Auditor's fees: actual audit	-213	-285
Auditor's fees: attestations and statements	-4	-9
Auditor's fees: other expert services	-106	-168
Auditor's fees: tax advice	-18	-31
Audit costs	-342	-493
External services	-17,053	-15,035
Other expenses	-41,674	-47,100
Other operating expenses	-122,516	-143,472

10. Financial income and expenses

EUR 1,000	2017	2016
Dividend income from available-for-sale investments	4	48
Changes in the value of financial assets measured at fair value through profit or loss		
- interest derivatives, no hedge accounting	0	0
- currency derivatives, no hedge accounting	182	723
- commodity derivatives, no hedge accounting	585	1,860
Interest income	388	341
Foreign exchange gains from financial loans measured at amortised cost	0	1,929
Other foreign exchange gains	4,436	1,462
Other financial income	400	21
Financial income total	**5,995**	**6,383**
Interest expenses	-8,791	-10,219
Changes in the value of financial assets measured at fair value through profit or loss		
- interest derivatives, no hedge accounting	-1,392	0
- currency derivatives, no hedge accounting	-12	-85
- commodity derivatives, no hedge accounting	0	-805
Foreign exchange losses from financial loans measured at amortised cost	-266	-4
Other foreign exchange losses	-4,383	-4,331
Other financial expenses	-975	-638
Financial expenses total	-15,819	-16,082
Financial income and expenses total	**-9,824**	**-9,698**

11. Income taxes

EUR 1,000	2017	2016
Income taxes from actual operations	-2,829	-1,491
Taxes for previous financial periods	19	-9
Deferred taxes	772	-1,888
Income taxes	**-2,038**	**-3,387**

Reconciliation of taxes

EUR 1,000	2017	2016
Profit/loss before taxes	10,152	-981
Deferred tax, parent company rate of 20%	-2,030	196
Effect of the different tax rates used in foreign subsidiaries	1,076	651
Effect of non-deductible items with the unit’s tax rate	2,798	332
Effect of non-deductible items with the unit’s tax rate	-3,799	-2,581
Taxes for previous financial periods	61	-1,475
Unbooked deferred tax for losses of the financial period	-143	-465
Effect of change in tax rate on taxes for the financial period	0	-45
Tax expense in the income statement	**-2,038**	**-3,387**

12. Intangible assets

EUR 1,000	Goodwill	Intellectual property rights	Other intangible assets	Prepayments	Total
Cost 1 May 2016	11,240	26,333	8,160	1,409	47,142
Translation differences (+/-)	-8	-22	0	0	-30
Increase	182	740	76	4,192	5,190
Divestment of subsidiaries	-1,913	-421	0	0	-2,334
Decrease		-536	0	0	-536
Transfers between items		4,569	0	-4,550	19
Cost 30 April 2017	9,501	30,663	8,235	1,051	49,450
Accumulated depreciation and impairment 1 May 2016	-5,442	-21,269	-3,932	0	-30,643
Translation differences (+/-)	-10	10	0	0	-1
Accumulated depreciation on acquisitions	0	0	0	0	0
Accumulated depreciation on decrease and transfers	1,913	434	0	0	2,347
Depreciation for the financial period	-526	-1,862	-390	0	-2,778
Accumulated depreciation and impairment 30 April 2017	-4,065	-22,687	-4,322	0	-31,074
Book value 30 April 2017	**5,436**	**7,975**	**3,914**	**1,051**	**18,376**

EUR 1,000	Goodwill	Intellectual property rights	Other intangible assets	Prepayments	Total
Cost 1 May 2015	7,441	28,141	8,209	482	44,273
Translation differences (+/-)	-44	-31			-75
Acquisition of subsidiaries		867	20	1,642	2,529
Increase		-2,217			-2,217
Decrease		-617		-126	-743
Transfers between items		190	-69	-589	-469
Cost 30 April 2016	7,397	26,333	8,160	1,409	43,299
Accumulated depreciation and impairment 1 May 2015	-1,598	-20,438	-3,681	0	-25,717
Translation differences (+/-)		6			6
Accumulated depreciation on acquisitions		1,768			1,768
Accumulated depreciation on decrease and transfers		-69	69		0
Depreciation for the financial period		-2,535	-321		-2,856
Accumulated depreciation and impairment 30 April 2016	-1,598	-21,269	-3,932	0	-26,800
Book value 30 April 2016	**5,799**	**5,064**	**4,227**	**1,409**	**16,499**

Impairment testing of cash-generating units with goodwill

Goodwill and intangible assets that are not yet ready to use are tested annually for impairment. Impairment testing is also done whenever there is any indication of impairment. Impairment losses are recognised on the income statement to the extent that the carrying amount exceeds the asset's recoverable amount. The recoverable amount of an asset is the higher of the net sales price and service value. The basis for impairment for non-financial assets, except goodwill, is reviewed on the financial statements date to determine whether impairment should be reversed.

Goodwill is allocated for the purposes of impairment testing to cash-generating units defined by the Group. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The service value is determined by discounting the estimated future net cash flows of the asset or cash-generating unit at the present value. Cash flow forecasts are based on the most recent budget approved by the management and forecasts for the coming years. Forecasts are based on the various businesses' historical data, order backlog, current market situation and information on the industry's future growth prospects. The cash flows of the explicit forecast period correspond with the management's views of the development of the profitability of different businesses and the effect of inflation on cash flows. Cash flows are expected to continue to follow the same trend after the explicit forecast period. As a rule, the calculation period for anticipated cash flow is five years. The terminal growth rate applied for all cash-generating units is a maximum of one (1) per cent.

Key assumptions applied in impairment testing and sensitivity analysis

Preparing cash flow forecasts requires management estimates of future cash flows. The nature of the estimates depends on the business area the assets being tested are part of. In addition to goodwill testing based on basic assumptions, separate sensitivity analyses were conducted for each cash-generating unit. The variables used in the analyses were the discount rate, change in cash flow and change in sales. The other key assumptions used in impairment testing for Vapo's cash-generating units are also presented below along with the results of the sensitivity analysis.

Vapo Oy Fuels

The Fuels business comprises both peat and wood fuels. The demand for energy peat has declined significantly in recent years, primarily due to the lower prices of competing fossil fuels. Energy policy decisions have a significant impact on the demand for peat, and the management's estimate is that the demand for peat will decline in the long run as energy generation shifts to alternative fuels, such as wood. As a result, the demand for pellets and forest fuels is expected to grow in the future, compensating for the declining sales of peat. In wood fuels, the tested assets only comprise the terminal and commercial timber inventories whose inventory value is lower than their sales price. Vapo Oy's pellet business also carried out a separate assessment of individual production plants as part of impairment testing. As a result of production capacity being too high relative to market demand, a write-down of EUR 1.4 million was recognised on asset items for the Haukineva pellet factory. Other impairments were not deemed to be necessary with regard to Vapo Oy's Fuels business.

The discount rate used is 7.5 per cent (pre-tax WACC). Other factors remaining unchanged, each of the following changes would lead to the carrying amount of the business area being equal to its recoverable amount:

An increase of 1.0 percentage points (pellet) and 3.2 percentage points (peat) in the discount rate

The discounted cash flows would be 10 per cent lower in pellets and 30.2 per cent lower in peat products

Vapo Oy Heat and Power

The Heat and Power business comprises the sale of district heating and industrial heating solutions. The long-term average increase in the turnover of the heating business is estimated to be 1 per cent. Investment volume and timing are based on the current condition of existing power plants, heating plants and district heating networks and their remaining technical useful lives. The most significant investments in energy efficiency will be completed during the 2017 financial year. The discount rate used is 5.1 per cent (pre-tax WACC), which is calculated based on the yield and risk assumptions generally used in the sector for the district heating and industrial segments. Other factors remaining unchanged, each of the following changes would lead to the carrying amount of the business area being equal to its recoverable amount:

- An increase of 1.4 percentage points in the discount rate
- The discounted cash flows would be 27.7 per cent lower

Neova AB

Within the company, the Peat Products business and the Heat and Power business were used in testing as separate cash-generating units. The discount rates used are 7.5 per cent for the Peat Products business and 4.9 per cent for the Heat and Power business (pre-tax WACC). Other factors remaining unchanged, each of the following changes would lead to the carrying amount of the business area being equal to its recoverable amount:

- An increase of 0.9 percentage points (Peat Products) and 5.3 percentage points (Heat and Power) in the discount rate
- The discounted cash flows would be 10.1 per cent lower in Peat Products and 49.7 per cent lower in the Heat and Power business

AS Tootsi Turvas

AS Tootsi Turvas is treated as one cash-generating unit in impairment testing.

The discount rate used is the businesses' weighted average, 7.1 per cent (pre-tax WACC). Other factors remaining unchanged, each of the following changes would lead to the carrying amount of the business area being equal to its recoverable amount:

- An increase of 0.1 percentage points in the discount rate
- The discounted cash flows would be 0.5 per cent lower

Kekkilä

Business growth is sought particularly in the professional growing and landscaping segments, while growth in the consumer segment is expected to remain moderate due to intensifying competition. The environmental business will contract as a result of the expiration of contracts. Intensifying competition, cost efficiency and the seasonality of demand are the most significant factors affecting future cash flows. The discount rate used is 7.0 per cent (pre-tax WACC). Other factors remaining unchanged, each of the following changes would lead to the carrying amount of the business area being equal to its recoverable amount:

- A decrease of 2.3 per cent in sales volume
- An increase of 0.9 percentage points in the discount rate
- The discounted cash flows would be 13.8 per cent lower

The calculations for all cash-generating units have been made based on existing production capacity, which will be maintained through replacement investments.

Impairment testing conducted at the end of the 2017 financial year did not give rise to the need to recognise impairment losses in the Group's core businesses.

Allocation of goodwill to segments:

EUR 1,000	30.4.2017	30.42016
AS Tootsi Turvas	1,402	1,219
Neova AB	291	306
Kekkilä Group	3,743	4,273
Total	**5,436**	**5,799**

13. Property, plant and equipment

EUR 1,000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and unfinished acquisitions	Total
Cost 1 May 2016	46,072	97,649	343,419	396,972	48,596	932,708
Translation differences	-476	-780	-2,825	-3,143	-84	-7,308
Acquisition of subsidiaries	3	-356	293	755	0	694.44
Increase	307	627	13,391	12,058	26,420	52,803
Divestment of subsidiaries	-5	-2,048	-4,941	-2,698	0	-9,693
Decrease	-2,211	-11,722	-12,586	-18,013	-479	-45,011
Transfers between items	0	1,874	9,713	18,998	-30,604	-19
Cost 30 April 2017	43,689	85,245	346,464	404,928	43,849	924,175
Accumulated depreciation and impairment 1 May 2016	-669	-51,469	-213,954	-179,671	0	-445,762
Translation differences (+/-)	318	317	1,574	1,382	0	3,591
Accumulated depreciation on decrease and transfers	0	7,283	3,630	5,254	0	16,167
Accumulated depreciation from divestments	0	1,376	3,518	1,465	0	6,359
Depreciation for the financial period	0	-4,070	-19,277	-11,775	0	-35,122
Impairment*	-168	0	0	0	0	-168
Accumulated depreciation and impairment 30 April 2017	-520	-46,562	-224,509	-183,345	0	-454,935
Book value 30 April 2017	**43,169**	**38,683**	**121,956**	**221,583**	**43,849**	**469,240**

* Any depreciation of land and water areas is included in impairment.

EUR 1,000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and unfinished acquisitions	Total
Cost 1 May 2015	46,912	111,795	365,839	385,769	57,988	968,303
Translation differences	55	116	568	891	-35	1,596
Acquisition of subsidiaries						0
Increase	717	-599	14,525	6,431	30,442	51,517
Divestment of subsidiaries	-661	-14,445	-28,474	-2,676		-46,256
Decrease	-951	-1,869	-24,098	-15,533	-414	-42,864
Transfers between items		2,649	15,116	22,088	-39,385	469
Cost 30 April 2016	46,072	97,648	343,476	396,972	48,596	932,764
Accumulated depreciation 1 May 2015	-648	-59,710	-234,884	-182,385		-477,628
Translation differences (+/-)		-11	-356	-352		-719
Accumulated depreciation on decrease and transfers	31	1,408	14,598	10,915		26,952
Accumulated depreciation from divestments		11,258	24,700	2,258		38,217
Depreciation for the financial period		-4,275	-17,921	-9,969		-32,165
Impairment*	-52	-138	-148	-138		-476
Accumulated depreciation 30 April 2016	-669	-51,468	-214,011	-179,671		-445,818
Book value 30 April 2016	**45,403**	**46,180**	**129,465**	**217,301**	**48,596**	**486,946**

* Any depreciation of land and water areas is included in impairment.

The cost of property, plant and equipment includes assets leased through financial leases as follows:

EUR 1,000	Machinery and equipment	Other tangible assets	Total
Cost 1 May 2016	18,093	5,000	23,093
Increase	8,320	11,295	19,615
Decrease	0	0	0
Accumulated depreciation	-3,710	-976	-4,686
Accumulated depreciation of decreases			0
Book value 30 April 2017	**22,703**	**15,319**	**38,022**

EUR 1,000	Machinery and equipment	Other tangible assets	Total
Cost 1 May 2015	8,093	0	8,093
Increase	10,000	5,000	15,000
Decrease	0	0	0
Accumulated depreciation	-2,217	-208	-2,425
Accumulated depreciation of decreases			0
Book value 30 April 2016	**15,877**	**4,792**	**20,668**

14. Shares in associates and joint ventures

EUR 1,000	30.4.2017	30.4.2016
Shares in associates	777	3,720
Shares in joint ventures	19,795	22,433
Non-depreciated goodwill included in joint ventures	3,639	3,823

Shares in associates and joint ventures

Information on the Group's significant associates and joint ventures:

Name	Primary industry	Domicile	Holding (%)	
			30.4.2017	**30.4.2016**
Scandbio AB, joint venture	Manufacture and sale of solid wood fuels	Jönköping	50	50
Harvestia Oy, associate	Roundwood wholesale	Helsinki	0	45

Financial information on associates and joint ventures

The Group's significant associates and joint ventures listed in the table are accounted for in the consolidated financial statements using the equity method. The companies' income statements have been converted to correspond with the financial year of the Group's parent company.

	Harvestia Oy		Scandbio AB		Others	
EUR 1,000	30.4.2017	30.4.2016	30.4.2017	30.4.2016	30.4.2017	30.4.2016
Current assets		26,055	29,447	39,096	1,162	1,114
Long-term assets		181	22,145	22,245	897	972
Short-term liabilities		19,698	18,234	20,807	47	66
Long-term liabilities		0	1,046	2,447	102	418
Turnover		163,672	98,334	100,155	698	723
Profit/loss for the period		290	920	2,588	-30	-8
Dividends received during the period						
Net assets		6,538	32,312	38,087	1,911	1,602
Group's holding		45	50	50		
Group's share of net assets		2,942	16,156	19,044		
Goodwill			3,841	3,841		
Translation difference			-202	-451		
The associate's/joint venture's carrying amount in the consolidated balance sheet		2,942	19,795	22,433		

15. Available-for-sale investments

Available-for-sale investments include both quoted and unquoted shares. Quoted shares are measured at fair value. Unquoted shares are measured at cost, as their fair values cannot be reliably determined.

EUR 1,000	30.4.2017	30.4.2016
Cost 1 January	8,028	7,595
Increase	0	437
Decrease	-7272	-3
Cost 30 April	756	8,028
Book value 30 April	**756**	**8,028**

16. Long-term receivables

EUR 1,000	30.4.2017	30.4.2016
Long-term interest-bearing receivables		
Loan receivables from others	3,183	3,183
Total	3,183	3,183
Long-term non-interest-bearing receivables		
From others	88	1,504
Long-term sales and other receivables total	**3,271**	**4,687**

17. Other long-term investments

EUR 1,000	30.4.2017	30.4.2016
Cost 1 May	0	346
Decrease	0	-346
Cost 30 April	0	0

18. Deferred taxes

EUR 1,000	1.5.2016	Translation difference	Recognised in the income statement	Other changes	Acquired/ divested companies	30.4.2017
Itemisation of deferred tax assets						
Losses	170	6	58	0	-53	181
Provisions	692	0	-58	0	0	634
Other items	722	0	176	0	-10	888
Total	**1,584**	**7**	**176**	**0**	**-63**	**1,704**

EUR 1,000	1.5.2016	Translation difference	Recognised in the income statement	Other changes	Acquired/ divested companies	30.4.2017
Itemisation of deferred tax liabilities						
Depreciation difference and provisions	14,780	-56	-150	8	0	14,582
Capitalisation of intangible assets	0	0	0	0	0	0
Fair value measurement of intangible and						
tangible assets in business combinations	3,428	-133	-447	-8	0	2,840
Other items	1	0	-1	0	0	0
Total	**18,209**	**-189**	**-598**	**0**	**0**	**17,421**

Deferred taxes on the balance sheet	
Deferred tax assets	207
Deferred tax liability	15,925
Net tax liability	**15,718**

EUR 1,000	1.5.2015	Translation difference	Recognised in the income statement	Recognised in share-holders' equity	Acquired/ divested companies	30.4.2016
Itemisation of deferred tax assets						
Losses	2,224	-152	-1,902	0	0	170
Provisions	594	0	98	0	0	692
Other items	805	-9	-74	0	0	722
Total	**3,623**	**-161**	**-1,878**	**0**	**0**	**1,584**

EUR 1,000	1.5.2015	Translation difference	Recognised in the income statement	Recognised in share-holders' equity	Acquired/ divested companies	30.4.2016
Itemisation of deferred tax liabilities						
Depreciation difference and provisions	14,898	12	375	69	-574	14,780
Capitalisation of intangible assets	0	0	0	0	0	0
Fair value measurement of intangible and						
tangible assets in business combinations	3,736	86	-394	0	0	3,428
Other accrual differences	2	0	-1	0	0	1
Total	**18,636**	**98**	**-20**	**69**	**-574**	**18,209**

Deferred taxes on the balance sheet	
Deferred tax assets	136
Deferred tax liability	16,761
Net tax liability	**16,625**

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes related to the same fiscal authority.

On 30 April 2017, the Group had EUR 5.7 million in confirmed losses for which deferred tax assets were not recognised (EUR 12.9 million on 30 April 2016) because the Group is unlikely to accrue taxable income against which the losses could be offset. The losses in question will not expire.

Deferred tax assets on losses not recognised in the balance sheet amounted to EUR 1.3 million (EUR 3.1 million on 30 April 2016).

19. Inventories

EUR 1,000	2017	2016
Materials and supplies	38,699	39,604
Unfinished products	9,433	9,094
Finished products	75,191	99,063
Prepayments from inventories	145	171
Inventories total	**123,469**	**147,931**

With respect to inventories, the company updated its stocktaking of wood fuels during the past financial year. An impairment multiplier was introduced for the raw material inventories of wood fuels and pellets, corresponding to the natural rate of raw material wastage during storage. The impact of the change on the value of the company's inventories was EUR -0.7 million. The company also specified the inventory measurement of peat further by having the monitoring and compensation costs arising from environmental obligations included in the inventory price. This improved the company's operating profit by EUR 1.1 million during the financial year.

20. Sales and other receivables

EUR 1,000	2017	2016
Sales receivables		
Sales receivables	70,117	75,453
Joint ventures' sales receivables	54	69
	70,171	75,522
Short-term other receivables and accrued income		
Loan receivables	200	5,299
Other short-term receivables	2,577	3,131
Short-term accrued income (from others)	6,426	8,728
Other accrued income from joint ventures	17	17
	9,220	17,175
Financial assets measured at fair value through profit or loss		
Derivative instruments, no hedge accounting	747	142
Sales and other receivables total	**80,138**	**92,839**

The short-term sales receivables are divided by currency as follows:

EUR 1,000	2017	2016
EUR	50,851	51,306
USD	1,145	1,257
SEK	18,142	20,144
Other currencies	34	2,815
Total	**70,171**	**75,522**

Age distribution of sales receivables and items recognised as credit losses

EUR 1,000	2017	2016
Undue	65,496	72,488
Due under 30 days	3,413	2,398
Due 31–60 days	506	413
Due 61–91 days	279	170
Due over 90 days	477	54
Total	**70,171**	**75,522**
Credit losses	66	34

21. Cash and cash equivalents

EUR 1,000	2017	2016
Cash and cash equivalents	95,495	9,415

22. Notes to equity

Shareholders' equity

Vapo Oy has one class of shares. The total number of shares is 30,000. Vapo's share capital on 30 April 2017 amounted to EUR 50,456,377.90. The nominal value of the share has not been defined. There are 30,000 shares outstanding.

Descriptions of the equity funds are presented below:

The invested unrestricted equity fund consists of other equity-type investments and the subscription price of shares to the extent that it is not recognised in share capital according to a case-specific decision.

The reserve fund is a fund pursuant to the Estonian Commercial Code, equal in size to 10% of the separate company's share capital. The company must transfer 10% of its annual earnings to the fund until the required amount is reached.

Translation differences comprise foreign exchange-denominated changes in foreign subsidiaries' equity and post-acquisition retained earnings.

23. Financial liabilities

EUR 1,000	2017	2016
Long-term financial liabilities measured at amortised cost		
Bonds	88,975	178,909
Subordinated loans	5,000	5,000
Loans from financial institutions	110,881	145,690
Financial leasing liabilities	36,267	19,847
Total	**241,122**	**349,446**
Short-term financial liabilities measured at amortised cost		
Bonds	100,000	
Loans from financial institutions	25,000	27,083
Commercial papers	0	6,499
Financial leasing liabilities	2,186	1,056
Other liabilities to associates	213	166
Other liabilities	0	211
Total	**127,399**	**35,016**

Long-term debt repayment schedule (per calendar year/nominal values)

EUR 1,000	2017	2018	2019	2020	2021	2022 →	Total
Bonds	100,000	10,000	0	0	0	80,000	190,000
Subordinated loans	0	0	0	5,000	0	0	5,000
Loans from financial institutions	0	25,000	60,000	50,000	0	881	135,881
Financial leasing liabilities	1,473	2,219	7,097	1,804	1,814	24,046	38,453
Total	**101,473**	**37,219**	**67,097**	**56,804**	**1,814**	**104,927**	**369,333**

The interest-bearing long-term liabilities are divided by currency as follows:

EUR 1,000	2017	2016
EUR	369,333	377,025
SEK	0	0
OTHER	0	559
Total	**369,333**	**377,584**

The interest-bearing liabilities are measured at nominal values in the financial statements as they are equal to the fair values.

Financial leasing liabilities

EUR 1,000	2017	2016
Total amount of minimum rents		
In less than one year	2,518	1,242
In more than one year and not more than 5 years	13,780	9,206
Later than in five years	24,208	11,636
Minimum rents total	**40,506**	**22,085**
Residual value liability of financial leases	11,856	11,856
Current value of minimum rents		
In less than one year	2,186	1,055
In more than one year and not more than five years	12,780	8,640
Later than in five years	23,486	11,207
Current value of minimum rents total	**38,453**	**20,902**

24. Long-term non-interest-bearing debt

EUR 1,000	2017	2016
Connection fee debt	5,014	5,065
Advances received	846	978
Other liabilities	1,217	1,350
Total	**7,077**	**7,393**

25. Provisions

EUR 1,000	Environmental expense provisions	Other provisions	Total
Provisions 1 May 2016	7,834	255	8,090
Translation difference	-205	0	-205
Increases in provisions	408	12	420
Used provisions	-522	-19	-542
Acquisition/divestment of subsidiaries	-14		-14
Provisions 30 April 2017	**7,500**	**249**	**7,749**

EUR 1,000	Environmental expense provisions	Other provisions	Total
Provisions 1 May 2015	7,790	217	8,007
Translation difference	72	0	72
Increases in provisions	901	57	958
Used provisions	-882	-18	-900
Acquisition/divestment of subsidiaries	-47		-47
Provisions 30 April 2016	**7,834**	**255**	**8,090**

26. Pension liabilities

The statutory pension security of the Group's Finnish companies is arranged with a Finnish pension insurance company. The statutory employment security is a defined contribution plan.

The Group's Estonian subsidiary AS Tootsi Turvas has defined contribution pension plans as well as a defined benefit pension plan under which the company is obligated to pay a fixed pension to 17 employees under pre-specified conditions. The average gross monthly wage in Estonia in 2001 is the basis of the benefit. This sum is adjusted annually in accordance with the change in the cost-of-living index and factors related to the person's employment relationship. The liability to pay the pension benefit arises when the employee entitled to the benefit turns 65. The liability is discounted on the basis of the estimate that the liability will continue until 2042, considering the statistical life expectancy. The statistical life expectancy was updated to correspond to the latest statistics in Estonia.

EUR 1,000	30.4.2017	30.4.2016
Liability shown in the balance sheet at the start of the period	3,482	3,302
Expenses in the income statement	178	368
Contributions made to the plan	-194	-188
Reclassification of items into other comprehensive income		
Liability shown in the balance sheet on 30 April	4,629	3,482
Actuarial assumptions		
Discount rate, %	1.00%	1.00%

27. Accounts payable and other short-term debt

EUR 1,000	2017	2016
Short-term financial liabilities measured at amortised cost		
Advances received	9,367	14,540
Accounts payable	26,578	26,791
Accounts payable to associates	**328**	**15,605**
	36,273	56,936
Other liabilities	9,151	7,993
Interest liabilities and other financial liabilities	3,461	3,562
Salary and social expense allocations	8,412	9,206
Other accrued expenses	8,468	6,931
Financial liabilities measured at fair value through profit or loss		
Derivative instruments, no hedge accounting	2,923	1,681
Accounts payable and other debt	**68,687**	**86,310**

The short-term accounts payable are divided by currency as follows

EUR 1,000	2017	2016
EUR	20,266	33,622
USD	24	16
SEK	6,561	7,935
Other currencies	54	823
External accounts payable total	**26,906**	**42,397**

28. Financial and commodity risk management

The company's operations are exposed to diverse financial risks. The primary aim of financial risk management is to minimise the negative effects of market prices of currencies and interest rates related to operation on the Group's profit and cash flow as well as ensure the liquidity of the Group. The main financial risks are currency risk, interest rate risk and liquidity risk. The Group treasury is responsible for identifying and managing financial risks. Financial risk management is guided by the financial policy ratified by the Board of Directors.

The Group treasury acts as a counterparty for the Group's subsidiaries and takes care of external fundraising centrally. It is also responsible for the administration of cash assets and cash flows as well as hedging measures according to the financial policy. The Group's risk management tools include currency derivatives and options, currency swaps, foreign currency loans, interest rate swaps and diverse commodity derivatives.

Currency risk

The Group operates internationally and is therefore exposed to currency risks. Currency risks arise from exports and imports, the Group's internal trade, the Group's currency-denominated internal financing (transaction risk) and currency-denominated net investment in foreign subsidiaries (translation risk). The majority of the turnover is generated in the euro area. The Group's most significant internal financing currency is the Swedish krona.

The hedging policy is to hedge essential currency exposures in full. The currency exposures comprise currency-denominated receivables, liabilities and order backlogs. In addition, the Group hedges its internal SEK-denominated financing items. The hedging complies with the Group's financing policy, but hedge accounting is not applied to these items. The Group treasury makes currency forwards in the market mainly in the name of the subsidiary. Foreign exchange-denominated loans are always in the name of the Group's parent company. Vapo's transaction risk at the end of the year translated into euros at the exchange rate of the closing date was:

MEUR	2017 Exposure	Hedging	Net	Hedging %	2016 Exposure	Hedging	Net	Hedging %
DKK	6.2	0.0	6.2	0%	5.7	0.0	5.7	0%
EUR	3.9	3.7	0.2	95%	2.0	2.0	0.0	100%
GBP	0.0	0.0	0.0	0%	0.0	0.0	0.0	0%
NOK	-	-	-	-	5.9	5.9	0.0	100%
RUB	0.0	0.0	0.0	0%	0.0	0.0	0.0	0%
SEK	90.5	90.5	0.0	100%	96.2	96.2	0.0	100%
USD	1.1	1.1	0.0	100%	1.1	1.1	0.0	100%
Total	**101.7**	**95.3**	**6.4**	**94%**	**110.9**	**105.2**	**5.7**	**95%**

The Group has foreign net investments and it is, therefore, exposed to risks emerging from the translation of currency-denominated investments into the parent company's operating currency (translation risk). Currency-denominated net investments in subsidiaries are not hedged. The most significant translation risks are in the Swedish and Danish krona.

At the closing date, the Group's net investments in euros were:

MEUR	2017	2016
DKK	14.7	14.7
NOK	0	8.9
RUB	0	0.4
SEK	36.7	36.7
Total	**51.4**	**60.7**

The table below indicates the strengthening or weakening of the euro against the Group's main currencies: Net investments in subsidiaries are not included in the sensitivity analysis. The currency risk sensitivity analysis is based on the Group-level total currency exposure, taking into account the currency hedging made. The total combined effect of a change of +/- 10 per cent of the exchange rate of the euro against other currencies is presented below.

MEUR		2017	2016
Euro strengthens by 10%	+ / -	-0.6	-0.6
Euro weakens by 10%	+ / -	0.6	0.6

Liquidity and refinancing risk

The Group's liquidity remained good during the financial year. A total of EUR 19,6 million of new long-term loans were withdrawn in the form of a sale and leaseback arrangement with a maturity of 10 years. In November 2016, the company issued a EUR 50 million hybrid bond to strengthen the Group's financial position for funding future strategic investments. The EUR 150 million commercial paper programme was entirely unused at the end of the financial year. Standby credit facilities, totalling EUR 100 million, were fully unused during the financial period.

A significant financing event in the current financial year is the repayment of a EUR 100 million bond that matures in June. The company's strong liquidity permits the repayment of the bond without the immediate need for refinancing.

Potential new financing arrangements and needs will be evaluated in autumn 2017 when the final outcome of a project to sell a substantial amount of Vapo Oy's land and forest property is known.

The Group actively monitors the amount of financing required by the business operations so that the Group's liquidity is sufficient for financing the operations and the Group is able to cover also other financing obligations. Liquidity is managed by balancing the proportional share of short-term and long-term loans and the repayment schedules of long-term loans. In addition, the risk related to the availability and price of financing is managed by distributing fundraising among different banks and main markets.

During the financial period, Vapo met the covenants and other terms and conditions related to its financing agreements.

The Group's equity ratio at the closing date was 43.0 per cent. Bilateral loan agreements include a 35 per cent equity covenant and a change-of-control clause, according to which the combined holding of the current owners (the Finnish State and Suomen Energiavarat Oy) must remain above 50%. Bonds also include a change of control clause but they do not include a financial covenant. The Group's long-term private placement bonds maturing in 2030 (amounting to EUR 70 million in total) include a clause related to Vapo Group's credit rating. According to the clause, the investor has the right to demand the partial or full repayment of debt in the event that Vapo's credit rating falls by two notches from its current level of BBB.

The cash flows of the repayments and financial expenses related to Vapo's interest-bearing debt and cash flows of derivatives were as follows:

MEUR	< 1 year	1–5 years	> 5 years
Long-term loans			
Repayments	126.5	137.9	105.0
Financial expenses	7.1	15.0	25.1
Short-term loans			
Repayments	0.2	-	-
Financial expenses	0.0	-	-
Derivative liabilities			
Income	106.0	2.4	0.0
Expenses	102.1	2.2	0.0
Total	**341.9**	**157.5**	**130.1**

Interest rate risk

The Group's interest-bearing net debt stood at EUR 269.6 million (EUR 366.6 million) on the balance sheet date. The Group aims to hedge against the essential impacts on the interest-bearing liabilities and receivables on the balance sheet caused by changes in interest rates. Interest rate swaps are primarily used as hedging instruments. Interest rate risk is measured with the average interest rate tying period of the debt portfolio (gap). The average interest rate tying period of the debt portfolio on 30 April 2017, including derivative instruments, was 3.5 (3.8) years. The weighted average interest rate of long-term loans including hedging was 2.3 (2.6) per cent.

The interest rate risk sensitivity analysis is based on the combined company-level interest rate risk comprised of interest-bearing liabilities and derivatives, such as interest rate swaps that hedge against interest rate risk. An increase of interest rates by one percentage point, with the other factors remaining unchanged, would increase the interest expenses of Vapo's interest-bearing liabilities and receivables that will be repriced within the next 12 months by EUR +1.3 million excluding tax effects.

Interest rate derivatives are measured at full market value and the effect of changes is recognised in the income statement.

Market risk of investing activity

The Group is exposed to price risk due to fluctuation in the market prices of publicly quoted shares in its operations. The Group divested all of its quoted shares during the financial period. The effect on profit or loss was recognised in financial items in the income statement.

Counterparty and credit risk

Counterparty risks related to depositing cash assets and financing and commodity derivative instruments are managed by only making agreements and transactions with creditworthy parties that operate actively in the market.

The business units are liable for credit risks related to commercial receivables. Business-related credit risk is decreased through credit insurance and customer-specific credit limits, among other measures.

The Group does not have any significant concentrations of credit risk.

Price risk of emission rights

Some of the Group's power plants are included in the sphere of the EU emissions trading system. The Group received emission rights without consideration for the financial period, in addition to which emission rights were obtained from the market to fulfil the obligations for 2016. In addition, emission reduction units (CER) from funds were utilised.

During the current emissions trading period, 2013–2020, the Group will not receive all of the emissions rights it needs in the national allocation plan. The Group obtains the majority of the emission rights it needs from the EU emission trading market, in addition to which the Group purchases emission reduction units from Nefco Carbon Fund. The fund produces certified emission reductions (CER), which can be used to cover the Group's emission obligations to a limited extent.

Price risk of electric energy

The Group's Finnish companies purchase electric energy from the market, and correspondingly the electricity generated by the power plants is sold to the market. The price risk of physical electricity is hedged using derivative instruments in accordance with the electricity trading policy. An electricity broker chosen as the partner is responsible for the practical hedging measures related to electricity trading and related investigations. The maturity of the hedges made ranges from 1 month to 5 years. The amount of energy covered by hedging is 143 GWh.

Capital management

The aim of the Group's capital management is to facilitate growth according to the strategy of the business operations while optimising the total costs of capital. The aim with regard to capital structure is to keep the Group's equity ratio at a minimum of 37 per cent. On 30 April 2017, the equity ratio was 43.0 (37.6) per cent.

Hybrid bond

Equity includes EUR 50 million in a hybrid bond withdrawn in 2016. The hybrid bond carries a fixed annual coupon of 6.5% for the first five years and at least 11.5% thereafter. The hybrid bond does not have a maturity date, but the company has the right to redeem it five years after its issuance. The hybrid bond is subordinated to the company's other debt instruments but is senior to other equity instruments. The interest on the hybrid loan is paid if the Annual General Meeting decides to distribute a dividend. If dividend is not distributed, the company will decide separately on whether to pay the interest. Hybrid loan holders have no control over the company and no right to vote at shareholders' meetings.

In accordance with the dividend policy, Vapo Oy aims to annually distribute 50 per cent of the annual profit shown in the parent company's financial statements on average, unless this compromises the preconditions for financing.

Net gearing was as follows:

EUR 1,000	2017	2016
Interest-bearing debt	368,521	384,461
Interest-bearing receivables	-3,383	-8,482
Cash and cash equivalents	-95,495	-9,415
Net debt	269,642	366,563
Shareholders' equity total	339,718	288,183
Net gearing	79.4%	127.2%

29. Fair values of financial assets and liabilities

EUR 1,000	30.4.2017			30.4.2016		
	Positive	Negative	Net	Positive	Negative	Net
Agreement	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value
Interest rate derivatives, no hedge accounting	386	-2,062	-1,676	3,342	-3,626	-284
Currency derivatives, no hedge accounting	327	-15	312	156	-14	142
Electricity derivatives, no hedge accounting	34	-661	-627	63	-1,382	-1,319
Oil derivatives, no hedge accounting	0	0	0	0	0	0
Emission right derivatives, no hedge accounting	0	-185	-185	0	-78	-78
Short-term derivative agreements	**747**	**-2,923**	**-2,176**	**3,561**	**-5,100**	**-1,539**

EUR 1,000	2017	2016
Nominal value of interest rate derivatives	195,000	235,000
Nominal value of currency derivatives	96,795	107,640
Nominal value of electricity derivatives	4,163	5,588
Nominal value of oil derivatives	0	0
Nominal value of emission rights	1,008	1,054
Short-term	**296,966**	**349,282**

Fair value hierarchy

Vapo determines and presents the fair value classification of financial instruments according to the following hierarchy:

- Level 1. Financial instruments for which there is a publicly quoted market price
- Level 2. Instruments whose measurement uses directly observable market prices
- Level 3. Instruments with no direct market prices available for measurement.

Level 1 includes stock exchange-listed shares, level 2 derivatives and level 3 investments in unquoted shares.

	2017				2016			
EUR 1,000	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
ASSETS MEASURED AT FAIR VALUE								
Financial assets measured at fair value through profit or loss - held for trading								
Derivatives - no hedge accounting	747	0	747	0	142	0	142	0
Total	**747**	**0**	**747**	**0**	**142**	**0**	**142**	**0**
LIABILITIES MEASURED AT FAIR VALUE								
Financial liabilities measured at fair value through profit or loss - held for trading								
Derivatives - no hedge accounting	2,923	0	2,923	0	1,681	0	1,681	0
Total	**2,923**	**0**	**2,923**	**0**	**1,681**	**0**	**1,681**	**0**

30. Subsidiaries and significant non-controlling interests

The following table presents information on the Group's structure on the financial statements date

Primary industry	Country	Number of wholly-owned subsidiaries 2017	2016
Energy business	Finland	4	4
Energy business	Sweden	1	2
Energy business	Estonia	1	1
Energy business	Denmark	1	1
Agricultural peat business	Finland	1	1
Agricultural peat business	Sweden	1	1
Agricultural peat business	Norway		1
Agricultural peat business	Estonia	1	1
Agricultural peat business	Spain	1	1
Water protection	Finland	1	1
Recycling business	Russia		1

		Number of partly-owned subsidiaries	
Primary industry	Country	2017	2016
Energy business	Finland	1	1
Agricultural peat business	Norway		1

As the Group has de facto control over Piipsan Turve Oy based on a shareholders' agreement, the company is consolidated as a subsidiary.

A full list of the Group's subsidiaries is provided in Note 31 "Transactions with related parties"

Itemisation of significant non-controlling interests in the Group

EUR 1,000	Share of profit/loss attributable to non-controlling interests		Share of equity attributable to non-controlling interests	
	2017	2016	2017	2016
Subsidiaries in which there are non-controlling interests, but which are not significant individually	-18	-52	384	1,039
	0.2%	1.2%	0.1%	0.4%

31. Contingent commitments

EUR 1,000	2017	2016
Guarantees given on behalf of own commitments		
Mortgages given (as collateral for loans)	0	6,772
Guarantees	20,948	29,147
Assets pledged	4	4
Total	**20,952**	**35,923**
Contingent commitments on behalf of Group companies		
Guarantees		
Other contingent commitments	17,345	16,826
Total	**17,345**	**16,826**
Contingent commitments on behalf of associates		
Guarantees	0	4,300
Contingent commitments on behalf of others		
Guarantees	0	0
Other rental liabilities		
Due within the next one-year period	3,119	2,723
Due later	6,691	4,501
Total	**9,810**	**7,224**

The Group has leased machinery and equipment, vehicles and computer hardware. Leased production machinery and equipment, with a capital value of EUR 8.2 million on the closing date, comprise the most significant part of the leases. There are no agreements in the acquisition period. The duration of the rental agreements is ten years. The agreements include an option, but not an obligation, to continue the agreement after the original ending date.

Vapo Oy is an investor in the Nefco Carbon fund. The fund generates emission reductions that can be used to satisfy emission right obligations. The purchasing obligations for emission reductions amounted to EUR 0.2 million on the closing date.

The Group has land lease agreements for peat production. At the end of the financial year, annual and land area-based lease liabilities totalled EUR 12.4 million.

Year of payment	Lease amount (based on 2016)	Number of agreements	Year of payment	Lease amount (based on 2016)	Number of agreements	Year of payment	Lease amount (based on 2016)	Number of agreements
2017	1,065,601	1,106	2031	345,225	300	2045	28,439	28
2018	1,051,737	1,068	2032	301,903	278	2046	26,577	24
2019	1,005,269	1,026	2033	256,754	221	2047	18,085	19
2020	924,955	979	2034	229,195	203	2048	17,231	16
2021	911,623	942	2035	163,363	146	2049	16,012	15
2022	874,099	896	2036	127,112	118	2050	14,769	14
2023	739,793	611	2037	118,306	111	2051	14,329	13
2024	681,801	594	2038	105,353	100	2052	10,050	5
2025	642,068	559	2039	96,119	94	2053	9,844	4
2026	547,864	467	2040	86,143	85	2054	9,844	4
2027	497,166	439	2041	54,833	49	2055	475	3
2028	451,210	377	2042	51,840	44	2056	475	3
2029	438,842	371	2043	35,751	34	2057	475	3
2030	412,573	351	2044	34,299	32			

Other financial liabilities

Companies are obligated to revise their value added tax deductions for completed property investments if the taxable use of the property decreases during the period under review.

	Maximum liability EUR 1,000	Last review year
Investment completed in 2008	170	2017
Investment completed in 2009	343	2018
Investment completed in 2010	37	2019
Investment completed in 2011	628	2020
Investment completed in 2012	77	2021
Investment completed 012013-042014	67	2023
Investment completed 052014-042015	212	2024
Investment completed 052015-042016	472	2025
Investment completed 052016-042017	836	2026
Total	**2,843**	

32. Transactions with related parties

Business transactions and open balances with related parties

Vapo complies with the provisions of the Finnish Limited Liability Companies Act and IAS24 with regard to monitoring transactions with related parties. The Group's related parties include its subsidiaries and associates. The related parties also include the Managing Directors of Group companies, the members of Supervisory Boards and Boards of Directors, and the members of Vapo Group's management team. The spouses and other family members living in the same household of the aforementioned individuals are also considered related parties. The related parties can also include entities under the control or influence of the aforementioned individuals.

In order to reliably monitor transactions with related parties, Vapo maintains a Group register of related parties. The information in the register is obtained from the related parties themselves annually. The register is not public and the information it contains are not disclosed to third parties with the exception of the authorities and the auditor.

The Group's parent and subsidiary relationships are as follows:

	Country	Holding, %	Share of votes, %
Parent company Vapo Oy			
Kekkilä Oy	Finland	100.00	100.00
Suo Oy	Finland	100.00	100.00
Piipsan Turve Oy	Finland	48.00	48.00
Hanhisuon Turve Oy	Finland	100.00	100.00
Forest BtL Oy	Finland	100.00	100.00
Salon Energiantuotanto Oy	Finland	100.00	100.00
Vapo Clean Waters Oy	Finland	100.00	100.00
Neova AB	Sweden	100.00	100.00
AS Tootsi Turvas	Estonia	100.00	100.00
Vapo A/S	Denmark	100.00	100.00
Subsidiary shares held by Kekkilä Oy:			
Hasselfors Garden AB	Sweden	100.00	100.00
Kekkilä Eesti Oü	Estonia	100.00	100.00
Kekkilä Iberia S.L.	Spain	100.00	100.00

A list of the Group's significant associates and joint ventures is provided in Note 14 "Shares in associates and joint ventures".

Transactions with, receivables from and liabilities to related parties

EUR 1,000	2017	2016
Associates		
Sales	494	8,776
Purchases	-924	-45,379
Receivables	39	80
Liabilities	0	0
Joint ventures		
Sales	1,876	445
Purchases	-1,252	-3,877
Receivables	15	7
Liabilities	0	0

Management salaries and fees are itemised in Note 7 "Expenses arising from staff benefits".

Senior management's employment benefits and loan receivables

The senior management comprises the Board of Directors, CEO and the rest of the Management Team.

The CEO and members of the Group Management Team have an incentive bonus linked to financial targets amounting to, at a maximum, 20–40% of the annual salary. In accordance with the decision of the Board of Directors, the main principles used to determine this incentive bonus are linked to Vapo Group's profit and cash flow.

The CEO's period of notice is six months if he is dismissed by the Board of Directors, in addition to which he is entitled to compensation corresponding to 12 months' salary. If the CEO resigns, the period of notice is six months.

The company does not have share option plans.

The CEO's retirement age is the lower limit for old-age pension pursuant to the Employees Pensions Act in effect at the time.

Members of the Group Management Team, including the CEO, are covered by the pension scheme pursuant to the Employees' Pensions Act. They are entitled to a defined contribution collective supplementary pension insurance to which Vapo contributes an amount equivalent to 10 per cent of their total annual salary (12 x monthly salary), excluding bonuses, every year. The company has an agreement with a pension insurance company on said supplementary pension rights.

There were no loan receivables from the senior management on 30 April 2017 and 30 April 2016.

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Parent company's income statement

EUR 1,000	Note	5/2016-4/2017	5/2015-4/2016
TURNOVER	**2**	**241,900**	**251,978**
Change in stock levels of finished and unfinished products		-19,262	-12,614
Production for own use		7	84
Other operating income	5	8,805	7,574
Materials and services	6	-90,092	-103,555
Expenses arising from staff benefits	7	-23,506	-26,443
Depreciation and impairment	8	-21,592	-19,991
Other operating expenses	8	-84,448	-88,616
OPERATING PROFIT		**11,813**	**8,417**
Financial income	10	9,078	7,584
Financial expenses	10	-15,109	-14,252
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES		**5,782**	**1,749**
Appropriations		2,278	-323
Direct taxes	11	-2,401	-1,251
PROFIT/LOSS FOR THE PERIOD		**5,659**	**175**

Parent company's balance sheet

EUR 1,000	Note	30.4.2017	30.4.2016
ASSETS			
Non-current assets			
Intangible assets	12	9,771	6,934
Tangible assets	13	301,245	323,383
Investments	14	118,915	133,251
		429,931	463,568
Current assets			
Inventories	19	83,348	103,839
Long-term receivables	15	121,257	128,798
Short-term receivables	20	48,220	67,126
Cash on hand and in the bank	21	94,212	7,516
		347,037	307,281
ASSETS		**776,969**	**770,849**
LIABILITIES			
Shareholders' equity			
Share capital		50,456	50,456
Other funds		30,096	30,096
Retained earnings		170,726	170,551
Profit/loss for the period		5,659	175
Dividend distribution		-4,000	-12,000
Shareholders' equity total	**0**	**252,938**	**251,279**
Accrual of appropriations		**59,262**	**61,540**
Mandatory provisions	**0**	**2,970**	**3,273**
Liabilities			
Long-term interest-bearing liabilities	24	266,186	324,370
Long-term non-interest-bearing liabilities	25	5,860	6,043
Current interest-bearing liabilities	26	148,459	66,192
Current non-interest-bearing liabilities	0	41,294	58,152
Liabilities total		**461,799**	**454,757**
LIABILITIES		**776,969**	**770,849**

Parent company's cash flow statement

EUR 1,000	30.4.2017	30.4.2016
Cash flow from operating activities		
Profit/loss for the period	5,659	175
Adjustments to the result for the period		
Depreciation and impairment	21,592	19,991
Financial income and expenses	6,031	6,668
Income taxes	2,401	1,251
Other adjustments	-3,648	8,906
Adjustments to the profit/loss for the period total	26,376	36,815
Change in working capital		
Increase (-)/decrease (+) in inventories	20,491	11,089
Increase (-)/decrease (+) in short-term non-interest-bearing business receivables	6,000	-6,421
Increase (+)/decrease (-) in short-term non-interest bearing debt	-16,677	11,453
Change in provisions	-303	494
Change in working capital total	9,511	16,615
Interest paid	-8,611	-9,595
Interest received	4,216	3,902
Other financial items	2,930	-4,097
Taxes paid	-1,375	-1,385
Cash flow from operating activities	**38,696**	**42,431**
Cash flow from investing activities		
Investments in tangible and intangible assets	-30,514	-29,521
Proceeds from disposal of tangible and intangible assets	33,087	18,998
Subsidiary shares bought	0	-1,050
Subsidiary shares sold	0	10,549
Proceeds from investments consolidated using the equity method	3,592	0
Other investments	0	-90
Proceeds from disposal of other investments	7,769	-6,949
Increase (-)/decrease (+) in long-term loan receivables	7,294	2,844
Increase (-)/decrease (+) in short-term loan receivables	8,348	9,346
Dividends received from operating activities	0	92
Cash flow from investing activities	**29,476**	**4,218**
Cash flow from financing activities		
Proceeds from hybrid bond	50,000	0
Increase (+)/decrease (-) in short-term loans	-1,271	-3,692
Proceeds from long-term loans	815	70,137
Repayment of long-term loans	-27,020	-96,912
Dividends paid	-4,000	-12,000
Group contributions paid	0	0
Cash flow from financing activities	**18,525**	**-42,466**
Change in cash and cash equivalents	**86,697**	**4,183**
Cash and cash equivalents opening balance	7,516	3,333
Change in cash and cash equivalents	86,697	4,183
Cash and cash equivalents at end of period	94,213	7,517

PARENT COMPANY'S NOTES

1. Accounting principles applied in the financial statements

Vapo Oy's financial statements have been prepared in accordance with the Finnish Accounting Act. The Group has adopted the international financial reporting standards (IFRS) as of 1 January 2006.

Currency-denominated items and derivative agreements
Foreign exchange-denominated business transactions are recognised at the exchange rate of the transaction date and assets and liabilities on the balance sheet at the closing date are translated at the exchange rate on the closing date. Exchange rate differences are recognised in exchange rate differences in financing.

Derivative agreements made to cover currency risks are measured at the exchange rate at the closing date. The interest factor included in derivatives is allocated to the agreement period, and exchange rate differences of agreements hedging liabilities or receivables on the balance sheet are recorded as exchange rate differences in financial income and expenses.

Turnover and principles of revenue recognition
Revenue recognition takes place when the output is handed over. In calculating turnover, the indirect taxes, discounts granted and complaint-related reimbursement is deducted from the proceeds of sale.

Other operating income and expenses
Other operating income includes capital gains from property, plant and equipment, rental revenue, gains from emission rights sold and received subsidies. Other operating expenses include capital losses from property, plant and equipment, actual expenses of emission rights and sale freight expenses, credit losses, sales provisions and other operating expenses.

Research and development expenditure
Research and development expenditure is recognised through profit or loss for the year during which they are incurred.

Property, plant and equipment and depreciation
The balance sheet values of property, plant and equipment is based on initial cost less annual depreciation and impairment. Property, plant and equipment is depreciated according to plan based on the financial useful life using the straight-line method or based on use. Economic lifetimes are 5–10 years for intangible assets and 3–40 years for tangible assets.

Emission rights
Emission rights are handled as intangible rights measured at cost. The measurement value of emission rights received without consideration is nil. A provision for fulfilling the obligation to return the emission rights is recorded if the emission rights received without consideration are not sufficient to cover the actual amount of emissions. Therefore, the possible impact on the result is the difference between actual emissions and emission rights received.

Leasing
In the parent company's financial statements, leasing fees are recognised as an annual expense.

Inventories
Inventories are measured at the less of cost or probably replacement value or sales price. The value of inventories is determined using the FIFO method. The cost of inventories also includes the allocated part of fixed procurement and manufacturing expenses, which as allocated to products according to the normal utilised capacity of the production unit. The inventories of peat production include peat reserved processed ready for sale, i.e. the peat sales inventory. Peat reserves not processed ready for sale are handled as peat substance in fixed assets and depreciated according to use.

Taxes
Income taxes are recognised in accordance with Finnish tax legislation. Deferred tax assets are presented in the notes.

2. Turnover

EUR 1,000	2017	2016
Finland	237,393	246,899
Other countries	4,507	5,080
Total	**241,900**	**251,978**

3. Other operating income

EUR 1,000	2017	2016
Rental revenue	392	511
Grants and public subsidies	255	248
Capital gains from equity	5,946	3,907
Other income	2,213	2,908
Total	**8,805**	**7,574**

4. Materials and services

EUR 1,000	2017	2016
Purchases during the financial period	-46,572	-53,582
Change in inventories	-1,211	-918
External services	-42,308	-49,056
Total	**-90,092**	**-103,555**

5. Notes concerning personnel and members of administrative bodies

EUR 1,000	2017	2016
Personnel expenses		
Salaries and fees	-19,134	-21,308
Pension expenses	-3,335	-4,086
Other personnel expenses	-1,037	-1,049
Total	**-23,506**	**-26,443**
Management salaries, fees and fringe benefits total		
CEO and CEO's deputy	518	456
Members of the Board of Directors	191	181
Members of the Supervisory Board	36	23
Other Management Team members	1,138	1,375
Total	**1,884**	**2,035**
Number of personnel		
Average during the financial period	360	451

6. Depreciation and impairment

EUR 1,000	2017	2016
Intangible rights	-1,610	-2,125
Buildings and structures	-1,567	-1,695
Machinery and equipment	-10,026	-9,633
Other tangible assets	-6,637	-6,384
Planned depreciation	-19,840	-19,837
Impairment of equity assets	-1,752	-789
Planned depreciation and impairment total	**-21,592**	**-20,626**

7. Other operating expenses

EUR 1,000	2017	2016
Rents	-8,436	-8,596
Cost of sales freight	-34,556	-35,622
Capital losses from equity	-4,554	-7,790
Audit costs, actual audit	-111	-113
Audit costs, other expert services	-80	-113
Audit costs, tax advice	0	0
Audit costs total	-190	-227
Other expenses	-36,712	-36,381
Other operating expenses total	**-84,448**	**-88,616**

8. Financial income and expenses

EUR 1,000	2017	2016
Dividend income from Group companies	0	50
Dividend income from others	0	41
Income from shares	0	92
Interest income from Group companies	3,838	3,431
Interest income from others	369	301
Other financial income from others	399	20
Other interest and financial income	4,605	3,751
Interest expenses to Group companies	-81	-100
Interest expenses to others	-9,736	-9,755
Other financial expenses to others	-918	-611
Other interest and financial income	-10,736	-10,467
Financial income and expenses total	**-6,130**	**-6,624**
Foreign exchange gains	4,472	3,741
Foreign exchange losses	-4,373	-3,785
Exchange rate differences in financing	**99**	**-44**

9. Appropriations

EUR 1,000	2017	2016
Change in depreciation difference		
Intangible assets	-744	370
Buildings and structures	1,337	190
Machinery and equipment	2,639	-1,555
Other tangible assets	-1,274	992
Total	**1,958**	**-3**
Change in voluntary provisions		
Increase in replacement reserve		-320
Use of replacement reserve	320	
Total	**320**	**-320**

10. Direct taxes

EUR 1,000	2017	2016
Income taxes from actual operations	-2,413	-1,255
Taxes for previous financial periods	12	4
Total	**-2,401**	**-1,251**

11. Intangible assets

EUR 1,000	Intangible rights	Other intangible assets	Prepayments	Total
Cost 1 May 2016	24,191	1,713	1,134	27,037
Increase	740	76	4,067	4,883
Decrease	-517	0	0	-517
Transfers between items	4,480	0	-4,480	0
Cost 30 April 2017	28,894	1,788	721	31,403
Accumulated depreciation 1 May 2016	-20,014	-90	0	-20,104
Accumulated depreciation on decrease and transfers	81	0	0	81
Depreciation for the financial period	-1,476	-134	0	-1,610
Accumulated depreciation 30 April 2017	-21,409	-224	0	-21,633
Book value 30 April 2017	**7,486**	**1,564**	**721**	**9,771**

EUR 1,000	Intangible rights	Other intangible assets	Prepayments	Total
Cost 1 May 2015	23,551	1,713	290	25,553
Increase	864	0	1,537	2,401
Decrease	-791		-126	-917
Transfers between items	567		-567	0
Cost 30 April 2016	24,191	1,713	1,134	27,037
Accumulated depreciation 1 May 2015	-18,179	-22	0	-18,201
Accumulated depreciation on decrease and transfers	222			222
Depreciation for the financial period	-2,056	-69		-2,125
Accumulated depreciation 30 April 2016	-20,014	-90	0	-20,104
Book value 30 April 2016	**4,177**	**1,623**	**1,134**	**6,934**

12. Tangible assets

EUR 1,000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and unfinished acquisitions	Total
Cost 1 May 2016	39,415	53,130	215,196	286,658	41,569	635,968
Increase	240	17	3,536	-317	22,156	25,631
Decrease	-2,140	-10,693	-10,956	-17,673	-479	-41,942
Transfers between items	0	1,201	5,733	14,893	-21,827	0
Cost 30 April 2017	37,515	43,655	213,509	283,562	41,418	619,658
Accumulated depreciation 1 May 2016	-351	-30,912	-143,196	-138,126	0	-312,585
Accumulated depreciation on decrease and transfers	0	6,659	2,518	4,978	0	14,154
Depreciation for the financial period	0	-2,059	-11,114	-6,641	0	-19,814
Impairment	-168	0	0	0	0	-168
Accumulated depreciation 30 April 2017	-351	-30,912	-143,196	-138,126		-312,585
Book value 30 April 2017	**36,995**	**17,342**	**61,717**	**143,773**	**41,418**	**301,245**

EUR 1,000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and unfinished acquisitions	Total
Cost 1 May 2015	39,657	53,430	222,324	282,051	51,450	648,912
Increase	548	-607	3,526	0	23,676	27,142
Decrease	-790	-1,898	-22,194	-14,981	-224	-40,086
Transfers between items	0	2,206	11,540	19,588	-33,333	0
Cost 30 April 2016	39,415	53,130	215,196	286,658	41,569	635,968
Accumulated depreciation 1 May 2015	-299	-30,676	-146,384	-142,187	0	-319,547
Accumulated depreciation on decrease and transfers	0	1,459	12,821	10,445	0	24,725
Depreciation for the financial period	-52	-1,695	-9,633	-6,384	0	-17,764
Impairment	0	0	0	0	0	0
Accumulated depreciation 30 April 2016	-351	-30,912	-143,196	-138,126	0	-312,585
Book value 30 April 2016	**39,064**	**22,218**	**72,000**	**148,532**	**41,569**	**323,383**

13. Investments

EUR 1,000	Shares in Group companies	Shares in associates	Other shares and participations	Total
Cost 1 May 2016	117,307	7,962	7,983	133,251
Increase	0	0	0	0
Increase, intra-Group mergers and acquisitions	0	0	0	0
Decrease	0	-7,064	-7,272	-14,336
Decrease, mergers and acquisitions	0	0	0	0
Decrease, intra-Group mergers and acquisitions	0	0	0	0
Impairment	0	0	0	0
Book value 30 April 2017	**117,307**	**898**	**711**	**118,915**

EUR 1,000	Shares in Group companies	Shares in associates	Other shares and participations	Total
Cost 1 May 2015	128,205	7,962	7,892	144,060
Increase	1,050	0	90	1,140
Increase, intra-Group mergers and acquisitions	0	0	0	0
Decrease	0	0	0	0
Decrease, mergers and acquisitions	-11,949	0	0	-11,949
Decrease, intra-Group mergers and acquisitions	0	0	0	0
Impairment	0	0	0	0
Book value 30 April 2016	**117,307**	**7,962**	**7,983**	**133,251**

14. Inventories

EUR 1,000	2017	2016
Materials and supplies	23,436	24,521
Work-in-progress	7,085	6,696
Finished products	52,691	72,489
Prepayments from inventories	137	134
Inventories total	**83,348**	**103,839**

15. Long-term receivables

EUR 1,000	2017	2016
Receivables from Group companies		
Loan receivables	118,073	124,215
Loan receivables from others	3,183	3,183
Other long-term receivables from others	0	1,400
Total	**121,257**	**128,798**

16. Short-term receivables

EUR 1,000	2017	2016
Receivables from Group companies		
Sales receivables	1,014	678
Loan receivables	11,071	19,419
Accrued income	88	113
Receivables from associates		
Sales receivables	45	62
Accrued income	17	17
Receivables from others		
Sales receivables	28,226	30,415
Loan receivables	200	5,299
Accrued income	5,292	8,438
Other receivables	2,267	2,684
Total	**48,220**	**67,126**

Essential accrued income items		
Allocated taxes	531	1,558
Other accrued income from sales	2,487	4,836
Other accrued income from expenses	2,274	2,044
Total	**5,292**	**8,438**

17. Shareholders' equity

Restricted equity

EUR 1,000	2017	2016
Share capital	50,456	50,456
TOTAL RESTRICTED EQUITY ON 30 APRIL	**50,456**	**50,456**

Unrestricted equity

EUR 1,000	2017	2016
Other funds	30,096	30,096
Retained earnings at the start of the financial period	170,726	182,551
Dividend distribution	-4,000	-12,000
Profit for the period	5,659	175
TOTAL UNRESTRICTED EQUITY ON 30 APRIL	202,481	200,823

Account of funds available for the distribution of profit		
Retained earnings	166,726	170,551
Profit/loss for the period	5,659	175
DISTRIBUTABLE FUNDS	172,385	170,726

18. Mandatory provisions

EUR 1,000	2017	2016
Provision due to environmental obligations	2,970	3,273
Total	**2,970**	**3,273**

19. Long-term liabilities

EUR 1,000	2017	2016
Bonds	158,975	178,909
Hybrid bond	50,000	
Loans from financial institutions	40,881	145,131
Loans from Group companies	16,331	331
Connection fees	5,014	4,772
Advances received	846	1,271
Total	**272,046**	**330,413**

Repayment schedule of long-term interest-bearing debt (per calendar year)

EUR 1,000	2017	2018	2019	2020	2021	2022 ->	Total
Bonds	100,000	10,000	0	0	0	80,000	190,000
Hybrid bond	0	0	0	0	50,000	0	50,000
Loans from financial institutions	0	25,000	60,000	50,000	0	881	135,881
Financial leasing liabilities	1,191	1,785	1,794	1,804	1,814	24,046	32,434
Total	**101,191**	**36,785**	**61,794**	**51,804**	**51,814**	**104,927**	**408,314**

20. Current liabilities

EUR 1,000	2017	2016
Loans from financial institutions	125,000	27,020
Advances received	7,967	13,902
Accounts payable	14,365	12,873
Liabilities to Group companies:		
Accounts payable	566	536
Other liabilities	23,246	33,999
Accrued expenses	34	2
Liabilities to joint ventures:		
Accounts payable	4	14,715
Advances received	18	28
Other liabilities	213	166
Other liabilities	6,189	10,421
Accrued expenses	12,150	10,683
Total	**189,753**	**124,344**

21. Contingent commitments

EUR 1,000	2017	2016
Other guarantees given on behalf of own commitments	**0**	**0**
Guarantees	16,349	24,273
Assets pledged	0	0
Total	16,349	24,273
Contingent commitments on behalf of Group companies		
Guarantees	10,752	11,312
Other contingent commitments	0	0
Total	10,752	11,312
Other contingent commitments		
Derivative agreements	290,216	345,880
Contingent commitments on behalf of associates		
Guarantees	0	4,300
Other rental liabilities		
Rental liabilities maturing in less than one year	2,434	1,914
Rental liabilities maturing within 1–5 years	3,884	3,784
Rental liabilities maturing later	2,157	0
Total	**8,475**	**5,698**

The parent company is an investor in the Nefco Carbon fund. The fund generates emission reductions that can be used to satisfy emission right obligations. The purchasing obligations for emission reductions amounted to EUR 0.2 million on the closing date.

The parent company has land lease agreements for peat production. At the end of the financial year, annual and land area-based lease liabilities totalled EUR 11.0 million.

Year of payment	Lease amount (based on 2016)	Number of agreements	Year of payment	Lease amount (based on 2016)	Number of agreements	Year of payment	Lease amount (based on 2016)	Number of agreements
2017	925,246	1044	2031	307,033	267	2045	28,439	28
2018	911,401	1007	2032	268,392	249	2046	26,577	24
2019	865,815	966	2033	223,243	192	2047	18,085	19
2020	845,706	928	2034	197,875	175	2048	17,231	16
2021	832,373	891	2035	132,925	119	2049	16,012	15
2022	800,113	846	2036	96,674	91	2050	14,769	14
2023	667,642	563	2037	87,868	84	2051	14,329	13
2024	609,650	546	2038	74,915	73	2052	10,050	5
2025	576,944	513	2039	65,681	67	2053	9,844	4
2026	496,622	423	2040	58,543	60	2054	9,844	4
2027	449,931	398	2041	44,002	43	2055	474.62	3
2028	405,646	337	2042	41,891	39	2056	474.62	3
2029	394,949	331	2043	35,751	34	2057	474.62	3
2030	369,062	313	2044	34,299	32			

Other financial liabilities

The company is obligated to revise its value added tax deductions for completed property investments if the taxable use of the property decreases during the period under review.

	Maximum liability EUR 1,000	Last review year
Investment completed in 2008	163	2017
Investment completed in 2009	231	2018
Investment completed in 2010	22	2019
Investment completed in 2011	130	2020
Investment completed in 2012	77	2021
Investment completed 012013-042014	63	2023
Investment completed 052014-042015	175	2024
Investment completed 052015-042016	464	2025
Investment completed 052016-042017	760	2026
Total	**2,085**	

The company has made a commitment to purchasing Peatmax Oy's products for EUR 19.5 million and services for EUR 8.6 million during the period 1 September 2013–31 August 2018. At the end of the financial year, the accrued purchases amounted to EUR 18.5 million.

Principles for calculating key figures

EBITDA	=	Operating profit + Depreciations and impairment +/- Shares of associates’ results	
Working capital	=	Inventories + Non-interest-bearing receivables of businesses - Non-interest-bearing debt	
Restricted capital	=	Fixed assets of businesses + Working capital	
Turnover of restricted capital	=	$\frac{\text{Turnover rolling 12 months}}{\text{Restricted capital (on average)}}$	
Return on invested capital % (ROIC)	=	$\frac{\text{Operating profit rolling 12 months}}{\text{Restricted capital (on average)}}$	X 100
Return on equity %	=	$\frac{\text{Profit before taxes rolling 12 months - income tax}}{\text{(Shareholders' equity + minority interest) on average}}$	X 100
Liquidity	=	$\frac{\text{Short-term on-interest bearing receivables}}{\text{Short-term non-interest-bearing liabilities}}$	
Equity ratio %	=	$\frac{\text{Shareholders' equity + minority interest + capital X 100}}{\text{Balance sheet total – advances received}}$	
Interest-bearing net debt	=	Interest-bearing debt - Interest-bearing loans receivable - Cash and cash equivalents	
Gearing %	=	$\frac{\text{Interest-bearing net debt}}{\text{Shareholders' equity + minority interest}}$	X 100
Free cash flow before taxes	=	EBITDA +/- Change in working capital – net investments	
Earnings/share	=	Profit attributable to owners of the parent company/Number of shares	
Shareholders’ equity/share	=	Parent company’s shareholders’ equity/Number of shares	
Dividend/share	=	Distribution of dividend for the financial period/Number of shares	
Dividend/profit %	=	100 * dividend/share / earnings/share	

Group key figures 2012–2017

EUR million	2012	04/2014	04/2015	04/2016	04/2017
Turnover	652.9	847.4	486.9	459.8	392.1
Growth %	-7.4	29.8	0.0	-5.6	-5.0
Operating margin (EBITDA)	52.1	110.8	74.7	43.1	56.9
% of turnover	8.0	13.1	15.3	9.4	14.5
Depreciation	-42.0	-54.2	-39.3	-35.0	-35.6
Impairment	-0.6	-3.8	-0.7	-0.8	-2.4
Operating profit (EBIT)	9.1	50.0	36.9	8.6	20.0
% of turnover	1.4	5.9	7.6	1.9	5.1
Operating profit before impairment	9.7	53.9	37.6	9.4	22.4
% of turnover	1.5	6.4	7.7	2.1	5.7
Net financial items	-6.4	-17.2	-13.5	-9.7	-9.8
Profit/loss before taxes	2.7	32.9	23.3	-1.1	10.2
Taxes	3.5	-10.2	-3.6	-3.4	-2.0
Profit/loss for the period	6.1	22.7	19.8	-4.4	8.1
Return on invested capital %	1.3	3.8	5.4	1.2	3.0
Return on invested capital before impairment %	1.4	4.4	5.5	1.4	3.4
Restricted capital on average	680.6	671.4	687.0	695.8	656.9
Turnover of restricted capital (turnover/restricted capital on average)	1.0	0.9	0.7	0.7	0.6
Average working capital	125.6	130.4	164.3	163.4	138.1
Average working capital % of turnover	19.2	15.4	33.7	35.5	35.2
Restricted capital at the end of the year	667.7	659.4	713.2	669.8	633.9
Working capital at the end of the year	116.9	144.2	176.9	140.2	125.6
Gross investments	48.0	65.0	88.4	38.5	39.6
% of turnover	7.4	7.7	18.1	8.4	10.1
Gross investments/depreciation	1.1	1.2	2.3	1.1	1.1
Operating margin	52.1	110.8	74.7	43.1	56.9
+/- Change in working capital	39.1	-27.4	-32.7	39.6	14.7
- Net investments	-26.9	-21.6	-67.1	-21.9	1.6
Free cash flow before taxes	64.4	61.9	-25.1	60.7	73.2
Balance sheet total	801.2	786.9	838.2	795.0	812.4
Shareholders' equity	294.7	305.2	304.4	288.2	339.7
Shareholders' equity (average)	296.8	300.5	297.4	296.1	313.0
Interest-bearing debt	368.2	340.2	408.1	384.5	368.5
Interest-bearing net debt	355.9	329.0	393.1	366.6	269.6
Equity ratio %	37.7	40.2	37.8	37.6	43.0
Gearing %	120.7	110.3	128.7	127.2	79.4
Interest-bearing net debt/operating margin	6.8	4.4	5.3	8.5	4.7
Liquidity	2.5	2.5	3.2	2.9	4.4
Return on equity %	2.1	1.3	6.6	-1.5	2.6
Dividend distribution	10.0	12.0	12.0	4.0	0.0
Dividend % of profit *	187.5	52.9	64.8	1.4	0.0
Personnel on average	1,154	1,091	961	914	773
Key figures per share					
Number of shares	30,000	30,000	30,000	30,000	30,000
Earnings/share, EUR *	178	683	617	-146	271
Shareholders' equity/share, EUR	9,483	9,763	10,106	9,571	11,311
Dividend/share, EUR	333	400	400	133	0

* = profit attributable to owners of the parent company

Note! The financial year 1.1.2013–30.4.2014 was 16 months long.

SIGNATURES TO THE FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

Vantaa, 20 June 2017

Board of Directors of Vapo Oy

Jan Lång
Chair

Hannu Linna
Vice Chair

Martti Haapamäki

Tuomas Hyyryläinen

Pirita Mikkanen

Minna Pajumaa

Minna Smedsten

Markus Tykkyläinen

Vesa Tempakka
CEO

Auditor's note

A report on the audit has been issued today.

Helsinki, 21 June 2017

KPMG Oy Ab

Ari Eskelinen
APA