

**SUSTAINABLE CHOICES,
VALUE FROM ONE
GENERATION TO
THE NEXT**



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ASPO IN BRIEF

Aspo is a conglomerate that creates value by developing and internationalizing its businesses persistently and responsibly in Northern Europe and growth markets. Aspo's goodwill generates from the wholly owned independent business operations which focus on demanding B-to-B customers.

NET SALES

540.9M€ ▲ +7.7%

OPERATING PROFIT

20.6M€ ▲ -10.8%

OPERATING PROFIT ADJUSTED BY THE IMPAIRMENT LOSS RECOGNISED ON GOODWILL*

25.4M€



Telko is a leading expert and supplier of plastic raw materials and industrial chemicals in Finland and neighbouring areas. Company's competitive advantage is efficient logistics, technical customer service, as well as tailor-made deliveries directly to customer's production.

NET SALES

266.2M€ ▲ +1.5%

OPERATING PROFIT

12.1M€ ▲ +12.0%



ASPO

6%



Kauko is a specialist in demanding mobile knowledge work environments. Kauko solutions combine customized applications, devices and services. As of year 2019 Kauko will be reported as part of the Telko segment.

NET SALES

33.6M€ ▼ -13.0%

OPERATING PROFIT

-4.7M€ ▼ -2,250%

OPERATING PROFIT ADJUSTED BY THE IMPAIRMENT LOSS RECOGNISED ON GOODWILL*

0.1M€



LEIPURIN.

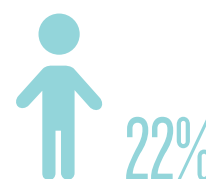
Leipurin is a unique provider of comprehensive solutions for bakery and confectionery products and the out of home (foodservice) market.

NET SALES

121.0M€ ▼ -1.1%

OPERATING PROFIT

3.3M€ ▲ +6.5%



ESL Shipping

ESL Shipping is the leading dry bulk cargo company in the Baltic Sea region. ESL Shipping's competitive edge is based on its ability to secure product and raw material transportation for the industries and energy production round the year, even in difficult weather conditions.

NET SALES

120.1M€ ▲ +51.5%

OPERATING PROFIT

15.1M€ ▲ +11.9%

* Operating profit adjusted by an impairment loss of EUR 4.8 million recognized on Kauko's goodwill.

OPERATING ENVIRONMENT

The global economy is expected to continue its growth, albeit at a slower pace, in the operating environment of Aspo and its businesses. The economies in Russia and in eastern markets will continue their moderate growth, while political risks and international sanctions imposed on Russia have maintained a high level of risks in the market area, meaning that future development is difficult to predict. As Aspo's businesses serve corporate customers, general economic development and any trade barriers or free trade have an impact on the demand and production conditions of customer companies. Aspo's businesses differ from each other, particularly in terms of the impact of economic cycles. Telko is pre-cyclical, ESL Shipping's operations focus on mid-cycles in accordance with the general economic situation, and Leipurin is post-cyclical.

Exchange rates are expected to continue to fluctuate in 2019. Exchange rates in eastern growth markets have the biggest and quickest effects on Aspo. Aspo's businesses are less sensitive to changes in exchange rates than the average, as there are no major capital investments in the area, and their operations are based on stocks with a high rotation rate and on

broad customer clusters. Economic growth in the EU, and especially in Finland, has been high, even though it is expected to slow down in 2019. Industrial production is expected to slow down in the main market areas of Aspo's businesses in Northern Europe. The growth is expected to continue in Aspo's businesses, although there is always the risk of economic changes.

Changes in raw material prices have an impact on the net sales and profitability of Aspo's businesses. Changes in oil prices

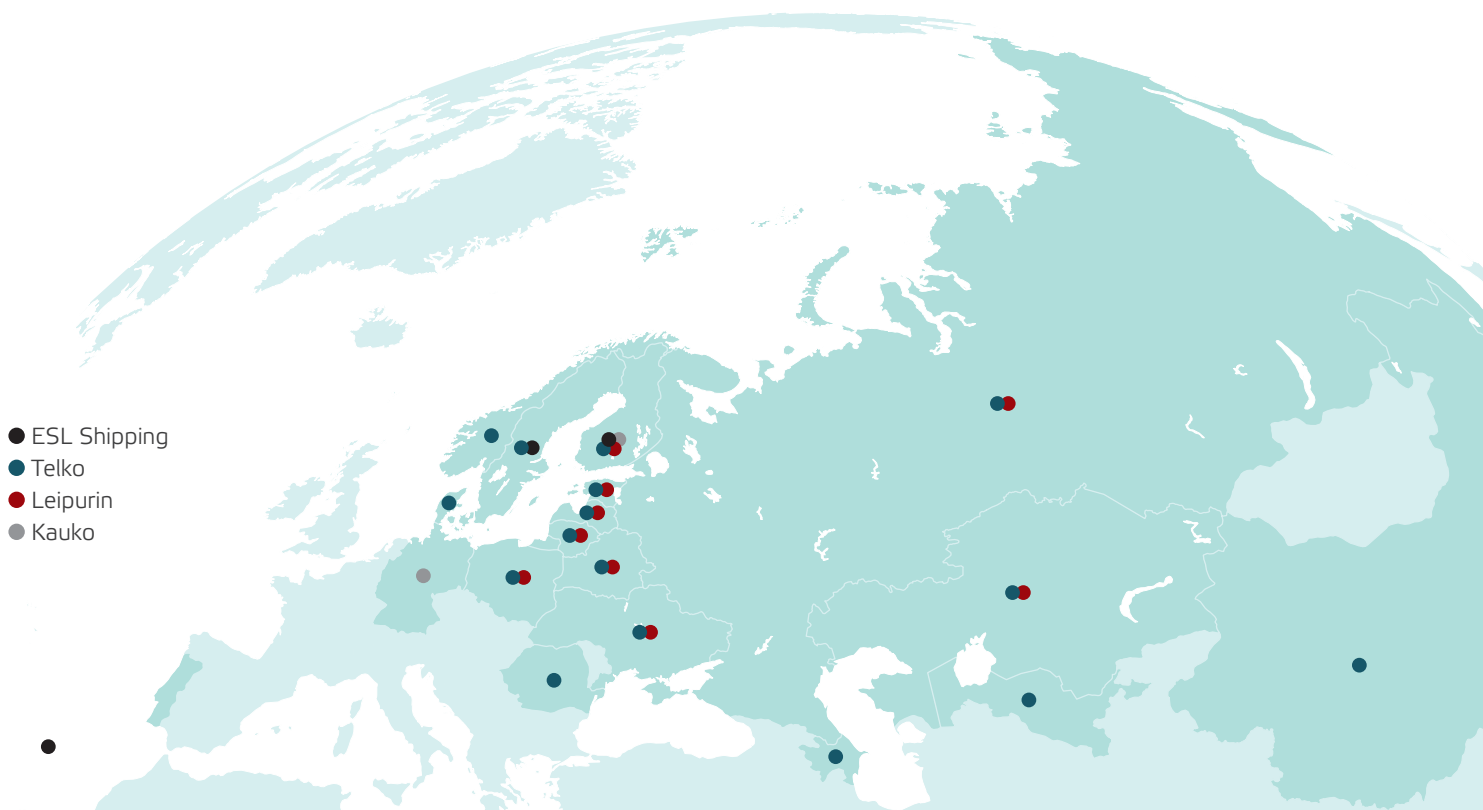
have the biggest impact on Telko through changes in the prices of sold raw materials. In ESL Shipping's operations, oil prices have an impact on fuel expenses. The weather and, in particular, extreme conditions have an impact on all businesses. ESL Shipping is affected by ice and wind conditions, whereas Leipurin is affected by the production volume and quality of seasonal products. Through responsible operations, Aspo aims to reduce the environmental impact of its activities.



THE GROWTH IS EXPECTED TO CONTINUE IN ASPO'S BUSINESSES.

Aspo have operations in 18 countries

Finland	Denmark	Lithuania	Poland	Ukraine	China
Sweden	Estonia	Portugal	Russia	Kazakhstan	Uzbekistan
Norway	Latvia	Germany	Belarus	Azerbaijan	Romania



LEAP TO GROWTH



” INVESTMENTS
AND ACQUISITIONS
MADE IN 2018
WILL FURTHER
STRENGTHEN OUR
CASH FLOW.

Aspo saw positive growth in 2018. Our net sales reached a record high of EUR 540.9 million, and we had the best operating profit in our history before the impairment loss recognized on Kauko's goodwill.

ESL Shipping, Leipurin, Telko and Kauko, businesses wholly owned by Aspo, all improved their results during the year. These are internationally expanding companies, which gain significant benefits of scale as they grow. Our cash flow, accumulated from the different business functions and market areas typical of a conglomerate, combined with our management resources enables the active long-term development of these businesses. Aspo's value can thus also increase in the coming years.

NEW DIVIDEND PROMISE

As a conglomerate, Aspo has a broad strategic vision of the development of the operating environment and, if required, the ability to make agile moves for our businesses. At the end of the year, we analyzed Kauko's development and future outlook. We stated that the company has not met Aspo's goals and decided that, considering Aspo's value creation, it is best to restructure Kauko's operations. At the same time, an impairment loss on Kauko's goodwill was recognized. This had no impact on cash flow, but it reduced the Group's earnings per share in 2018. Kauko's operating profit adjusted by the impairment loss on goodwill improved in 2018.

Investments and acquisitions made during the year will further strengthen our cash flow in the future. Our Board of Directors therefore decided in November to renew our promise to our investors that Aspo's goal is to annually increase the amount of dividends.

SUSTAINABILITY PREREQUISITE FOR VALUE CREATION

We believe that socially, financially and environmentally responsible operations are a prerequisite for long-term value creation. As an active owner, we want to continuously develop our operations. In 2018, Aspo joined the UN's Global Compact initiative, thus committing to adopting, supporting and implementing its ten principles related to human rights, working life principles, the environment and the prevention of bribery within our scope of influence.

Responsibility for the environment extends to our operations and means

that we need to ensure the reduction of our customers' environmental impact and the development of the entire business cluster. As a conglomerate, we have the necessary resources to make investments of a size which may not be available to individual businesses. Our large investments have also temporarily increased our indebtedness. The most important investments of the year were our new LNG-fueled vessels and the acquisition of AtoB@C, a Swedish shipping company. MS Viikki and MS Haaga, the two new dry bulk cargo vessels which started operating in the fall of 2018, are among the lowest emission vessels in the world. This vessel investment gives ESL Shipping a clear competitive edge, while solutions based on automation and environmental efficiency are driving the whole shipping industry forward.

RESPONSIBILITY CREATING COMPETITIVE EDGE

Promoting good operating practices in all of our countries is important to us. Following our own requirements, which are stricter in part than general regulations, is especially important in less developed markets. We believe that our ethical principles and our equal working community give Aspo's businesses a competitive edge and help us to keep

” **SOCIALLY, FINANCIALLY AND ENVIRONMENTALLY RESPONSIBLE OPERATIONS ARE A PREREQUISITE FOR VALUE CREATION.**

business risks under control. Human rights in our procurement chains play an important part in the social responsibility of our trade and logistics businesses. We therefore issued policies for our principals and service suppliers and developed our auditing practices during the year. We also continuously invest in training our personnel. We ensure that our policies are complied with and we intervene in any non-conformities.

FOCUS IN 2019 ON IMPROVING RESULTS

Financial responsibility means that our results are predictable and improve continuously. The increase in ESL Shipping's operations in 2018 will also bring significant improvements to its future results. The improving results of Telko and Leipuri through growth and the continuous improvement of their operation-

nal efficiency are also important in fulfilling Aspo's financial performance-based goals. Although our steady cash flow enables our gearing ratio to be temporarily higher than our target level, we will focus not only on improving our results, but also on reducing our indebtedness in 2019. The impact on our business operations of acquisitions and vessel investments made in 2018 will become visible during the first half of 2019. We are making good progress in reaching our long-term financial goals by 2020.

I would like to thank the entire personnel of the Group, our partners and other stakeholders for contributing to our success in 2018. Aspo's strong foundation is based on stronger management within our companies, significant investments and various business arrangements. We have all the elements we need to take the next step on our way toward growth.

” **WE ARE MAKING GOOD PROGRESS IN REACHING OUR LONG-TERM FINANCIAL GOALS BY 2020.**

Helsinki, February 14, 2019
Aki Ojanen, CEO of Aspo Group

STRATEGIC AREAS

Aspo's vision is to increase the value and competence over the long term, from generation to generation. Its goal is to build long-lasting customer relationships that are based on a strong partnership and accumulated special expertise. In this way, Aspo can best produce value for its shareholders.

DIVIDEND POLICY

Aspo's goal is to annually increase the amount of dividends. Aspo updated its dividend policy in November 2018. Starting from 2017, Aspo has adopted, among the first Finnish companies, a twice-a-year distribution policy.

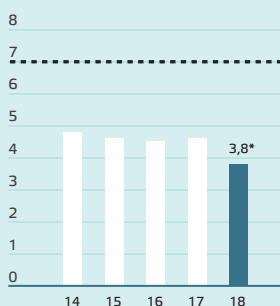


ASPO'S GOAL IS TO ANNUALLY INCREASE THE AMOUNT OF DIVIDENDS.

FINANCIAL TARGETS

Reaching our long-term financial targets by 2020 is proceeding as planned. The investments and acquisitions completed in 2018 strengthen our future cash flow even further.

OPERATING PROFIT %



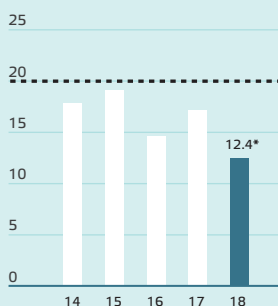
* The operating profit rate adjusted by the impairment loss recognized on goodwill was 4.7%.

----- Target 2020

7%

Aspo is able to reach its operating profit target of seven percent, above all, by investing in the development of its customer accounts and setting up a product and service range with a higher margin.

RETURN ON EQUITY (ROE) %



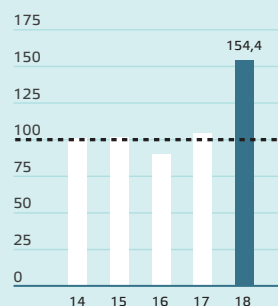
* Return on equity, adjusted by an impairment loss recognized on goodwill, was 16.2%.

----- Target 2020

20%

Aspo's objective is to reach an excellent ROE level of more than 20 percent on average.

GEARING %



----- Target 2020

100%

Aspo's target in terms of gearing is at most 100 percent. As a conglomerate, Aspo has a low business risk and thus able to withstand indebtedness better than companies with higher operational risks. Aspo uses leverage in its operations.

ASPO AS A CONGLOMERATE

Aspo has the will, skills and resources to develop its businesses in light of its far-reaching strategic vision, from generation to generation. Aspo's key expertise is to expand and internationalize medium-sized companies focusing on demanding B-to-B customers. Aspo

has considerably experience of building profitable businesses in developing markets. Being a conglomerate, Aspo also has significant profit-making potential.



OFFERING AN EXTENSIVE STRATEGIC UNDERSTANDING OF THE OPERATING ENVIRONMENT

FORMING A BALANCED ENTITY WITH DISPERSED CASH FLOWS ACCORDING TO BOTH BUSINESS AND GEOGRAPHICAL REGION



ENABLING STRUCTURAL ARRANGEMENTS. BUSINESSES CAN BE DEVELOPED DYNAMICALLY AND INDEPENDENTLY

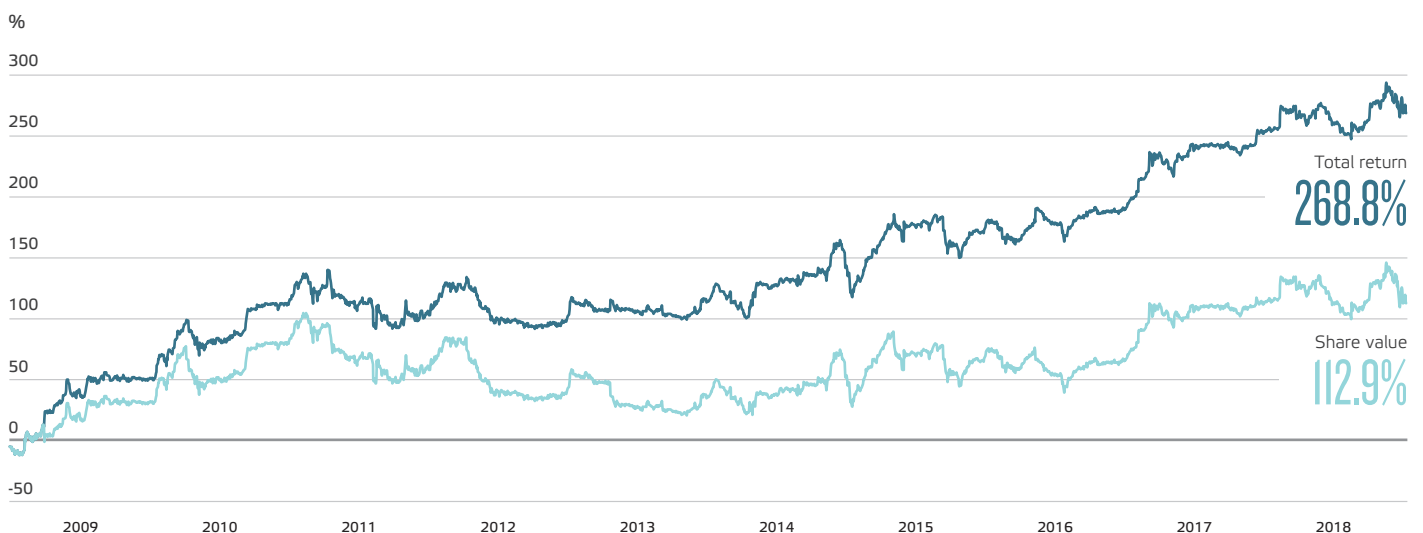


ENABLING LARGER INVESTMENTS, WHICH SINGLE BUSINESSES WOULD NOT NECESSARILY HAVE THE PREREQUISITES FOR

ESTABLISHING A STRUCTURE THAT BALANCES FLUCTUATIONS IN ECONOMIC SITUATIONS BECAUSE OF CYCLES THAT DIFFER FROM ONE SUBSIDIARY TO ANOTHER



The systematic internationalization of business operations, acquisitions, divestments and investments have increased the value of Aspo. The total return (value of the share and dividends paid) is almost 270%.





ASPO RESPONSIBILITY REPORT 2018

This report includes the Statement of Non-Financial Information as stipulated by the Finnish Accounting Act and EU Directive 2014/95/EU and describes Aspo's progress in implementing the principles of UN Global Compact.

WE SUPPORT



IN 2018, ASPO COMMITTED TO THE UN GLOBAL COMPACT PRINCIPLES

Aspo is a conglomerate that specializes in demanding B2B customers. It owns and develops businesses in nearly 20 countries in Northern Europe and in selected growth markets. Aspo's wholly-owned subsidiaries ESL Shipping, Leipurin, Telko and Kauko operate under their own strong brands and create value for their customers. The objective of the trade and logistics businesses is to be market leaders in their respective fields. Together, they create Aspo's value.

Aspo believes that long-term value creation requires social, financial and environmental sustainability in businesses. A responsibly led, growing company can create jobs, tax revenues and wellbeing. Customers, too, are increasingly interested in responsibility. Aspo acts like a good corporate citizen in all its operating countries. This means, for example, that Aspo always pays taxes in the country where the profits are made. Aspo treats its employees and stakeholders in a just and equal manner in all the countries where it operates.

Promoting good practice in all operating countries is important to Aspo. Following its own requirements that may in some aspects be stricter than the local regulations, is important, particularly, in less developed markets. Aspo takes climate change seriously and works to alleviate its impact not only in its own operations, but also on a broader scale. For example, investing in more eco-friendly dry bulk vessels helps ESL Shipping's customers to reduce their envi-

ronmental impact and drive the entire shipping industry forward.

Aspo's sustainability work is led by Aspo Group's CEO who reports to the Board of Directors in accordance with the company's risk management policy. Aspo Group's Code of Conduct and environmental policy form a common set of rules for responsible business.

→ **read more**
about Aspo Group's Code of Conduct

Since 2018 Aspo Plc has been committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labour, the environment and anti-corruption.

→ **read more**
about the Global Compact

Aspo's Code of Conduct addresses the legality of operations, business relations, personnel and safety and the company's assets and property. The Code of Conduct is available to all employees and related training is offered annually. In 2018, the renewed training program was completed by 100% (63%) of the personnel. The goal is that all employees complete the training every year. In addition, all subsidiaries adopted the Supplier Code of Conduct for goods and service suppliers in 2018, and the company started preparing compliance manuals for all subsidiaries. The manuals provide the personnel with practical instructions on how to work responsibly and include instructions related, for example, to the legality of operations, organization, business relations, data protection, confidentiality and financial sanctions. Leipurin and Telko adopted the manuals at the beginning of 2019. Other businesses will develop their manuals during 2019.

ESL Shipping is the leading dry bulk cargo company in the Baltic Sea region. In 2018, ESL Shipping's net sales were EUR 120.1 million, and its operating profit stood at EUR 15.1 million.

Leipurin is a unique provider of comprehensive solutions for the bakery and confectionery product and foodservice markets. In 2018, Leipurin's net sales totaled EUR 121 million, and its operating profit was EUR 3.3 million.

Telko is the leading expert and distributor of plastic raw materials and industrial chemicals in Finland and its neighboring areas. In 2018, Telko's net sales amounted to EUR 266.2 million, and its operating profit was EUR 12.1 million.

Kauko is a specialist in demanding mobile knowledge work environments. In 2018, Kauko's net sales were EUR 33.6 million. Kauko's operating profit adjusted by the impairment loss recognized on Kauko's goodwill was 0.1 million, and its operating profit stood at EUR -4.7 million. In December 2018, Aspo decided to reorganize Kauko's business, either by divesting or discontinuing the energy business and restructuring Kauko's mobile knowledge work and administration.

ENVIRONMENTAL SUSTAINABILITY



At Aspo, environmental responsibility is reflected in the choices its businesses make and the concrete actions they take for the environment. For example, environmental aspects steered the designing of the new vessels deployed by ESL Shipping in the autumn already from the start. Telko re-tendered its logistics operators in Russia in 2018, and the selection criteria included not only cost savings, but also more efficient logistics solutions and lower transport emissions.

The actions and choices are supported by the Group's environmental guidelines and requirements, which apply to all subsidiaries. Their key principle is the continuous improvement of operations. Aspo strives to address critical environmental issues in a way that exceeds the minimum level required by law and regulations. To address environmental aspects in supply chains, Aspo has prepared a Supplier Code of Conduct for its goods and service providers.

Reputation as a responsible company that takes into account environmental impacts is an important competitive factor for Aspo, because its customers and other stakeholders place value on environmental issues. If realized, environmental risks could cause significant financial losses or tarnish Aspo's reputation. The Group has identified, for example, the following as significant environmental risks: environmental damage resulting from Aspo's own operations and, in particular, the handling of fuel in the shipping business and the practices of its partners, for example, in the transport and storage of chemicals. Changing regulations, such as stricter environmental laws, changes to energy policies and the development of fuel taxation, can also have a significant impact on operating conditions and costs. Aspo actively monitors the regulatory situation and aims to develop its

THE LOWEST-EMISSION DRY BULK CARRIERS IN THE WORLD

ESL Shipping, a subsidiary of Aspo, frequently finds itself amid the environmental debate. We believe the only way to develop maritime transport is through solutions based on automation and environmental efficiency. During the past eight years, we have invested EUR 200 million in ESL Shipping. As part of this investment program, MS Viikki and MS Haaga, new dry bulk carriers that are among the lowest-emission vessels in the world, started operating in the Baltic Sea in autumn 2018.

The designing of the new vessels started five years ago. Both vessels use modern technologies, the most essential of which is the use of liquefied natural gas (LNG) in the main engine, three auxiliary engines and the heating boiler. These vessels, which are 160 meters long and have a carrying capacity of 25,600 dwt, emit over 50% less carbon dioxide than the previous vessel generation. Their environmental footprint is reduced by various groundbreaking solutions that aim to minimize emissions and energy consumption. Owing to innovative technologies, both vessels already meet the environmental requirements set for 2025.

MS Viikki and MS Haaga have been designed in Finland, and European equipment suppliers account for roughly 60% of the total value of the vessel investments. Both vessels were built at Jinling Shipyard in China, from where

NEW VESSELS EMIT



50%

FEWER CO₂-
EMISSIONS AND

98%

FEWER
PARTICULATE EMISSIONS

operations cost-efficiently and in a timely manner to manage any investment needs resulting from regulatory changes.

Aspo seeks to control risks associated with its own operations with good environmental management. Environmental protection is a key value for ESL Shipping which operates in the sensitive ecosystem of the Baltic Sea. It has a dedicated environmental management system and the ISO 14001 standard for environmental management systems.

In 2018, ESL Shipping registered 4 (2017: 5) non-conformities in environmental quality for minor oil spills at ports. All

oil spills were handled appropriately, and they did not have any consequences or cause further action by the authorities. One oil spill took place when 20 liters of fuel leaked from a damaged hose onto a pier, from where it was recovered properly. In the second incident, minor splashes were discovered under a refueling hose between a pusher and a barge. The refueling hose was replaced and contaminated snow recovered before any fuel leaked into the sea. In the third incident, a few liters of waste oil spread onto the deck of a vessel, from where it was recovered. In the final incident, a small leak of hydraulic oil through a cargo

bay door was discovered. The rapid action of the crew helped to limit the damage, and less than one liter of oil leaked into the sea. The total number of port visits by ESL Shipping vessels in 2018 was nearly 2,800 (the number includes figures for AtoB@C Shipping from September 1, 2018).

Telko is committed to the European Responsible Care program for chemicals trading. It obligates Telko to take environmental issues into account in its operations.

[→ read more
about Responsible Care](#)

they arrived in Finland fully laden via Japan and the Northern Sea Route. Using the Northern Sea Route cut the travel time by three weeks and emissions by over 40% compared with the Panama Canal route.



The commitment is verified regularly through external Safety & Quality Assessment System/European Single Assessment Document (SQAS/ESAD) evaluation.

→ **read more**
about the evaluation

Environmental management also includes auditing the storage facilities of Telko's partners. In 2018, audits were conducted in Latvia, Kazakhstan, Ukraine, Russia and Belarus.

As a result of these audits, Telko recommended that unpaved areas outside two storage facilities where chemical packages are stored or transported be paved. The storage and transport of packages in unpaved outdoor areas increases the risk of chemicals leaking out onto the soil as a result of a leak or an accident. Compliance with these recommendations will be monitored during control visits. Deficiencies in the storage of incompatible chemicals were discovered in a few storage facilities. Telko instructed the operators of these facilities to store chemicals that react with each other more safely. Compliance with these instructions will be monitored during control visits. In addition, Telko decided to prepare general guidelines for storage safety. These will be distributed to all Telko storage facilities during the first quarter of 2019.

Reducing the use of energy and raw materials is a key factor in reducing the environmental impact of Aspo's own oper-



BETTER MATERIAL RECYCLING WILL REDUCE THE AMOUNT OF WASTE

WASTE - LEIPURIN¹

tons	2018	2017	2016	Change ³ , %
Utilized	88.78	75.70	58.51	17.3
share of total sales ²	0.73	0.62	0.52	18.7
Landfill	298.36	300.74	385.23	-0.8
share of total sales ²	2.46	2.45	3.42	0.4
Energy	42.49	54.38	40.79	-21.9
share of total sales ²	0.35	0.44	0.36	-20.9

¹ Do not include test cafés and G'lato Fresco gelateria

² Share of total sales reported waste ton per EUR million

³ Change 2017–2018

ations. For ESL Shipping, the most significant environmental aspects are associated with improving the energy efficiency of its fleet and reducing its carbon footprint, for example, by optimizing the sailing speed and fuel economy of its vessels. ESL Shipping has made notable investments in improving its environmental efficiency. As part of these investments, ESL Shipping

deployed MS Viikki and MS Haaga, new dry bulk carriers that are the lowest-emission vessels in the world. In 2018, ESL Shipping also improved the way the waste generated onboard the vessels is measured. The next step for ESL Shipping is to begin preparations for investing in the ballast water treatment as required by upcoming regulations.

FOOD WASTE PUTS A STRAIN ON FINANCES AND THE ENVIRONMENT

Leipurin aims to reduce its environmental footprint by minimizing food waste and waste in general. Food waste, that is food that is discarded uneaten, places a burden on the environment, as it causes unnecessary greenhouse gas emissions. The hospitality sector accounts for roughly 20% of the total food waste in Finland. Discarded food also puts a strain on the company's finances.

Leipurin keeps a close eye on food waste in its entire supply chain and aims to analyze the causes of food waste generation.

Slightly more than half of Leipurin's food waste is caused by the disposal of products expired in Leipurin's own warehouse. The most common reason for products to expire is overestimated demand, particularly in the case of new and seasonal products and products with a short shelf life. For some products, the risk is increased by the supplier's high minimum production quantity in relation to demand.

Slightly more than one-fourth of food waste is caused by damage to packages resulting from incorrect handling during storage and transportation.

LEIPURIN'S
WASTE
DECREASED
BY
10 %

The volume of energy, excluding fuels, purchased by ESL Shipping, Telko, Kauko and other operations decreased clearly. The volume of energy purchased and reported by Leipuri increased in 2018 due to a new, more comprehensive energy reporting method in many of its operating countries. Altogether, Aspo Group's purchased energy, excluding fuels, totaled 5,707 (5,033) MWh in 2018. The growth of ESL Shipping's fleet through the acquisition and new vessels resulted in a significant increase in Aspo's sulfur and carbon dioxide emissions.

Reducing the use of raw materials saves resources. Decreased storage needs impact also energy consumption. This is why both Telko and Leipuri have focused on improving the efficiency of material recycling and, thereby, reducing the amount of waste. Special attention is paid to the volume and treatment of waste. The volume of waste generated by Leipuri has decreased since 2016 and, in 2018, Leipuri was able to increase the volume of recycled waste by 17.3% from the previous year.

In addition to reducing the environmental impact of its own operations, Aspo companies offer solutions that help their customers to address their environmental responsi-

bilities. For example, Kauko's mobile knowledge work solutions help its customers to improve the efficiency of their processes, for example, by means of route optimization and, as a result, reduce their environmental loads. Many devices, such as Toughbooks and Toughpads, have a fairly long life cycle, which helps to reduce the products' environmental impact. Eco-friendly products and services, such as solar power solutions and air source heat pumps, help to reduce carbon dioxide emissions and improve energy efficiency.

Telko wants to take part in changing the circular economy of plastics and to provide its customers with sustainable options, such as its new green products. Furthermore, Telko helps its customers to

use these new products. These products are mainly made of recycled plastics, contain significant amounts of recycled material or are fully or partly bio-based and/or biodegradable. Sustainable chemical products pay special attention to environmental protection. These include products used to clean up chemical and oil spills. In 2018, the green product range, focused on sustainability, made up 1.2% (1.5) of Telko's net sales. The sales of, for example, absorption and clean-up products increased, but all in all, the sales of the green product range were slowed down by challenges in product availability and the faster growth of other product lines. The product range is continuously developed from the point of view of sustainable development.

Another common cause for food waste is the delivery of incorrect products, whether due to miscalculation by the customer or an error made when inputting the order or during order picking in the warehouse.

Reducing food waste is one of Leipuri's key goals, and the progress is monitored on a monthly basis. In 2018, food waste decreased by roughly 10% by improving the inventory turnover ratio by seven days, elaborating the handling instructions and improving monitoring processes.

In 2019, the purchasing, sales and logistics units aim to reduce food waste at least by 25% and improve waste recovery by increasing the share of waste used in livestock feeding and recycling.



SOCIAL RESPONSIBILITY

Aspo's work as a responsible employer is guided by the Group's Code of Conduct and shared guidelines for HR and personnel development. Aspo respects the freedom of association of its employees and complies with local labor laws in each operating country. Furthermore, Telko also complies with the Code of Conduct of Fecc, the European Association of Chemical Distributors, and Kauko has prepared separate guidelines for its personnel.

➔ **read more**
about the Fecc principles

The most significant social risks are associated with occupational health and safety and the availability and commitment of the personnel. In addition, Leipuri's operations emphasize responsibility for product safety and quality. If realized, risks associated with social responsibility can have an impact on the reputation or competitiveness of Aspo or its businesses.

In a conglomerate such as Aspo, the staff's working environments range from cargo vessels to chemical warehouses. A safe working environment is a vital factor for Aspo. The goal is to achieve zero workplace accidents.

The Finnish Transport and Communications Agency Traficom and the global quality assurance and risk management company DNV GL have audited and certified ESL Shipping's operations and vessels in accordance with the International Safety Management (ISM) Code of the International Maritime Organization (IMO). In addition to the safe operation of ships, the ISM Code sets standards for the prevention of emissions. ESL Shipping collects information internally to examine and prevent near-miss incidents and accidents. To ensure safety, the possible substance use of crew members is monitored regularly by means of unannounced checks. In 2018, four cases where the company's substance abuse policy had been violated were discovered (2017: 1). These cases did not endanger maritime safety. Three of the cases led to termination of employment. The discoveries prove that the monitoring system works without compromising vessel safety.

Aspo strives to impact the availability and commitment of its employees, for example, by providing opportunities for professional development on all levels of the organization, building a motivating environment and ensuring wellbeing at work. Aspo conducts an annual work environment sur-

vey to assess its employees' satisfaction with their jobs, the quality of leadership and management and Aspo as an employer. In 2018, personnel satisfaction increased in four of the five categories and was at a good level. The experienced quality of leadership and management is affected by regular performance appraisals that covered 100% (99%) of the personnel in 2018. The entire onshore personnel participated in the 2018 development discussions. A separate performance appraisal system applies to ESL Shipping's maritime crew.

Aspo takes care of its employees' wellbeing at work by arranging the best possible physical and mental working conditions. For example, preventive actions and flexible work arrangements play a key part. The average tenure at the Group level was 7.00 (8.54) in 2018. The purpose of occupational health and safety is to maintain the employees' physical and mental working ability and, thereby, their high quality of life. This has a direct link to the company's success and profitability. In Finland, occupational health and safety issues are handled at the Group level by the occupational health and safety committee. In 2018, the com-

SATISFACTION WITH ONE'S OWN JOB AND SUPERIOR CONTINUED TO INCREASE IN 2018.

MOTIVATED EMPLOYEES ARE ASPO'S KEY ASSET

Employees are Aspo Group's key resource. The company's HR practices are based on the principle that all employees should be able to work in an inspiring and motivating environment.

All employees at all organizational levels are responsible for improving wellbeing at work by encouraging and supporting their colleagues. Moreover, all employees have the right to good management and proper treatment by their supervisors, subordinates and co-workers. It goes without saying that any type of discrimination or harassment due

to race, skin color, religion, gender, sexual orientation, age or any other reason is absolutely prohibited.

Common goals and programs have been set to develop the work environment. One of the most important factors regarding wellbeing at work is occupational safety: matters related to health and safety must not be neglected under any circumstances in the name of cost cutting or profit, particularly aboard vessels and in warehouses storing chemicals, other raw materials or food products. First actions to improve occupational safety have included day-to-day training, such as training on how to drive on slippery surfaces offered in autumn 2018, but there are also plans to offer, for example, training on travel safety in 2019. This will provide frequent travelers with information on health, crime and terrorism.

Employees are also encouraged to give feedback on the functionality of the company's principles through per-

ACCORDING TO INVESTORS, EMPLOYEE ENGAGEMENT AND SATISFACTION ARE KEY FACTORS WHEN ASSESSING THE RESPONSIBILITY OF ASPO'S OPERATIONS.

mittee had two meetings (2017: 2). Meetings were also held in different work locations. Additionally, each ESL Shipping vessel has an occupational health and safety committee, which covers the entire crew and meets four times a year.

A significant part of annual training is arranged by individual businesses based on their own special needs. For example, employees who install and repair Leipuri's production lines have completed special training, and ESL Shipping's employees are trained in accordance with the international STCW standard. In 2018, the shipping company had 332 (264) training days, and Leipuri invested heavily in training offered in its sales organization in order to increase solution sales.

As Leipuri operates in the food industry, counterfeit food, products of poor quality and health hazards directed at consumers, such as allergen contaminations, pose significant risks, which the company controls using established processes and practices. Leipuri assesses risks associated with product safety using a regularly updated risk analysis model. Foolproof batch monitoring allows deliveries to be identified and

returned as necessary. Customers, food authorities and external auditors audit Leipuri's operations several times a year. In Finland, Leipuri uses an ISO 9001:2015 certified quality management system for change and risk management and the continuous improvement of its operations. This system will be expanded, in particular, in terms of product safety. The goal is to certify the quality management systems of all operating units.

Aspo has a broad impact on the communities in which it operates. In emerging markets, Aspo aims to promote good operating principles. Kauko's core business includes supporting operations critical for

the Finnish society using reliable solutions that promote efficiency. Kauko is involved in digitalizing the public administration and improving efficiency in key sectors, such as rail, road and air traffic, healthcare and waste management. ESL Shipping is a significant organizer of maritime transport and plays a key role in securing Finland's emergency supply. After all, maritime transport accounts for 80% of the country's imports and 90% of its exports. ESL Shipping also has a key role in Finnish maritime training. Dozens of future seamen train aboard its vessels every year. In 2018, 90 (101) students trained on ESL Shipping's vessels as part of their studies.



formance appraisals and satisfaction surveys. The goal is to have no scores of 1 or 2 (on a scale from 1 to 5).

Employee satisfaction with their job business area and the Aspo Group has improved steadily. In 2018, satisfaction with the Aspo Group rose to 4.24 (4.17) on a scale from 1 to 5. Another good sign of commitment are long careers. Nearly 30% of all employees have been with the company for more than 10 years, and there are dozens of people who have worked at Aspo for more than 30 years.



HUMAN RIGHTS

Aspo is committed to respecting internationally recognized human rights as defined by the United Nations Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights. Aspo treats its employees in a just and equal manner in all the countries where it operates. The applicable local legislation and regulations are complied with in all contracts of employment. These concern, among other things, working hours, remuneration, development opportunities, human rights and working conditions.

Aspo uses a whistleblowing channel for reporting any human rights violations. The matters reported through the whistleblowing channel are received by the Group's Legal Counsel and discussed within Aspo's Board of Directors. In 2018, no confirmed cases of violations were reported through the channel. During the comparative year, no confirmed violations were received through the whistleblowing channel, but one case of discrimination was reported to the HR management. The case was processed appropriately.

Employees are informed of the whistleblowing channel, for example, in conjunction with the Code of Conduct training. In the annual work environment survey, employees are asked if they are aware of the whistleblowing channel. In the 2018 survey, 92% (76%) of all respondents stated that they are aware of the Group's internal whis-

92%
OF PERSONNEL KNOWS
HOW TO REPORT
MISCONDUCTS

teblowing procedure in the case of potential misconduct. The objective is to make all employees aware of the whistleblowing channel and motivate them to use it if they discover any actions or other misconduct in breach of the Code of Conduct.

Aspo's Code of Conduct absolutely prohibits any discrimination of employees on the basis of race, color of skin, religion, gender, sexual orientation, nationality, age or any other factor. Aspo considers equality to be important and measures it using the work environment survey. Employees consider the level of equality to be high: the score given to the question "Are men and women treated equally?" was 4.39 (4.53) on a scale from 1 to 5.

Aspo's processes prevent the use of child labor, forced labor or bonded labor in

the Group's operations. Aspo has recognized the seriousness of the risk of human trafficking and of human rights violations related to the so-called conflict minerals, for example, in raw material trade, in the Group's supply chains. When selecting new suppliers, Aspo's businesses evaluate factors related to human rights, the environment, social responsibility and the prevention of corruption and bribery. During 2018, all of Aspo's businesses launched the Supplier Code of Conduct to ensure proper operating practices.

Many of the companies that ESL Shipping, Telko and Kauko partner with are significant, often global operators with which Aspo's businesses have a long-term relationship and which have their own established processes for responsible supply chain management. Leipurin has a broad network of partners, more than 550 suppliers, many of which are small local operators. Aspo's businesses continuously improve the monitoring of different supply chains. In addition to new supplier audits, Telko has conducted occupational safety, quality and environmental audits at the storage facilities it uses. In 2018, Telko also launched a pilot project for responsibility audits. On-site audits related to this project that were planned for 2018 will be conducted during the first quarter of 2019. Based on the experiences obtained from this project, Telko will develop a proper process for auditing the responsibility of its suppliers. Leipurin will also focus on developing the audits targeted at its existing suppliers in 2019.

SUCCESS IS BUILT ON OPEN INTERACTION

The success of Telko and its subcontractors is based on open interaction, compliance with agreements and mutual trust. Telko prepared a Code of Conduct for its suppliers in 2018 and requires that all its subcontractors comply with it.

In 2018, audits were carried out at storage facilities used by Telko in many countries. As a result of these interviews and visits, minor non-conformities were discovered. These have already been reported to the partners in question. Compliance with recommendations and guidelines will be verified during control visits. Based on the audits,

chemical safety guidelines will be prepared for all storage facilities.

Telko is currently developing a system for responsible supply chain management. A process for responsibility audits will also be built on the basis of on-site audits to be conducted during 2019. Key areas include corruption and bribery, the environment, human rights, occupational health and safety, and taxes and other levies.

Addressing risks already at the supplier selection stage is the most effective way of preventing corruption. Responsibility in the supply chain is also increased by actively highlighting the theme, for example, by demanding suppliers to prepare their own Codes of Conduct. In addition, suppliers are also asked to report on how they monitor their own subcontractors. Compliance with the Code of Conduct is also monitored by means of compliance audits that cover, for example, bribery, sanctions, competition,

ANTI-CORRUPTION AND ANTI-BRIBERY MEASURES

Aspo understands that it operates in markets where, according to Transparency International, corruption is common. These areas include Russia and Ukraine. To prevent any misconduct, the use of cash has been minimized in Aspo's businesses. Aspo's Internal Audit and Legal Affairs conduct audits within all businesses in accordance with annual plans. In 2018, Internal Audit discovered that the expansion of the Rauma customs warehouse was in use before the approvals required had been obtained. The case was processed and internal instructions were specified.

100%
OF THE PERSONNEL
COMPLETED THE CODE OF
CONDUCT TRAINING

Aspo's Code of Conduct absolutely prohibits corruption and bribery in all their forms. The Code of Conduct training includes anti-corruption issues and provides guidance for identifying any suspicious situations and practices that are considered to be unethical. Telko supplements this with more detailed guidelines regarding bribery and complies with the Fecc Code of Conduct.

The most important tool for preventing corruption and bribery is responsible supply chain management. To ensure proper operating practices, Aspo prepared a Supplier Code of Conduct for goods and service providers in all its businesses in 2018 and started preparing compliance manuals that steer the practical work in each business. In addition, Telko and ESL Shipping conduct supplier risk assessments. Leipurin's objective is, through its new quality management system, to further clarify its supplier criteria related to anti-corruption and anti-bribery.

Two cases of misconduct were discovered in 2018. The first case was processed during the year. After investigation, it was held that misconduct had taken place, leading to the dismissal of one person from

ESL Shipping. The investigation of the second case is still in progress. No misconduct related to corruption or bribery was reported through Aspo's whistleblowing channel in 2018 nor the reference year.



conflicts of interest, and the use of the whistleblowing channel. In China, for example, Telko's purchasing officer audits the activities of Telko's suppliers.

Human rights play a key part in all Telko's partnerships. Subcontractors are required to comply with international human rights laws and treat all employees equally and with respect. Telko also pursues a zero tolerance policy towards the use of child labor and all forms of forced labor.

A good indicator of the open interaction is that clients also expect Telko to comply with their Codes of Conduct and audit Telko's operations. Two-way cooperation improves the ethical aspects in the entire supply chain.

DEVELOPMENT AND REPORTING OF RESPONSIBILITY

Aspo is committed to monitoring the standard of responsibility of its operations and the related risks and liabilities in accordance with internationally approved auditing methods. Aspo develops the responsibility of its operations together with its subsidiaries. As part of this work, Aspo conducted an investor survey at the end of 2018 to identify relevant responsibility themes. The results of the survey will be put into practice in 2019.

Aspo's application to join the UN Global Compact initiative (at the signatory level)

was approved in 2018, and Aspo thereby committed to adopting, supporting and implementing the initiative's ten principles regarding human rights, labor rights, the environment and the prevention of bribery within its own scope of influence.

Every year, Aspo reports its progress in fulfilling the Global Compact principles as part of this account of non-financial information in accordance with the requirements set out in the Finnish Accounting Act and the EU Directive 2014/95/EU. Aspo's Board of Directors approves and signs this

information annually when approving the financial statements. Of Aspo's subsidiaries, Telko and ESL Shipping prepare their own responsibility reports.

Helsinki, February 27, 2019

ASPO PLC

Board of Directors CEO

RESPONSIBILITY DATA, TABLES

The reporting period is the calendar year 2018. In principle, the reporting covers the entire Aspo Group. Any exceptions have been stated in conjunction with the indicators.

The reporting of personnel figures has been modified in 2018 to harmonize it with consolidated reporting. Personnel figures are now reported as in effect at year-end. Personnel figures from reference years have not been changed to correspond to the modified reporting procedure. Personnel figures from comparative years include all people employed during the year. The personnel figures given in the responsibility report include all permanent employees, including long-term absentees. The personnel figures also include the temporary maritime crew of AtoB@C Shipping, acquired by ESL Shipping in autumn 2018, but only with regard to vessels owned by the company. In the financial statements, the personnel figures only include Aspo Group's own employees, not temporary workers. Additionally, the personnel figures only include active employees.

NUMBER OF PERSONNEL BY GEOGRAPHICAL AREA¹

	ESL Shipping ²			Leipurin			Telko		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Finland ³	262	236	226	100	108	87	50	64	58
Skandinavia ³	69	-	-	-	-	-	27	23	23
Baltic countries	-	-	-	49	50	49	33	31	28
Russia, other CIS countries and Ukraine	-	-	-	171	212	201	161	169	176
Other countries	1	-	-	10	14	15	25	32	32

	Kauko			Other operations			Total		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Finland ³	33	47	46	25	26	25	470	481	442
Skandinavia ³	-	-	-	-	-	-	96	23	23
Baltic countries	-	-	-	-	-	-	82	81	77
Russia, other CIS countries and Ukraine	-	-	-	-	-	-	332	381	377
Other countries	1	13	15	-	-	-	37	59	62

¹ The figures contain the headcount of 31.12.

² Includes crew members of vessels owned by AtoB@C, acquired by ESL Shipping in autumn 2018.

³ Includes marine personnel.

NUMBER OF PERSONNEL BY CATEGORY¹

	ESL Shipping ²			Leipurin			Telko		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Office staff	35	21	17	211	272	262	250	256	256
Supervisors	–	3	3	38	20	8	17	18	19
Management	8	3	3	20	26	25	20	25	22
Non-office staff	3	6	4	61	66	57	9	20	20

	Kauko			Other operations			Total		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Office staff	24	47	41	19	19	19	539	615	595
Supervisors	5	3	4	3	2	2	63	46	36
Management	–	4	6	3	4	4	51	62	60
Non-office staff	5	6	10	–	1	–	78	99	91

¹ The figures contain the headcount of 31.12.

² Not including marine personnel.

NUMBER OF PERSONNEL BY CONTRACT TYPE¹

	ESL Shipping			Leipurin			Telko		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Amount of personnel	332	236	226	330	384	352	296	319	317
Full-time contract	45 ²	33 ²	27 ²	316	364	332	290	313	316
Part-time contract	1 ²	– ²	– ²	14	20	20	6	6	1

	Kauko			Other operations			Total		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Amount of personnel	34	60	61	25	26	25	1,017	1,025	981
Full-time contract	34	60	61	22	23	22	707 ²	793 ²	758 ²
Part-time contract	–	–	–	3	3	3	24 ²	24 ²	24 ²

¹ The figures contain the headcount of 31.12.

² Not including marine personnel.

The acquisition and the deployment of new vessels increased ESL Shipping's personnel. Discontinued and divested business operations, in turn, reduced the number of personnel of other businesses.

GENDER DISTRIBUTION¹

	ESL Shipping			Leipurin			Telko			Kauko		
	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016
Women	35	21	21	198	228	202	160	162	162	7	14	12
Men	297	215	205	132	156	150	136	157	155	27	46	49

	Other operations			The Boards of Aspo and segments			Total		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Women	14	13	13	5	8	6	419	446	416
Men	11	13	12	10	11	13	613	598	584

¹ The figures contain the headcount of 31.12.

AGE DISTRIBUTION¹

	ESL Shipping			Leipurin			Telko		
	2018 ²	2017	2016	2018	2017	2016	2018	2017	2016
> 24	9	15	13	17	20	4	6	9	2
25–39	103	82	78	154	173	164	137	157	162
40–54	107	96	97	126	141	135	119	123	121
55 <	56	43	38	33	50	49	34	30	32

	Kauko			Other operations			Total		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
> 24	1	2	6	–	–	–	33	46	25
25–39	6	13	13	6	6	3	406	431	420
40–54	19	35	34	10	10	11	381	405	398
55 <	8	10	8	9	10	11	140	143	138

¹ The figures contain the headcount of 31.12.

² Does not include AtoB@C Shipping marine personnel.

AVERAGE AGE OF EMPLOYEES

	ESL Shipping ¹		Leipurin		Telko		Kauko		Other operations	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Average age of employees	44	43	39	40	40	40	48	44	47	51

¹ Does not include AtoB@C marine personnel.

EMPLOYEE TURNOVER RATE

	ESL Shipping ¹			Leipurin			Telko		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Average turnover rate, %	16.0	15.0	21.0	26.0	18.0	20.0	14.0	13.0	21.0

	Kauko			Other operations			Aspo Group		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Average turnover rate, %	41.0	16.0	35.0	18.0	8.0	14.0	21.0	15.0	21.0

¹ Not including marine personnel.

The increase in employee turnover at Leipurin resulting from recruitment processes due to the expansion of operations. In other operations, new employees were recruited to replace retired employees. Employee turnover at Kauko was affected by the reduction of business operations.

EMPLOYEE SATISFACTION INDEX (SCALE 1–5)

	2018	2017	2016	Change ¹ , %
Aspo Group	4.24	4.17	4.07	1.7
Business segment	4.18	4.13	4.04	1.2
Own unit	4.24	4.25	4.16	-0.2
My work	4.22	4.21	4.15	0.2
My superior	4.16	4.11	4.09	1.2

¹ Change 2017–2018

LTIF AND SICK LEAVES

	ESL Shipping Office			ESL Shipping Marine personnel			ESL Shipping AtoB@C Marine personnel ⁴
	2018	2017	2016	2018	2017	2016	2018
LTIF ¹	0	0	22	4.2	8.9	27	0
Sick leaves, % ²	0.48	0.94	2.16	3.9	2.97	– ³	– ⁵

	Telko			Kauko			Leipurin			Other operations		
	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016
LTIF ¹	41	13	31	0	14	33	10	48	13	0	29	97
Sick leaves, % ²	1.05	1.4	1.92	1.56	0.86	0.77	1.69	1.85	1.71	0.69	1.09	0.8

¹ Lost-time injury frequency (LTIF) is presented per 1,000,000 working hours. LTIF-rate includes only Finnish personnel and marine personnel of vessels owned by AtoB@C. The LTIF-rate is significantly affected by even small changes in the number of incidents: one incident more or less during the reporting year, in comparison to the baseline year, will have a major impact on the LTIF-rate. Particularly for the smaller businesses the fluctuation of the LTIF-rate can partially be explained by the small number of employees.

² Sick-leave absence ratio is calculated: (sick days/total work days)*100. Sick-leave absence ratio of ESL marine personnel (excluding AtoB@C shipping marine personnel) is calculated: (total sick days in the fleet/total days worked onboard)*100.

³ Information on sick leave is not available for ESL Shipping Marine personnel for the year 2016.

⁴ AtoB@C Shipping marine personnel reported for Sweden. AtoB@C Shipping marine figures included in reporting from 2018.

⁵ Information on sick leave is not available for AtoB@C Shipping marine personnel.

In 2018, the lost-time injury frequency decreased in all businesses, apart from Telko. Annual variation in the reported LTIF is not significant; it is associated with the calculation method.

THE USE OF ENERGY AND EMISSIONS

	ESL Shipping ²				Leipurin ⁵			
	2018 ³	2017	2016	Change ⁷ , %	2018	2017	2016	Change ⁷ , %
Purchased energy ¹ , Mwh	105.2 ³	129.7	128.5	-18.9	4,240.6	3,429.0	3,405.8	23.7
Total use of fuel ² , Mwh	599,742.3	347,829.6	340,860.8	3.9	–	–	–	–
tCO ₂ ²	160,536.5	93,243.9	91,569.7	72.2	1,441.0	1,374.0	1,375.0	4.9
g-CO ₂ per ton mile ⁴	0.3	0.2	0.2	54.4	–	–	–	–
tSO _x ²	127.4	95.3	124.3	33.7	–	–	–	–
mg-SO _x per ton mile	0.3	0.2	0.3	17.4	–	–	–	–

	Telko ⁶				Kauko			
	2018	2017	2016	Change ⁷ , %	2018	2017	2016	Change ⁷ , %
Purchased energy ¹ , Mwh	1,059.5	1,118.7	1,027.0	-5.3	125.0	144.9	214.3	-13.7
Total use of fuel ² , Mwh	–	–	–	–	–	–	–	–
tCO ₂ ²	337.2	428.0	388.4	-21.2	23.0	29.5	44.4	-22.1
g-CO ₂ per ton mile ⁴	–	–	–	–	–	–	–	–
tSO _x ²	–	–	–	–	–	–	–	–
mg-SO _x per ton mile	–	–	–	–	–	–	–	–

	Other operations			
	2018	2017	2016	Change ⁷ , %
Purchased energy ¹ , Mwh	177.1	210.9	169.9	-16.0
Total use of fuel ² , Mwh	–	–	–	–
tCO ₂ ²	25.6	32.7	29.9	-21.9
g-CO ₂ per ton mile ⁴	–	–	–	–
tSO _x ²	–	–	–	–
mg-SO _x per ton mile	–	–	–	–

¹ Purchased energy mainly measured, if not possible to measure the figures are estimated.

² Excluding Raahede depot and certain vessels on voyage charter.

³ The 2018 fleet contains the reported fleet from 2017, ESL Shippingin coasters, AtoB@C Shippingin vessels and the new LNG vessels. AtoB@C shipping vessels included in reporting from beginning of September. New LNG vessels included in reporting from first cargo trip.

⁴ Figures corrected retrospectively for 2016 and 2017.

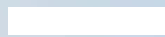
⁵ Do not include test cafés and Glato Fresco gelateria.

⁶ The figures cover 81% of Telko's business. The figures cover main countries of operation Finland, Poland, Russia, Ukraine, Sweden, Denmark.

⁷ Change 2017–2018.



GOVERNANCE



Aspo Plc is a Finnish publicly listed company. Its objective is to increase the shareholder value responsibly in the long term by leading and developing the businesses it owns.

CORPORATE GOVERNANCE

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

→ **read more**
www.cgfinland.fi

GROUP STRUCTURE

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

Aspo Group is an industrial conglomerate which develops its businesses in the long term independent of the time. Aspo Plc's task is to own, lead and develop the operations of its subsidiaries and other Group companies, centrally administer the Group companies, take care of issues related to financing and strategic planning, and plan and implement financially expedient investments.

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

SHAREHOLDERS' MEETING

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

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

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

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

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

SHAREHOLDERS' NOMINATION BOARD

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

The following representatives of the largest shareholders were members of the Nomination Board which prepared proposals for the Annual Shareholders' Meeting 2019: Roberto Lencioni (Vehmas family), Chairman; Veronica Timgren (Nyberg family,

including Oy Havsudden Ab); Annika Ekman (Ilmarinen Mutual Pension Insurance Company) and Reima Rytsölä (Varma Mutual Pension Insurance Company). In addition, Gustav Nyberg, Chairman of Aspo Board of Directors, has acted as an expert member of the Nomination Board.

BOARD OF DIRECTORS

According to the Articles of Association, Aspo Plc's Board of Directors comprises no fewer than five and no more than eight members. The number of members of the Board is determined at the Shareholders' Meeting, where its members are also elected. The members of the Board of Directors elect a chairman and a vice chairman from amongst themselves. In the 2018 Annual Shareholders' Meeting, six Board members were elected. The term of the members ends at the conclusion of the Annual Shareholders' Meeting following the election.

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

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

The Board carries out an annual self-evaluation of its operations and working methods. In 2018, the Board of Directors arranged 13 meetings. The participation rate was 99.

Board committees

The Board has established an Audit Committee with the objective of preparing issues related to the company's financial reporting and control. The Audit Committee does not have independent decision-making authority, but the Board makes the decisions on the basis of preparations by the committee. The Audit Committee consists of the chairperson and at least two members, whom the Board appoints from among the Board members for one year at a time. Mammu Kaario acted as the chairman of the Audit Committee and Mikael Laine, Salla Pöyry and until April 10, 2018 Risto Salo and since April 10, 2018 Tatu Vehmas acted as committee members.

The tasks of the Audit Committee are:

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

The Audit Committee will convene regularly at least twice a year. In 2018, the audit committee had five meetings. The average participation rate was 100. Aspo has no other committees besides the Audit Committee.

Remuneration for Board members

The Annual Shareholders' Meeting decides on the remuneration and cost compensation principles for the Board members every year. The 2018 Annual Shareholders' Meeting confirmed the Chairman of the Board's monthly remuneration to be EUR 5,400.

It was resolved that the Vice Chairman be paid a monthly remuneration of EUR 4,050 and the other members of the Board of Directors EUR 2,700 per month. It was also resolved that EUR 1,050 per meeting be paid to the Chairman of the Audit Committee and EUR 700 per meeting be paid to the members of the Audit Committee. If the Chairman of the Audit Committee is also the Vice Chairman or the Chairman of the Board of Directors, the fee paid to the Chairman of the Audit Committee is the same as that paid to members of the Audit Committee. Board members employed by or in a service relationship with an Aspo Group company are not paid a fee. Travel is compensated for in accordance with Aspo's travel policy.

In 2018, the Aspo Plc Board members received a total of EUR 257,553 in fees.

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

Chairman of the Board

Gustav Nyberg, B.Sc. (Econ.), eMBA (62) has acted as the Chairman of the Aspo Plc Board.

Diversity on the Board of Directors

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

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

The chairman of the Board of Directors proposes the competence and know-how required from board members to the Nomination Board so that each member can be

assumed to have the required expertise and experience. The objective of the preparatory work of the Nomination Board is to ensure that the Board of Directors forms a functional whole.

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

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

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

CHIEF EXECUTIVE OFFICER

The Board of Directors appoints Aspo Plc's CEO. The CEO of Aspo is Aki Ojanen, eMBA (58). The CEO leads and develops the Group's business and is responsible for the operative management in accordance with

the instructions of the Board of Directors. The CEO presents matters and reports to the Board of Directors. The CEO is responsible for the company accounting complying with applicable legislation and for the reliable arrangement of the company finances. He also serves as the Chairman of the subsidiary Boards and acts as the operational supervisor of the Managing Directors of the subsidiaries and Group administration. He is also responsible for internal audit and for Group risk management, which are coordinated by the CFO.

The terms of the CEO's employment relationship have been agreed in writing in the CEO agreement. The period of notice applied to the CEO is six months. If notice is given by the company, severance pay corresponding to 18 months' salary will be paid in addition to the salary for the notice period. In 2018 the CEO was paid EUR 1,014,444 in salary, bonuses and fringe benefits. The share of bonuses for 2017 was EUR 150,879 the share of share-based payments for 2017 was EUR 289,622 and the share of voluntary pension insurance payments was EUR 102,835.

GROUP EXECUTIVE COMMITTEE

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

In addition to the CEO, the Group Executive Committee in 2018 consisted of CFO Arto Meitsalo, Group Treasurer Harri Seppälä as well as Matti-Mikael Koskinen, Managing Director of ESL Shipping, Mikko Laavainen, Managing Director of Leipurin, Kalle Kettunen, Managing Director of Telko and Toni Santalahti, Director, Legal Affairs. In 2018, the Group Executive Committee received a total of EUR 3,313,518 in salaries, bonuses and fringe benefits. The share of bonuses for 2017 was EUR 405,831 the share of share-based payments for 2017 was EUR 927,481 and the share of voluntary pension insurance payments was EUR 193,368.

REMUNERATION

Aspo Group applies a profit bonus system which was adopted in 2013. The profit bonus system applied to Finnish personnel is linked with the personnel fund so that the bonus can be invested in the personnel

fund or withdrawn in cash. The long-term goal of the funding system is that the personnel will become a significant shareholder group in the company. All persons working at Aspo Group's Finnish companies are members of the personnel fund.

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

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

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

Aspo has a result-based incentive plan for the management. The maximum bonus may differ up to a sum equivalent to three to eight months of the employee's salary. The maximum bonus of the CEO is a sum equivalent to eight months' salary. The criteria used in the bonus plan include annual requirements and the development preconditions of the area for which the person has responsibility. The fulfilling of the bonus plan criteria is monitored annually. The criteria and payments paid according to the criteria are approved by Aspo Plc's Board of Directors. Bonuses recognized annually are paid after the completion of the annual financial statements.

Share-based incentive plans 2015–2017

In year 2018 in accordance with the rules of incentive plans a total of 4,400 treasury shares, originally granted on the basis of share-based incentive plans during 2016 and 2017, were returned to Aspo due to ended contracts of employment.

Share-based incentive plans 2018–2020

The Board of Directors of Aspo Plc has approved three new share-based incentive plans for the Group key employees in April 2018. The aim of the new plans is to combine the objectives of the shareholders and the key employees in order to increase the value of the company in the long-term, to retain the key employees at the company, and to offer them competitive reward plans based on earning and accumulating the company's shares.

Share-based incentive plan 2018–2020

The share-based incentive plan 2018–2020 includes three earnings periods, calendar years 2018, 2019 and 2020. The Board of Directors of the company will resolve on the plan's performance criteria and required performance levels for each criterion at the beginning of each earnings period. The potential reward of the plan from the earnings period 2018 will be based on the Group's earnings per share (EPS).

The share-based incentive plan is directed to approximately 15 people, including the members of the Group Executive Committee, during the earnings period 2018. A potential reward from the year 2018 will be paid in 2019 partly in shares and partly in cash. The rewards to be paid on the basis of the share-based incentive plan 2018–2020 correspond to the value of a maximum total of 500,000 Aspo Plc shares including also the proportion to be paid in cash.

Executive Committee share-based incentive plan 2018–2020

The Executive Committee share-based incentive plan 2018–2020 includes one earnings period, calendar years 2018–2020. The potential reward of the plan from the earnings period 2018–2020 will be based on the Group's operating profit (EBIT), and the reward payment requires exceptional performance.

The potential reward from the earnings period 2018–2020 will be paid partly in the company's shares and partly in cash in 2021. The rewards to be paid on the basis of the earnings period 2018–2020 correspond to the value of a maximum total of 200,000 Aspo Plc shares including also the proportion to be paid in cash.

Restricted share-based incentive plan 2018

The reward from the restricted share-based incentive plan 2018 will be based on the participant's valid employment or service and the continuation of employment during the vesting period. The reward will be paid partly in the company's shares and partly in cash after the end of a 12–36 month vesting period. The restricted share-based incentive plan is intended solely for individual key employees by a special resolution of the Board of Directors. The rewards to be paid on the basis of restricted share-based incentive plan 2018 correspond to the value of a maximum total of 100,000

Aspo Plc shares including also the proportion to be paid in cash.

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

Supplementary pensions

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

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

The costs of the voluntary group pension insurance plans totaled EUR 193,368.

AUDIT

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

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

The 2018 Annual Shareholders' Meeting elected Ernst & Young Oy as the auditor. APA Toni Halonen acted as the principal auditor. In 2018, companies belonging to the EY chain in Finland and abroad were paid a total of EUR 289,000 in compensation for performing audits for Aspo Group.

In addition, other services were acquired for EUR 116,316.

INTERNAL CONTROL

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

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

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

FINANCIAL REPORTING

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

The financial statements of the Group are compiled according to the IFRS standards; those of the parent company and Finnish subsidiaries according to the Finnish accounting standards. Each separate

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

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

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

INTERNAL AUDIT

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

The Board of Directors approves the principles of internal audit as part of internal control. The Group CFO is responsible for the coordination of internal audit, and reports the findings to the CEO, the Audit Committee and the Board of Directors. Internal audit is organized corresponding to the size of the Group. Additional resources and special skills will be purchased for demanding assessments if needed. The target is to several risk-based audits annually. The audits are based on risk assessment

as defined in the risk analyses of individual business units. The objects of the audit assessment and assurance are profitability and efficiency of activities, reliability of financial and operational reporting, compliance issues and safeguarding of assets.

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

RISK MANAGEMENT

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

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

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

Risk management is essentially based on the aforementioned procedures of internal control, where the chain of responsibility extends throughout the Group. The most important factors in business risk management are a profound understanding of the business and command of the tools which are used for daily business operations and their management. Characteristic risks in each business area are identified in the business units, assessed in the business unit management teams, and reported to the subsidiary Boards as well as to the Audit

Committee, if need be, also to the Aspo Board of Directors.

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

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

INSIDER MANAGEMENT

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

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

Aspo Plc's Corporate Governance Statement and a remuneration statement for 2018 have been published on Aspo's website.

 **read more**
www.aspo.com

BOARD OF DIRECTORS

DECEMBER 31, 2018



GUSTAV NYBERG

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

Dependent on the company and its major shareholders

Key Work Experience

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

Key Positions of Trust

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

Holdings and Remuneration

Shareholdings in Aspo on December 31, 2018: 731,667 or 2.33% of the total number of shares, Oy Havsudden Ab: 3,142,941 shares or 10.00% of the total number of shares. Aspo's hybrid bond 2016: Oy Havsudden Ab EUR 1.9 million
No holdings or rights based on share-based incentive plans.
Remuneration in 2018: EUR 64,800

SALLA PÖYRY

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

Independent of the company and its major shareholders

Key Work Experience

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

Key Positions of Trust

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

Holdings and Remuneration

Shareholdings in Aspo on December 31, 2018: 1,000 or 0.003% of the total number of shares, Procurator-Holding Oy: 470,969 or 1.50% of the total number of shares. No holdings or rights based on share-based incentive plans.
Remuneration in 2018: EUR 35,900

MAMMU KAARIO

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

Independent of the company and its major shareholders

Key Work Experience

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

Key Positions of Trust

Chairman of the Board: PerusTerveys Suomi Oy; Vice Chairman of the Board: CapMan Plc, Ponsse Plc, Robit Plc; Member of the Board: Lapti Group Oy, SstatzZ Oy

Holdings and Remuneration

Shareholdings in Aspo on December 31, 2018: 10,000 or 0.03% of the total number of shares. Aspo's hybrid bond 2016: EUR 0.1 million. No holdings or rights based on share-based incentive plans.
Remuneration in 2018: EUR 48,063

RISTO SALO

Member of the Board since 2008, Member of the Audit Committee 2017–2018
M.Sc. (Tech.), born 1951
Chairman of the Board, Hollming Ltd, 2005–

Independent of the company and its major shareholders

Key Work Experience

President, Hollming Oy 1992–2005
Management positions, Finnyards Oy 1992; Management positions, Hollming Ltd 1977–1991

Holdings and Remuneration

Shareholdings in Aspo on December 31, 2018: 165,160 or 0.53% of the total number of shares, Ratius Ltd 572 or 0.002% of the total number of shares. No holdings or rights based on share-based incentive plans.
Remuneration in 2018: EUR 33,100

MIKAEL LAINE

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

Independent of the company and its major shareholders

Key Work Experience

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

Key Positions of Trust

Member of the Board: Cargotec Korea Ltd
Member of the Honorary Delegation: KY – Aalto University Business Students

Holdings and Remuneration

Shareholdings in Aspo on December 31, 2018: 10,000 or 0.03% of the total number of shares. No holdings or rights based on share-based incentive plans.
Remuneration in 2018: EUR 35,900

TATU VEHMAS

Member of the Board since 2018, Member of the Audit Committee since 2018
Bachelor of Science, born 1994

Independent of the company, dependent on its major shareholders

Key Positions of Trust

Chairman of the Nomination Board of Aspo Plc 2016

Holdings and Remuneration

Shareholdings in Aspo on December 31, 2018: 2,306,676 or 7.34% of the total number of shares. No holdings or rights based on share-based incentive plans.
Remuneration in 2018: EUR 26,425

GROUP EXECUTIVE COMMITTEE

DECEMBER 31, 2018



AKI OJANEN

CEO, Aspo Plc, 2009–
eMBA, born 1961

Key Work Experience

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

Key Positions of Trust

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

Holdings

Shareholdings in Aspo on December 31, 2018: 45,441 or 0.14% of the total number of shares

KALLE KETTUNEN

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

Key Work Experience

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

Key Positions of Trust

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

Holdings

Shareholdings in Aspo on December 31, 2018: 35,654 or 0.11% of the total number of shares

MATTI-MIKAEL KOSKINEN

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

Key Work Experience

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

Key Positions of Trust

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

Holdings

Shareholdings in Aspo on December 31, 2018: 32,154 or 0.10% of the total number of shares

MIKKO LAAVAINEN

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

Key Work Experience

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

Holdings

Shareholdings in Aspo on December 31, 2018: 14,725 or 0.05% of the total number of shares

ARTO MEITSALO

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

Key Work Experience

Managing Director, Kauko-Telko Ltd 2008
CFO, Kauko-Telko Ltd 2007; Director,

Kaukomarkkinat Ltd 2005–2007; Group Controller, Kaukomarkkinat Ltd 2002–2005; Financial Accountant, Bank of Finland 1993–2002; Financial Accountant, Kaukomarkkinat Ltd 1989–1993

Key Positions of Trust

Member of the Board: Kauko Ltd, Silmäsäätiö
Member of the Committee: Federation of Finnish Commerce, Trade Policy Committee, The Association of Finnish Technical Traders, Finance Committee

Holdings

Shareholdings in Aspo on December 31, 2018: 36,893 or 0.12% of the total number of shares

TONI SANTALAHTI

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

Key Work Experience

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

Holdings

Shareholdings in Aspo on December 31, 2018: 10,207 or 0.03% of the total number of shares

HARRI SEPPÄLÄ

Group Treasurer, Aspo Plc, 2008–
eMBA, born 1964

Key Work Experience

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

Key Positions of Trust

Member of the Board: Enceladus Oy, Kauko Ltd

Holdings

Shareholdings in Aspo on December 31, 2018: 61,225 or 0.19% of the total number of shares

ASPO SUBSIDIARIES' BOARD OF DIRECTORS

DECEMBER 31, 2018

ESL SHIPPING LTD

Aki Ojanen

Chairman of the Board since 2009

Mikko Niini

M.Sc. (Tech.)

Member of the Board since 2012

Chairman of the Board: Navidom Oy,
Rauma Marine Constructions Oy

Kimmo Nordström

Member of the Board since 2016

Senior Adviser, Containerships Ltd Oy

Ulla Tapaninen

Ph.D., Adj. professor (docent)

Member of the Board since 2012

Head of Unit, City of Helsinki

TELKO LTD

Aki Ojanen

Chairman of the Board since 2009

Anders Dahlblom

M.Sc. (Econ.), CEFA

Member of the Board since 2017

Managing Director, Paroc Group Oy

Ralf Holmlund

M.Sc. (Econ.)

Member of the Board since 2018

Elina Piispanen

M.Sc. (Econ.)

Member of the Board since 2017

Chief Transformation Officer, Sanoma
Media Finland

LEIPURIN PLC

Aki Ojanen

Chairman of the Board since 2009

Jukka Havia

M.Sc. (Econ.)

Member of the Board since 2014

Chief Financial Officer, Tikkurila Oyj

Kaisa Poutanen

D.Sc. (Tech.)

Member of the Board since 2014

Research Professor, VTT Technical Re-
search Centre of Finland

Esa Rautalinko

M.Sc. (Econ.)

Member of the Board since 2017–2018

Managing Director, Örum Group

Harri Sivula

M.Sc. (Admin.)

Member of the Board 2010–2013 and
since 2014Member of the Board: Atria Oy, Dieta Oy,
GS1 Finland, Kamux Oyj, Makua Foods Oy,
Tokmanni Oyj

KAUKO LTD

Aki Ojanen

Chairman of the Board since 2009

Arto Meitsalo

M.Sc. (Econ.)

Member of the Board since 2018

CFO, Aspo Plc, 2009–

Harri Seppälä

eMBA

Member of the Board since 2018

Group Treasurer, Aspo Plc, 2008–



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MANAGEMENT REPORT 2018

Aspo is a conglomerate that creates value by developing and internationalizing businesses in Northern Europe and growth markets. Aspo's value comes from its wholly owned independent businesses, which specialize in demanding B-to-B customers. ESL Shipping, Leipurin and Telko are strong business brands in the field of trade and logistics, and they aim at the leading position in their markets. Aspo develops its Group structure and businesses responsibly and sustainably in the long term.

Aspo's operating segments in 2018 were ESL Shipping, Leipurin, Telko and Kauko. Other operations consist of Aspo Group's administration, the financial and ICT service center, and a small number of other functions not covered by business units.

OPERATING ENVIRONMENT

General uncertainty increased in all market areas toward the end of 2018. However, industrial production increased in the main market areas of Aspo's businesses during the year. Raw material prices remained unchanged or strengthened, although the price of oil fell toward the end of the year. In Russia, the national economy and industrial production grew and inflation decelerated, while the value of the Russian ruble weakened, particularly during the second half of the year. Growth of the global economy is expected to slow down. General political risks are high and there may be rapid changes in the operating environment or in conditions for free trade.

NET SALES

Aspo Group's net sales increased from the previous year to EUR 540.9 (502.4) million. The increase in net sales was particularly attributable to ESL Shipping, which became the leading dry bulk cargo company in the Baltic Sea in 2018 as a result of the acquisition of AtoB@C and the launch of two new vessels. The impact of the acquisition on the increase in net sales was EUR 27.0 million.

Net sales grew in all market areas. The strongest growth was in Finland, 9%, and in Scandinavia, 23%, accelerated by the increase in transportation resulting from the acquisition of AtoB@C. In addition to Finland; Russia, other CIS countries and Ukraine comprise an important market

area for Aspo, where net sales increased by 4% to EUR 171.9 (164.9) million in 2018. The decrease in exchange rates in eastern markets during the second half of the year slowed the net sales growth of Telko and Leipurin.

FINANCIAL PERFORMANCE

Aspo Group's operating profit amounted to EUR 20.6 (23.1) million in 2018. The operating profit included EUR -5.7 (-1.0) million in items affecting comparability. The most significant of these items, at EUR 4.8 million, was related to the impairment loss recognized on Kauko's goodwill. The operating profit adjusted by the impairment loss recognized on goodwill was the best in Aspo's history, amounting to EUR 25.4 million.

The operating profit of ESL Shipping, which grew strongly during the year, increased to EUR 15.1 (13.5) million. Leipurin's operating profit grew to EUR 3.3 (3.1) million. Telko's operating profit also improved, amounting to EUR 12.1 (10.8) million. Kauko's profitability improved, but its financial performance development, growth and internationalization outlook have been below the targeted level. In December, Aspo decided to restructure Kauko's operations. An impairment loss of EUR 4.8 million was recognized on Kauko's goodwill, lowering Kauko's operating result to EUR -4.7 (-0.2) million. The operating result of other operations decreased, mainly due to facility expenses and the use of expert services, and stood at EUR -5.2 (-4.1) million.

Earnings per share for the financial year decreased to EUR 0.42 (0.56). The impact of the impairment loss recognized on Kauko's goodwill on earnings per share was approximately EUR -0.16. Equity per share was EUR 3.75 (3.67).

More information about Group's key figures and their calculation principles is presented in the table of key figures on page 47.

FINANCIAL TARGETS

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

The operating profit rate for the financial period was 3.8% (4.6), return on equity was 12.4% (17.1), and gearing was 154.4% (103.9). The operating profit rate adjusted by the impairment loss recognized on goodwill was 4.7%. The impairment loss recognized on goodwill also has a negative impact on other key figures regarding financial targets that were below the target level.

Aspo's good and diversified operational cash flow enables gearing to be temporarily higher than the target level. During 2018, Aspo carried out significant investments in new vessels and a notable acquisition. The impact of these investments on operations will already become visible during the first half of 2019.

ASPO'S BUSINESS OPERATIONS

ESL Shipping

ESL Shipping is the leading dry bulk cargo company in the Baltic Sea region. At the end of the financial year, the shipping company's fleet consisted of 49 vessels with a total capacity of 464,000 dwt. Of the vessels, 22 are wholly owned, two are minority owned, one is leased and the remaining 24 are time chartered. ESL Shipping's competitive edge is based on its ability to secure product and raw material transportation for the industries and energy production round the year, even under difficult weather conditions. The shipping company also loads and unloads large ocean liners at sea as a special service.

During 2018, the general market prices of dry bulk cargo increased slightly from the comparative period. In the long term, cargo prices are at a fairly low level. Duties or sanctions that potentially restrict international free trade have increased uncertainties over continued international growth. During the year, ESL Shipping's vessels mainly operated in contract traffic in the Baltic Sea and in Northern Europe, and also performed loading and unloading operations at sea. Transportation operations in the Baltic Sea and the North Sea are mainly based on long-term customer agreements and established customer relationships. Operations from the Canadian Arctic to Europe continued as in previous

NET SALES BY SEGMENT

	2018 MEUR	2017 MEUR	Change MEUR	Change %
ESL Shipping	120.1	79.3	40.8	51.5
Leipurin	121.0	122.3	-1.3	-1.1
Telko	266.2	262.2	4.0	1.5
Kauko	33.6	38.6	-5.0	-13.0
Other operations	0.0	0.0	0.0	
Total	540.9	502.4	38.5	7.7

NET SALES BY MARKET AREA

	2018 MEUR	2017 MEUR	Change MEUR	Change %
Finland	175.7	160.8	14.9	9.3
Scandinavia	62.0	50.6	11.4	22.5
Baltic countries	60.6	58.8	1.8	3.1
Russia, other CIS countries + Ukraine	171.9	164.9	7.0	4.2
Other countries	70.7	67.3	3.4	5.1
Total	540.9	502.4	38.5	7.7

OPERATING PROFIT BY SEGMENT

	2018 MEUR	2017 MEUR	Change MEUR	Change %
ESL Shipping	15.1	13.5	1.6	11.9
Leipurin	3.3	3.1	0.2	6.5
Telko	12.1	10.8	1.3	12.0
Kauko	-4.7	-0.2	-4.5	-2,250.0
Other operations	-5.2	-4.1	-1.1	-26.8
Total	20.6	23.1	-2.5	-10.8

Year 2018: Kauko's figures include an impairment loss of EUR 4.8 million recognized on goodwill, and ESL Shipping's figures include EUR 0.9 million in acquisition related transaction costs.

Year 2017: Leipurin's figures include a sales gain of EUR 0.4 million from the divestment of the meat industry raw material business, and EUR 0.5 million in expenses from compensation, including processing fees, related to a project delivery carried out by Leipurin in 2014. Telko's figures include EUR 0.6 million in expenses related to the discontinuation of terminal project in St. Petersburg and personnel arrangements. Kauko's figures include an impairment loss of EUR 0.3 million related to previously divested business operations.

years. Weather conditions early in the year were difficult for operations, lowering vessel speed and increasing fuel consumption. From the spring, weather conditions were mainly favorable for operations. However, the numerous storms in the late autumn caused lay days in vessel operations and also additional costs as a result of higher fuel consumption.

ESL Shipping's net sales increased significantly by 51% to EUR 120.1 (79.3) million. Net sales increased as a result of transportation volumes which were significantly higher than in the previous year, particularly towards the end of the year; the deployment of MS Viikki and MS Haaga, the world's eco-friendliest dry bulk cargo vessels, completed in August, and the acquisition of AtoB@C, which increased and diversified vessel capacity. In addition, increases in fuel prices also contributed to the increase in net sales through fuel clauses included in agreements. The impact of the acquisition of AtoB@C completed at the end of August on the increase in net sales was EUR 27.0 million.

ESL Shipping's operating profit increased by 12% to EUR 15.1 (13.5) million. The operating profit includes EUR 0.9 million in transaction costs related to the acquisition. In 2018, the operating profit rate was 12.6% (17.0).

The acquisition of Swedish shipping company AtoB@C, completed on August 31, 2018, strengthened ESL Shipping's position in the smaller vessel category and significantly diversified its operations, because it expanded the shipping company's service range and customer base from the transportation of raw materials to industrial products. AtoB@C is engaged in shipping operations with its vessels with a capacity of 4,000–5,000 tonnes. In 2017, AtoB@C posted net sales of EUR 79.3 million and an operating profit of EUR 3.2 million. In November 2018, AtoB@C acquired a 4,100 dwt dry bulk cargo vessel of ice class 1A built in 2000. The shipping company had already operated the vessel through long-term time chartering, and it also owns the vessel's sister ship. At the end of the financial year, AtoB@C wholly owned seven dry bulk cargo vessels and held 49% of two

vessels. Its other 19 vessels are time chartered.

In autumn 2018, MS Viikki and MS Haaga, the world's first ice-strengthened dry bulk cargo vessels fueled by liquefied natural gas, were deployed. The new 160-meter LNG-fueled vessels of 25,600 dwt produce more than 50% fewer carbon dioxide emissions than the previous vessel generation. This newbuilding project is part of the Bothnia Bulk project, funded partly by the EU. Its objective is to modernize the sea route between Luleå, Oxelösund and Raahé, making it more eco-friendly. On their maiden voyage, the vessels delivered raw materials from Japan to the Baltic Sea via the Northern Sea Route, which reduced emissions by more than 40% compared with the route via the Panama Canal. However, extensive and serious problems in the conventional mechanics of high-power cranes, which are subject to warranty, have significantly interfered with the efficient operation of both vessels. These have resulted in significant loss of income and additional costs for the shipping company. This problem concerns all the cranes on both vessels. Due to the delivery times of spare parts, repairs are expected to be completed only at the end of the first quarter of 2019. During this time, the vessels cannot be operated fully efficiently as planned.

The new vessels and the acquisition of AtoB@C diversified the transported loads and increased their volumes. The volume of cargo carried by ESL Shipping in 2018 amounted to 13.4 (11.4) million tons. Transportation volumes in the steel industry increased from the comparative period. In the energy industry, transportation volumes of coal decreased slightly as expected from the comparative period. Transportation volumes of biofuels increased as expected. Transportation volumes in other customer sectors increased significantly, in particular, as a result of new product groups and customers brought by the acquisition.

During the financial year, one wholly owned vessel of the larger vessel category, two wholly owned vessels of the smaller vessel category and both partly owned vessels were docked as planned, which reduced the available vessel capacity. To ensure the proper and efficient use of vessel capacity, operational and sales resources were strengthened during the autumn in the shipping company's key locations. At the end of

the year, all important expiring customer agreements were renewed as targeted. In addition, new agreements were signed, and existing agreements were expanded at a highly satisfactory cargo price level.

Outlook for ESL Shipping for 2019

The shipping company's vessel capacity increased significantly as a result of the AtoB@C acquisition and the completion of its two new vessels. Due to serious warranty repairs involving the cranes of the new vessels, the financial performance of the vessels can only reach the targeted level starting from the second quarter. The increase in capacity enables the company to improve its operational efficiency and profitability, especially during the second half of the year when there is typically a shortage of vessel capacity.

Economic growth is expected to slow down in the shipping company's main market areas. In Finland, any disputes resulting from collective bargaining in the transportation sector may have an impact on the operations of customer companies and transportation chains during the spring. Actions directed at international free trade, an increase in political risks and decelerating economic growth in China may have an impact on global flows of goods. Vessel capacity in the vessel categories operated by the shipping company will increase slowly, and the availability of leased high-quality vessels may be limited, particularly in the smaller vessel category. The development of the cargo markets in 2019 will be most directly reflected in the financial performance of the shipping company's largest Supramax vessels.

The shipping company has secured most of the use of its transportation capacity in the Baltic Sea and Northern Europe through long-term agreements. The current forecasts for general transportation volumes of contractual partners are highly satisfactory in all key customer segments, although there are uncertainties in demand due to the political situation and increased economic uncertainty. General demand in the steel industry is high and transportation volumes are expected to develop very positively and improve significantly starting from the second quarter. Demand for loading and unloading operations for large ocean liners at sea, a segment important to the shipping company, is expected to

remain high. Furthermore, demand for raw material and product transportation in the forest industry, an important sector for the shipping company's smaller vessel category, is expected to remain strong.

Total transportation volumes in the energy industry are expected to increase from the previous year as a result of higher demand for the transportation of bioenergy. The biofuel transportation markets in the Baltic Sea are expected to grow significantly in the near future. Transportation volumes of coal will decrease as expected.

During 2019, three larger category vessels and one smaller vessel will be docked as planned. In addition, the docking of time-chartered vessels will affect the available vessel capacity. The content of the time chartering portfolio will be reviewed if necessary, according to any change in demand.

Ice conditions in the Baltic Sea area are expected to be normal during the winter and spring. Wind conditions will have an impact on the development of pack ice, which may be reflected in the efficiency of operations.

ESL Shipping published its new financial targets in November 2018. ESL Shipping aims for net sales of more than EUR 200 million and an operating profit rate of 12–15% by 2020.

Leipurin

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

In 2018, national economies and the purchasing power of consumers developed positively in Finland and other western markets. National economies and private consumption also continued to grow in eastern markets during the year. The consumer price of food increased in Finland. In Russia, the rate of inflation was low and retail vol-

umes increased. The prices of raw materials important to Leipurin varied from one raw material group to the next, and the overall price level increased slightly from the comparative year.

The market for industrially packed bread continued to decrease in the west, whereas the market of in-store bakeries and baking units continued to increase, presenting challenges in the operations of industrial bakeries. In 2017, a change took place in Russia, as a result of which bakeries are no longer responsible for retail bread wastage; instead, any unsold bread is covered by the retail industry. This change has significantly reduced the production of packed bread and reduced net sales from the previous year. However, this change has increased the markets for in-store bakeries in Russia, where Leipurin has gained a strong market position. The trends that are important to Leipurin and affect the consumer market, i.e. the increasing popularity of out-of-home eating, snacks and the consumption of pastries, continued.

Net sales of Leipurin decreased slightly to EUR 121.0 (122.3) million. The decrease from the comparative period was mainly attributable to the divestment completed at the end of August 2017, when Leipurin sold its meat industry raw material business to MP Maustepalvelut Oy. Net sales in Russia, other CIS countries and Ukraine increased by 4% to EUR 36.3 (35.0) million.

The divestment in Finland, the decrease in sales in western markets and weakened exchange rates in eastern markets had an impact on the net sales of raw material operations, decreasing by 3% from the comparative year. However, volumes of bakery raw materials increased in Russia, other CIS countries and Ukraine. Foodservice operations in Finland grew as a result of the procurement and logistics chain operations of a new significant chain customer. Foodservice operations accounted for a small, but a growing, part of net sales.

Net sales of machine operations increased by 9%, mainly as a result of growth in Leipurin's own machine production. Sales developed well in machinery operations in Finland and in the Baltic countries. The positive development in Russia which started during the comparative year continued.

Leipurin's operating profit improved by 6% to EUR 3.3 (3.1) million. In 2018, the

operating profit rate was 2.7% (2.5). The operating profit improved particularly as a result of the improved efficiency of Leipurin's own machine production, while the development was decelerated by increased resources in foodservice operations, the loss-producing test café business, and discontinuation costs from a test café and the raw material business in Poland. During the comparative year, the operating profit included a sales gain of EUR 0.4 million from the divestment of the meat industry raw material business and expenses of EUR 0.5 million in compensation, including processing fees, related to a project delivery carried out in 2014. Profitability in the eastern markets was at the comparative year's level, approximately 8% (8).

Outlook for Leipurin for 2019

The market situation is expected to remain challenging in Leipurin's key markets. The development of Leipurin's main customer categories, i.e., bakeries and foodservice chains, continues to vary from one customer to the next. For example, many bakeries in Finland announced in 2018 that their operations will discontinue. This reduces the net sales of Leipurin's operations in Finland. The market position of Leipurin is expected to remain strong in the industrial baking sector in Finland, Russia and the Baltic region. The operating profit of Leipurin is expected to increase in 2019.

In Russia, the national economy and the purchasing power of consumers are growing moderately, while international sanctions and their possible increase have added to uncertainties over the development of the Russian economy. Exchange rate changes have reduced Leipurin's price competitiveness in eastern markets. However, Leipurin will continue to develop the procurement of bakery raw materials in the area to better respond to any changes in demand. Leipurin will maintain its high profitability in the region, strengthen its market position, and look for growth particularly in the bread and pastry sectors, as well as in-store bakeries.

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

The company has further developed its operations targeted at foodservice chains, offering both procurement and logistics services to chain customers. The large logistics volumes of Leipurin, as well as its efficiency and expertise, allow the development and expansion of its operations.

In terms of machinery operations, bakeries are expected to maintain their current equipment investment level in Finland and the Baltic countries. A moderate increase in investments is expected in Russia. The expansion of the procurement network for Leipurin's own machine production and the development of manufacturing and installation lead times will continue. In machinery operations, the order book shows variation between quarters. At the end of the financial year, orders focus on the latter half of 2019, and the order book for this period is at a good level. However, the order book for the first half of the year is weak. The increase in the Leipurin's own machine production will be driven by increased industrial investments in Leipurin's home markets and elsewhere in Europe.

Telko

Telko is a leading expert and supplier of plastic raw materials and industrial chemicals. Its operations are based on representing the best international principals and on the expertise of the personnel. Telko has subsidiaries in Finland, the Baltic countries, Scandinavia, Poland, Russia, Belarus, Ukraine, Kazakhstan, Azerbaijan, China and Uzbekistan. Operations were also started in Romania.

International economic growth slowed down in Telko's market areas toward the end of the year. The price of oil fell steeply at the end of the year, which reduced the prices of raw materials sold by Telko. The prices of volume plastics decreased exceptionally throughout the second half of 2018. The price level of technical plastics has been high in the long term and increasing as a result of the upward trend. However, the prices of technical plastics started to decrease significantly towards the end of the year. The prices of industrial chemicals important to Telko have remained high in the long term but began to decrease slightly at the end of the year as a result of lower oil prices. However, the full-year average prices of plastic and chemical raw materials were at the comparative year's level despite any

decreases during the fourth quarter. Problems with the availability of products which limited growth have been eliminated, which improves Telko's growth potential.

Telko's net sales increased slightly to EUR 266.2 (262.2) million. Net sales in Russia, other CIS countries and Ukraine increased by 4% to EUR 128.5 (123.6) million. Problems with the availability of plastic raw materials and the lower value of the Russian ruble, in particular, limited Telko's sales growth. In 2018, plastic operations accounted for 55% (57) of Telko's net sales, whereas chemical operations made up 45% (43). Net sales of plastic operations amounted to EUR 147.7 (150.7) million. They decreased by 2% from the comparative year, as principals were forced to allocate their production volumes to different market areas and customers. Net sales of chemical operations grew by 6% to EUR 118.5 (111.5) million.

Telko's operating profit improved by 12% to EUR 12.1 (10.8) million. In 2018, the operating profit rate was 4.5% (4.1). The good price level of products sold by Telko and many efficiency measures carried out in 2017 improved profitability. The operating profit for the comparative year included EUR 0.6 million in costs arising from the discontinued terminal project in St. Petersburg, Russia, and Telko's personnel arrangements.

Telko expanded its operations during the year. During the third quarter, it acquired the operations of Square Oil, a distributor of lubricants. Net sales of Square Oil are approximately EUR 3 million, half of which comes from Denmark and the other half from Norway. The acquisition had no significant impact on Telko's net sales or result for 2018. At the end of the year, Telko signed an agreement on the acquisition of the business of Danish HH Plastkombi A/S, a seller and distributor of different supplies for the plastics industry. The transaction was completed at the beginning of 2019. Net sales of Danish HH Plastkombi are approximately EUR 3 million. Operations did not start in Iran, and Telko will withdraw from the market area because the prerequisites for business operations were not fulfilled as planned. During the third quarter, Telko started operations in Romania, where Telko has a warehouse that serves local customers. Operations will be transferred to a subsidiary to be established in Romania. Telko opened a subsidiary in Uzbekistan in Octo-

ber. Telko estimates that this rapidly emerging market of roughly 30 million people has significant long-term business potential.

Outlook for Telko for 2019

Uncertainties over international economic growth have increased. The prices of both chemicals and plastics have decreased as a result of lower oil prices. Prices of chemicals and technical plastics are expected to continue their slight decrease. Prices of volume plastics decreased throughout the second half of 2018, and they are expected to reach their lowest during the first quarter of 2019.

The integration of Square Oil, acquired in 2018, in Telko will continue. The positive impact of synergy benefits will be fully visible in Telko's results during the second half of 2019.

Telko has launched a significant strategy project to improve the efficiency of procurement. Telko's raw material purchases comprise the largest expense item, and the increased efficiency of procurement operations is expected to improve Telko's profitability. The project is expected to be completed by the end of 2019.

Telko confirmed its financial targets in November 2018. Telko estimates that its net sales will be at EUR 300–350 million and its operating profit will increase to 6–7% by 2020. Telko can reach these targets by continuing its growth in its current key market areas and by possibly expanding its operations to new geographical areas. Success in Telko's strategic growth projects is another key factor. The development of profitability is based on efficient procurement activities, technical products offering more added value, the development of logistics and more active pricing. In Russia, Telko will continue to strengthen its regional organizations. According to its strategy, Telko will increase efforts in special chemicals for a higher processing rate and the life science segment in eastern markets. R&D operations have been increased to develop the range of alternative plastic raw materials. Furthermore, Telko aims to increase fiber-based and recycled plastics and their relative proportion, particularly in western markets.

Kauko

Kauko is a specialist in demanding mobile knowledge work environments. It supplies the best IT tools, solutions for improving

productivity and services for securing effective use of the needs of healthcare services, industries, logistics and the authorities. Kauko solutions combine customized applications, devices and services. Its product range also includes products that improve energy efficiency. Aspo will no longer report Kauko as a separate business segment starting from the beginning of 2019.

Kauko's net sales fell by 13% in 2018, amounting to EUR 33.6 (38.6) million. During the year, Kauko discontinued its project operations in China, with net sales of EUR 6.5 million during the comparative year, and its software operations in Finland. Net sales of energy-efficiency equipment increased, while those of mobile knowledge work decreased.

Kauko's operating result decreased to EUR -4.7 (-0.2) million. In 2018, the operating profit rate was -14.0% (-0.5). The operating result includes an impairment loss of EUR 4.8 million recognized on goodwill. Kauko's operating result adjusted for the impairment loss recognized on goodwill improved. During the comparative year, the operating result included an impairment loss of EUR 0.3 million related to commission receivables from operations previously divested.

Regardless of the increase in the operating result adjusted by the impairment loss recognized on goodwill, Kauko has been unable to develop and internationalize as targeted, even though its profitability increased during 2018 as a result of improved operational efficiency and discontinued unprofitable operations. In December 2018, Aspo decided to restructure Kauko's mobile knowledge work and administration and to divest or discontinue its energy business.

Outlook for Kauko for 2019

Net sales and the profitability of total solutions for mobile knowledge work are expected to improve further. Kauko is a provider of effectively integrated and customized total solutions, combining application, devices and other services. In the rugged computers market, sales of laptops are expected to decrease further and those of tablets to increase. Kauko expects the strategic changes in operations targeted at the healthcare sector to help to improve profitability.

Due to the reduction in the size of Kauko's operations, Kauko will be reported as

part of the Telko segment from the beginning of 2019. Kauko's administration will be merged with Telko's.

Other operations

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

The operating result of other operations was EUR -5.2 (-4.1) million. Aspo and its businesses decided to move out of shared facilities at the end of 2018. This change reduced the operating result at the end of the year when Aspo was using both its new and former premises. In addition, Aspo paid rent for a higher number of vacant premises due to ended sublease agreements. From the beginning of 2019, the cost structure is lighter as a result of lower rents and Aspo no longer being responsible for vacant premises.

STRUCTURAL ARRANGEMENTS

Aspo Group acquired Swedish subsidiary Bothnia Bulk AB through an acquisition completed by ESL Shipping. Swedish AtoB@C Holding AB and AtoB@C Shipping AB were acquired under its ownership. These own Finnish subsidiary Oy AtoB@C Shipping Ab, German associated companies Auriga KG and Norma KG, and Swedish associated company Norra Skeppnings Gruppen AB.

During the financial year, Telko established its subsidiary Telko Solution LLC in Uzbekistan. Kauko closed down its Chinese representative office, which had operated in Beijing for 66 years.

FINANCING

The Group's cash and cash equivalents stood at EUR 19.3 (19.9) million. The consolidated balance sheet included a total of EUR 199.4 (136.6) million in interest-bearing liabilities. The average interest rate for interest-bearing liabilities was 1.6% (1.8) at the end of the financial year. Non-interest-bearing liabilities totaled EUR 83.7 (72.2) million.

Aspo Group's gearing was 154.4% (103.9) and its equity ratio was 29.5% (35.6). Aspo Group's capital structure was significantly affected by ESL Shipping's investment in two new dry cargo vessels and the acquisition of the shipping company AtoB@C, as well as the impairment loss recognized on Kauko's goodwill. The notable

investments in future growth made during 2018 are reflected in an increase in Aspo Group's balance sheet and changes in the capital structure. The increased diversification of Aspo's businesses and the further improved ability to produce cash flows will improve the Group's capital structure starting from 2019.

The Group's cash flow from operating activities improved during the financial year to EUR 20.3 (17.4) million. The significant growth of the shipping company improved the Group's cash flow. During the financial year, the change in working capital was EUR -10.7 (-12.6) million. Cash flow from investing activities totaled EUR -55.1 (-16.6) million, mainly consisting of payments for the vessels deployed in the autumn and the acquisition of AtoB@C. The Group's free cash flow was EUR -34.8 (-0.8) million.

The amount of committed revolving credit facilities signed between Aspo and its main financing banks was EUR 40 million at the end of the financial year. Revolving credit facilities remained fully unused at the end of the financial year. EUR 17 million of Aspo's EUR 80 million commercial paper program were in use. In 2018, Aspo signed a credit agreement of EUR 30 million with a five-year loan period. During 2019, a total of approximately EUR 35 million in financing agreements will fall due. In addition, ESL Shipping has the option to acquire MS Alpila in August 2019 in accordance with the terms and conditions of a lease agreement signed in 2011.

On May 27, 2016, Aspo issued a hybrid bond of EUR 25 million. The fixed coupon rate of the bond is 6.75% per annum. The

bond has no maturity, but the company may exercise an early redemption option after four years of its issuance.

Aspo has hedged its interest rate risk by means of interest rate swaps. Their fair value on December 31, 2018 was EUR -0.2 (-0.4) million.

INVESTMENTS

During 2018, Aspo Group made significant investments in future growth. The Group's investments in 2018 totaled EUR 43.2 million (18.0), consisting mainly of payments for ESL Shipping's LNG-fueled vessels and a small number of fixed assets acquired by other segments. As part of the EU-funded Bothnia Bulk project, ESL Shipping receives at most EUR 5.9 million in subsidies for energy efficiency and environmental investments made in its vessels during 2016–2019. In 2016, the amount of subsidies received was EUR 2.1 million. No subsidies were received during the financial year or the comparative period.

ESL Shipping acquired the operations of Swedish shipping company AtoB@C through a share transaction completed on August 31, 2018. As a result of the transaction, ESL Shipping strengthened its position in the smaller vessel category. The transaction significantly diversified the shipping company's operations because it expanded its service range and customer base from the transportation of raw materials to industrial products. The total acquisition cost was EUR 25.5 million. The acquisition is described in more detail in the Note 2, Acquisitions and divestments, to the consolidated financial statements.

INVESTMENTS BY SEGMENT, ACQUISITIONS EXCLUDED

	2018 MEUR	2017 MEUR	Change MEUR
ESL Shipping	41.9	16.8	25.1
Leipurin	0.5	0.5	0.0
Telko	0.7	0.5	0.2
Kauko	0.0	0.1	-0.1
Other operations	0.1	0.1	0.0
Total	43.2	18.0	25.2

PERSONNEL

At the end of the financial year, Aspo Group had 958 employees (909).

Of Aspo Group's personnel, 47% (50) work in Finland, 36% (35) in Russia, other CIS countries and Ukraine, 8% (8) in the Baltic countries, 4% (2) in Scandinavia, and 5% (5) in other countries.

Men make up 57% (57) and women 43% (43) of the personnel. Of Aspo Group's

employment contracts, 98% (97) are full time. During the financial year, 132 (107) new employment contracts were signed. The costs of all employment benefits within the Group in 2018 amounted to EUR 43.2 (41.6) million. More detailed information about the personnel is presented in Aspo's Responsibility Report.

teria and required performance levels for each criterion at the beginning of each earnings period. The reward from all earnings periods was based on the Group's earnings per share (EPS).

In 2018, on the basis of the 2017 earnings period, a total of 70,525 treasury shares was granted, as well as cash equaling the value of the shares, at most, to pay taxes. In 2018, in accordance with the rules of incentive plans, a total of 4,400 treasury shares, originally granted on the basis of share-based incentive plans, was returned to Aspo due to ended contracts of employment.

PERSONNEL

	2018	2017	2016
Average personnel during the financial year	919	877	871
Total salaries and fees during the financial year, MEUR	36.7	34.7	32.6

PERSONNEL BY SEGMENT, ON AVERAGE

ESL Shipping	2018	2017
Office staff	39	29
Marine personnel	215	201
	254	230
Leipurin		
Office staff	257	244
Non-office workers	63	61
	320	305
Telko		
Office staff	271	264
Non-office workers	9	5
	280	269
Kauko		
Office staff	36	42
Non-office workers	5	6
	41	48
Other operations		
Office staff	24	25
Total	919	877

REWARDING

Aspo Group applies a profit bonus system, which was adopted in 2013. The profit bonus system applied to Finnish personnel is linked to the personnel fund so that the bonus can be invested in the personnel fund or withdrawn in cash. The long-term goal of the funding system is that the personnel will become a significant shareholder group in the company. All persons work-

ing at Aspo Group's Finnish companies are members of the personnel fund.

Share-based incentive plan 2015–2017

In 2015, the Board of Directors of Aspo Plc approved a share-based incentive plan for about 30 persons. The scheme included three earning periods, the calendar years 2015, 2016 and 2017. The Board of Directors decided on the plan's performance cri-

Share-based incentive plans 2018–2020

The Board of Directors of Aspo Plc approved three new share-based incentive plans for the Group's key employees in April 2018. The aim of the new plans is to combine the objectives of the shareholders and key employees to increase the value of the company in the long term, to retain the key employees at the company, and to offer them competitive reward plans based on earning and accumulating the company's shares.

The share-based incentive plan 2018–2020 includes three earning periods, the calendar years 2018, 2019 and 2020. The Board of Directors of the company will determine the plan's performance criteria and required performance levels for each criterion at the beginning of each earnings period. The potential reward of the plan from the earnings period 2018 will be based on the Group's earnings per share (EPS). The share-based incentive plan is directed to approximately 15 people, including the members of the Group Executive Committee, during the earnings period 2018. The potential reward from the earnings period 2018 will be paid partly in the company's shares and partly in cash in 2019. The rewards to be paid on the basis of the share-based incentive plan 2018–2020 correspond to the value of a maximum total of 500,000 Aspo Plc shares, also including the proportion to be paid in cash.

The Executive Committee share-based incentive plan 2018–2020 includes one earning period, calendar years 2018–2020. The potential reward of the plan from the earnings period 2018–2020 will be based on the Group's operating profit (EBIT), and reward payment requires exceptional per-

formance. The potential reward from the earnings period 2018–2020 will be paid partly in company shares and partly in cash in 2021. Rewards to be paid on the basis of the earnings period 2018–2020 correspond to the value of a maximum total of 200,000 Aspo Plc shares, also including the proportion to be paid in cash.

The reward from the restricted share-based incentive plan 2018 will be based on the participant's valid employment or service and the continuation of employment during the vesting period. The reward will be paid partly in company shares and partly in cash at the end of a 12–36 month vesting period. The restricted share-based incentive plan is intended solely for individual key employees by a special resolution of the Board of Directors. Rewards to be paid on the basis of the restricted share-based incentive plan 2018 correspond to the value of a maximum total of 100,000 Aspo Plc shares, also including the proportion to be paid in cash.

More detailed information about incentive plans is presented in Note 29, Related parties, to the consolidated financial statements.

RESEARCH AND DEVELOPMENT

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

CORPORATE RESPONSIBILITY

Aspo believes that socially, financially and environmentally sustainable operations comprise a prerequisite for value creation in the long term. A responsibly led, growing company can create jobs, tax revenues and wellbeing. Customers are also paying more attention to responsibility. Aspo acts like a good corporate citizen in all its operating countries. This means, for example, that Aspo always pays its taxes in the country in which it has made its profit. Aspo treats its employees and stakeholders in a just

and equal manner in all countries where it operates.

Promoting good operating practices in all of its countries is important to Aspo. Aspo's businesses continued to develop their responsibility in 2018. Following their own requirements that are partly stricter than general regulations is important, particularly in less developed markets. Human rights in procurement chains play an important role in the social responsibility of Aspo's trade and logistics businesses. For this reason, Aspo launched the Supplier Code of Conduct for its goods and service suppliers and developed its auditing practices during 2018. Aspo takes climate change seriously and, through its actions, helps to alleviate its impact not only in its own operations but also more widely. For example, investments in eco-friendlier dry bulk cargo vessels help ESL Shipping's customers to reduce the adverse environmental impact of their operations and drive the entire shipping industry forward.

Aspo Group's CEO is in charge of the management of Aspo's responsibility. The CEO reports matters related to responsibility to the company's Board of Directors in accordance with the risk management policy. Aspo Group's Code of Conduct and environmental policy form a common set of rules for responsible business. Aspo's application to join the UN's Global Compact initiative was approved in December 2018, and Aspo therefore committed to adopting, supporting and implementing the ten principles related to human rights, working life principles, the environment and the prevention of corruption within its scope of influence.

Aspo publishes a report on non-financial information and its progress in the implementation of the UN Global Compact principles in its Responsibility Report (pp. 8–21).

RISKS AND RISK MANAGEMENT

Despite lower financial indicators, the economic outlook is positive in all Aspo's market areas. Economic growth and increased industrial production have decreased financial risks associated with Aspo's market areas, but general risks may increase when the economic trend reaches its peak. Increases in political risks are not expected to have any impact on Aspo's business operations in the short term. Import duties imposed by the USA and China, which limit international free trade, have not affected Aspo's operations. Aspo has no business

operations that are or would be affected directly by Brexit or its implementation, but there may be an indirect impact through the principals or customers of Aspo's businesses.

Following the financial crisis, the global economy is growing simultaneously in all Aspo's market areas, decelerating towards the end of the year. In the Eurozone, development has slowed down partly due to growing political tension related to trade. In Russia, the increase in GDP and the inflation rate are at expected levels, exports have increased, and private consumption and investments have increased slowly. General cargo prices in sea transport fluctuated throughout the financial year. At the end of the financial year, prices started to increase.

Financial risks in all Aspo's businesses have decreased as a result of more stable markets. However, any unexpected changes in international politics and trade policies, combined with rapid changes in exchange rates or commodities markets, may have an impact on the demand and competitiveness of the products of Aspo's companies. Subdued demand for investment commodities, which previously limited growth in both the eastern and western markets, has turned into a moderate increase. Investments have increased in Russia, even though most of them are still targeted at the energy sector. Private consumption and export volumes have increased slowly. As there have been no structural economic changes, economic growth is expected to remain at the previous year's level in 2019.

Strategic risks

Political risks have increased globally, which may have a rapid impact on Aspo's operating environment and reduce free trade in the short and long term. The economic and political situation in Aspo's market areas may have made it more difficult to make structural changes as part of Aspo's strategy, even though some have been implemented recently. The situation may continue unchanged, but, as economic and political pressure alleviates or increases, it may change rapidly.

The Russian economy has stabilized, inflation has accelerated slightly and growth is slow. Deteriorated consumption demand in the long term has affected trade in general, but the increase in nominal wages has increased consumption, although inflation

has reduced purchasing power. In Ukraine, the economic situation has stabilized. Consumer and producer prices are at a moderate level and did not change significantly after the fluctuations early in the year during the review period. In 2018, production volumes increased from the comparative year, and imports and exports increased, albeit at a more moderate rate than in the previous year. No signs of weakening have been seen in the financial and payment markets of Russia and Ukraine, but they involve risks that are reflected, for example, in the Russian banking sector. Companies are now more willing to make investments.

Promotion of local production has increased the volume of raw materials and items produced in Russia in industrial production, despite the decrease in quality. This may further reduce the position of imported raw materials in the value chain and the margin level, but, correspondingly, an increase in import volumes may increase demand for foreign raw materials and reduce related risks for Aspo.

Economic sanctions, their increase or other obstacles arising from the economic or political situation in Russia may, in part, reduce transportation volumes originating from Russia and the demand for unloading services for large ocean liners at sea. Protectionist actions may decrease sea transportation in the Russian Arctic if Russia sets stricter regulations on internal transportation, for example, regarding the transport of energy products. In Finland and the rest of Europe, social pressures to reduce the use of fossil energy sources in energy production have increased, which will reduce future coal transportation volumes. Correspondingly, the transportation volumes of replacement energy products will increase. Due to this change, it is difficult to estimate future transportation volumes. Fluctuations in international freight indices, their extended low level and the global increase in the number of vessels, particularly in large size categories, have increased uncertainty over the long-term profitability of shipping companies. Nevertheless, there are signs of an increase in freight indices and of a decrease in the number of vessels in operations in the long term.

Strategic risks may be caused by the deterioration of the global economic situation, the political atmosphere, protectionism and the outlook and production choices

of industrial customers. Decisions regarding energy production structures affected by environmental policy and other political choices cause changes in industry and energy production which may decrease the use of fossil fuels and increase the use of alternative forms of energy. The flow of goods in the Baltic Sea may change as a result of steel production, cost structures, changes in customer structure, such as centralization or other reasons. These changes may have negative consequences on operations as the need for transportation decreases, but they may also be seen as significant opportunities. As a result of low cargo prices in international shipping, competition for cargoes may also become fiercer in the Baltic Sea. Mild, ice-free winters may also increase competition. In autumn 2018, ESL Shipping received two new low-emission vessels with better fuel economy for this region and customer base. These will also be able to operate in ice conditions. The shipping company also completed an acquisition that will significantly improve its competitiveness.

Strategic risks are influenced by long-term changes in cargo prices, the building of new vessels and the removal of others from the markets, investment trends, and changes in trade structures, especially in western markets. In eastern markets, risks are increased by such factors as political instability, social structures or the lack of reaction to the difficulties encountered by business operations. Accumulation and discharge of investments may cause long-term changes in the competitive situation and customer behavior. Trade between eastern and western markets may suffer from restrictions on free trade, as a result of which there may be a decrease in the sales of goods and services.

Rapid changes in economic structures may cause risks due to changes in the customer or principal structure or technologies, and due to unused opportunities requiring a quick response. Changes in demand as a result of various megatrends may cause changes in the product and service ranges of Aspo's subsidiaries, due to which it may be difficult to replace their current products. Disruptive changes may be very rapid. Aspo's strategic risks are evened out by the distribution of business operations over four segments, its engagement in business operations in a broad geographical area,

and its ability to react quickly to changing situations.

In addition to western markets, Aspo operates in areas where economic trends or the political atmosphere may turn rapidly positive or negative, which could significantly change the prevailing operating conditions.

Operational risks

Economic uncertainty in Aspo's operating environment was lower during the review period than in the previous year. However, operational risks remained unchanged. These include risks related to supply chains, goods and services, and persons. The threat of different kinds of misuse from outside the company has also increased as a result of the development of electronic media.

For a long time, the focus of Aspo's growth has been on emerging market areas, where risks decelerating growth are affected by factors such as exchange rate fluctuations and interest rates, the level of and changes in the global market prices of raw materials, industrial and commercial investments, customer liquidity, changes in legislation and import regulations, and inactivity, bias or corruption among public authorities.

Economic growth and, alternatively, any decrease in production may have an impact on demand for raw materials. Political instability makes commercial activities more difficult and, if the situation prolongs, it may also decelerate the growth of Aspo's businesses. Consumer behavior and confidence are also reflected in risks associated with B-to-B customers and their risk levels. Growth opportunities presented by emerging markets are encouraging competitors to consider starting or expanding business operations in these areas. The challenging emerging markets and their escalated situations have also caused competitors to withdraw from these markets, which has created new potential for Aspo's businesses and has increased their market shares.

Hedging against exchange rate changes is not possible in all conditions or, in particular, at all times. Changes in exchange rates may reduce profit and equity on the balance sheet as a result of translation differences. Then again, changes in exchange rates may also strengthen results and the balance sheet. As changes in credit loss risks are diversified across businesses and custom-

ers, Aspo's businesses have not been subject to any significant credit losses related to their customers, even though credit loss risks have increased, and provisions are made for them in accordance with principles of IFRS 9 standard.

The technical products or applications deployed by Aspo's businesses may break or malfunction, due to which the increase in profit based on these products or applications may slow or be delayed. Sales margins may be reduced, and financial claims related to deliveries may emerge if Aspo's products are not suited to the customers' production processes or lack the correct technical properties.

Operational risks have also increased as a result of computer-related crime, malware and the increased number of fraud attempts. If realized, these risks may mean financial losses for Aspo. Aspo has appropriate information security and internal training arrangements, but individual cases may occur due to the decentralized structure of operations. Any deviations in internal processes may result in losses, for example, in the form of taxes or official fees.

The quantity and probability of the Group's loss risks are regularly assessed. Bidding processes are arranged for general insurance policies, and the amounts insured are regularly updated. Amounts insured are sufficient in view of the scope of Aspo's operations, but insurance companies may restrict the validity of insurance policies as a result of risks increasing for various reasons, such as in war areas.

Financial risks

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

Refinancing risk

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

Liquidity risk

Liquidity risk is managed by securing the Group's sufficient cash funds, with committed revolving credit facilities and other financial reserves.

Interest rate risk

The company hedges against interest rate changes by tying interest-bearing liabilities partly to floating rate loans and partly to fixed rate loans. In addition, interest rate derivatives are used for hedging against interest rate risks.

Credit risk

The Group uses terms of payment based on advance payments and bank guarantees to hedge against credit risks. Full knowledge of customers is an important part of credit risk management.

Currency risk

Within Aspo Group, the exchange rate risk is primarily controlled through customer and principal agreements at the business level, and secondarily by using currency derivatives.

A more detailed description of financial risks is presented in notes to the consolidated financial statements in Note 26.

Internal control and risk management

One of the responsibilities of Aspo's Audit Committee is to monitor the efficiency of the Group's internal control, internal audits and risk management systems. The Audit Committee monitors the risk management process and gives instructions on the necessary measures to prevent strategic risks in particular. In accordance with the internal control principles approved by the Board of Directors, risk management is part of Aspo's internal control, and its task is to ensure the implementation of the Group's strategy, the development of financial results, shareholder value, dividend payment ability, and continuity in business operations. The operational management of each business is responsible for risk management. The management is responsible for specifying sufficient measures and their implementation, and for monitoring and ensuring that the measures are implemented as part of day-to-day operational management. Aspo's CFO, who reports to the Group CEO, is in charge of risk management.

LEGAL PROCEEDINGS

On February 27, 2015, the Helsinki District Court announced its judgment in the case between ESL Shipping and the Finnish State regarding fairway dues levied during the years 2001–2004. According to the

judgment, the Finnish State was required to refund to ESL Shipping approximately EUR 3.0 million in accordance with the company's claim, as well as legal expenses and interest. The State lodged an appeal against the District Court's judgment and, in its ruling issued on August 8, 2016, the Court of Appeal overruled the Helsinki District Court's judgment and dismissed ESL Shipping's legal action as time-barred. The company applied for leave to appeal from the Supreme Court, which rejected the application in February 2018. In June 2018, ESL Shipping filed, with 13 other shipping companies, an appeal regarding extraordinary appeal (for nullification) to the Supreme Court. In addition, the company lodged a complaint with the European Court of Human Rights, particularly regarding a breach of protection of property. In September, the European Court of Human Rights announced that it would not process the appeal.

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

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

In 2018, Telko took legal action in Korea against a former principal (Korea Engineering Plastics Co. LTD) regarding unpaid commission.

In spring 2017, Kauko took legal action in civil court against two individuals who worked in leading positions in the mobile knowledge work unit that provides IT solutions for the healthcare sector due to breaches of the non-solicitation and non-compete clauses. In February 2018, the District Court decided the matter in favor of the defendants and Kauko appealed against

the judgment to the Court of Appeal. In 2018, Kauko dropped its claims against one of the defendants. The Court of Appeal issued its decision on February 8, 2019, and confirmed that the non-compete clause was valid as regards the defendant, and a contractual penalty, plus interest on arrears, was imposed on the defendant for the violation of the clause. In addition, the Court of Appeal confirmed that the clause for the non-use of trade and professional secrets and the non-solicitation clause were binding. The decision is not yet final, and it has no significant impact on Aspo Group's financial results.

BOARD AUTHORIZATIONS

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

The Annual Shareholders' Meeting on April 10, 2018 authorized the Board of Directors to decide on the acquisition of no more than 500,000 treasury shares using the unrestricted equity of the company, representing about 1.6% of all the shares in the company.

The authorization includes the right to accept treasury shares as a pledge. The authorization remains valid until the Annual Shareholders' Meeting in 2019, but no more than 18 months from the approval at the Shareholders' Meeting. The Board of Directors did not use the authorization during the financial year.

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

The Annual Shareholders' Meeting on April 10, 2018 authorized the Board of Directors to decide on a share issue, through one or several instalments, to be executed by conveying treasury shares. An aggregate maximum amount of 900,000 shares may be conveyed based on the authorization. The authorization is valid until the Annual Shareholders' Meeting in 2019 but not more than 18 months from the approval at the Shareholders' Meeting. The Board of Directors did not use the authorization during the financial year.

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

The Annual Shareholders' Meeting on April 10, 2018 authorized the Board of Directors to decide on a share issue of new shares against payment. The authorization includes the right of the Board of Directors to decide on all of the other terms and conditions of the conveyance and thus also includes the right to decide on a directed share issue, in deviation from the shareholders' pre-emptive right, if a compelling financial reason exists for the company to do so. The total number of new shares to be offered for subscription may not exceed 1,500,000. The authorization is valid until the Annual Shareholders' Meeting in 2019 but not more than 18 months from the approval at the Shareholders' Meeting. Aspo's Board of Directors used the authorization granted by the Annual Shareholders' Meeting of April 10, 2018, and, as part of the acquisition of AtoB@C, transferred 444,255 new shares in Aspo through a share issue directed to the seller. The subscription price of the new shares was EUR 9.96.

THE MANAGEMENT AND THE AUDITOR

Mammu Kaario, Mikael Laine, Gustav Nyberg, Salla Pöyry and Risto Salo were re-elected to the Board of Directors, and Tatu Vehmas was elected as a new member of the Board, at Aspo Plc's Annual Shareholders' Meeting on April 10, 2018. At the Board's organizing meeting held after the Annual Shareholders' Meeting, Gustav Nyberg was elected Chairman of the Board and Mammu Kaario Vice Chairman. At the meeting, the Board also decided to appoint Mammu Kaario as Chairman of the Audit Committee and Mikael Laine, Salla Pöyry and Tatu Vehmas as committee members. More information about the activities of the Board of Directors in 2018 and the Nomination Committee is presented in Aspo Plc's Corporate Governance Statement (pp. 22–32).

eMBA Aki Ojanen acted as the CEO of the company in 2018.

The authorized public accountant firm Ernst & Young Oy has been the company's

auditor. Toni Halonen, APA, has acted as the auditor in charge.

EVENTS AFTER THE FINANCIAL YEAR

Patricia Nyberg (M.Sc. (Econ), MBA (IMD)), has been appointed member of the Board of Directors of Telko Ltd as of January 1, 2019. Anders Dahlblom, Managing Director of Paroc Group, has stated that he is unable to continue as a member of the Board of Directors after March 1, 2019.

Esa Rautalinko, Managing Director of Örum Group, gave up the position as member of the Board of Directors of Leipurin Plc, as of January 1, 2019.

OUTLOOK FOR 2019

Growth of the global economy is expected to slow down. The economies in Russia and in eastern markets will continue their moderate growth, while political risks and international sanctions imposed on Russia have maintained a high level of risks in the market area, meaning that future development is difficult to predict. Threats of increasing obstacles to international free trade have remained unchanged, and negative development may also be rapid, which may have an impact on the operating prerequisites of Aspo's principals, customer companies or Aspo's businesses. Exchange rates are expected to continue to fluctuate heavily. Economic growth in the EU and in Finland, in particular, remains at a high level, although the export volumes growth of the Finnish export industry has slowed down. Industrial production is expected to slow down in the main market areas of Aspo's businesses in Northern Europe. Economic conditions will remain favorable in Aspo's businesses, although there is always the risk of rapid economic changes.

Prices of the industrial raw materials and oil that are important to Aspo are expected to remain at their current low level. Dry bulk freight rates in sea transportation that are important to ESL Shipping are expected to remain at their current level.

GUIDANCE FOR 2019

Aspo's operating profit will be EUR 28–33 (20.6) million in 2019.

SHARES AND SHAREHOLDERS

SHARE CAPITAL

Aspo Plc's share capital on December 31, 2018 was EUR 17,691,729.57, and the total number of shares was 31,419,779, of which the company held 304,361 shares: that is, 1.0% of the share capital. During the financial year, the number of Aspo Plc's registered shares increased by 444,255 shares. In August 2018, Aspo's Board of Directors decided on a directed share issue relating to the implementation of the acquisition of AtoB@C.

SHARES

Aspo Plc has one share series. Each share entitles the shareholder to one vote at the shareholders' meeting. Aspo's share is quoted on Nasdaq Helsinki Ltd's Mid Cap segment under industrial products and services.

DIVIDEND

Aspo Plc's Annual Shareholders' Meeting held on April 10, 2018 decided that EUR 0.43 per share be paid in dividends as proposed by the Board of Directors.

The dividend was paid in two installments. The payment date for the first installment of EUR 0.21 per share was April 19, 2018. The payment date for the second installment of EUR 0.22 per share was November 5, 2018.

Aspo revised its dividend policy in November 2018. According to its new dividend policy, Aspo's goal is to annually increase the amount of dividends. Previously, Aspo's goal was to pay, on average, at least half the profit for the period in dividends.

SHARE TRADING AND SHARE PRICE DEVELOPMENT

During 2018, a total of 1,809,464 Aspo Plc shares was traded at EUR 17.2 million, meaning that 5.8% of all shares changed owners. During the financial year, the share reached a high of EUR 10.80 and a low of EUR 7.90. The average price was EUR 9.51 and the closing price at year-end was EUR 7.96.

At the end of the financial year, the market value of shares, less treasury shares, was EUR 247.7 million.

MAJOR SHAREHOLDERS ON DECEMBER 31, 2018

	Number of shares	% of shares and voting rights
Havsudden Oy Ab	3,142,941	10.00
Vehmas Tatu	2,306,676	7.34
Varma Mutual Pension Insurance Company	1,438,412	4.58
Vehmas Tapio	1,375,827	4.38
Ilmarinen Mutual Pension Insurance Co	1,000,676	3.18
Robinson Joanna	754,259	2.40
Nyberg Gustav	731,667	2.33
Investment fund Nordea Small Cap	721,040	2.29
Mandatum Life Unit-Linked	541,552	1.64
Procurator-Holding Oy	470,969	1.50
Ten major shareholders, total	12,484,019	39.64
Nominee registrations	810,676	2.78
Other shares	17,820,723	56.72
Total shares outstanding	31,115,418	99.03
Treasury shares	304,361	0.97
Shares total	31,419,779	100.00

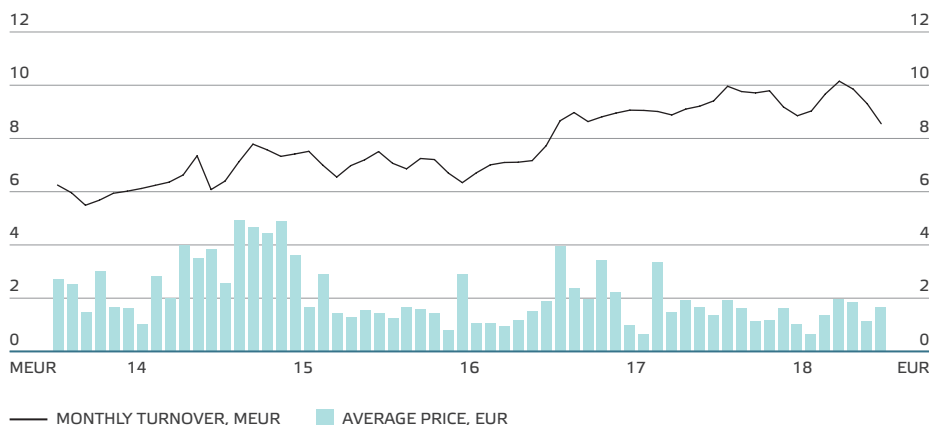
DISTRIBUTION OF SHARE OWNERSHIP ON DECEMBER 31, 2018 BY NUMBER OF SHARES

Number of shares	Number of owners	Share of owners %	Total shares	% of shares
1-100	1,787	18.81	101,067	0.32
101-500	3,598	37.87	1,000,229	3.18
501-1,000	1,602	16.86	1,227,835	3.91
1,001-5,000	1,998	21.03	4,315,784	13.74
5,001-10,000	297	3.13	2,114,228	6.73
10,001-50,000	169	1.78	3,487,821	11.10
50,001-100,000	18	0.19	1,308,183	4.16
100,001-500,000	24	0.25	5,874,118	18.70
500,001-	9	0.10	11,986,050	38.15
Total in joint accounts			4,464	0.01
Total	9,502	100.00	31,419,779	100.00

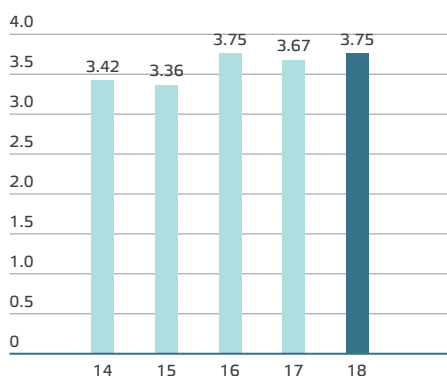
DISTRIBUTION OF SHARE OWNERSHIP ON DECEMBER 31, 2018 BY OWNER GROUPS

	Ownership %	Shares %
Households	94.6	59.3
Companies	3.9	17.1
Financial and insurance institutions	0.3	9.3
Non-profit organizations	0.8	4.6
Public organizations	0.1	8.0
Non-domestic	0.3	1.7
Total	100.0	100.0

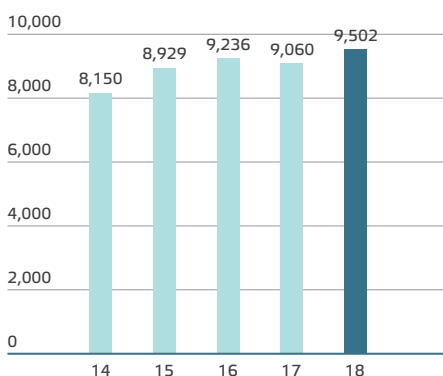
SHARE TRADING AND AVERAGE PRICES



EQUITY/SHARE EUR



NUMBER OF SHAREHOLDERS



SHARE OWNERSHIP

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

At the end of 2018, Aspo had 9,502 shareholders. Of all shares, 97.4% were held directly, and 2.6% were held via nominee registrations. A total of 1.6% of the company's shares was held by foreign entities.

On December 31, 2018, the ten largest shareholders owned a total of 39.6% of the company's shares and voting rights.

A monthly updated list of Aspo's major shareholders is available at www.aspo.com.

SHARE OWNERSHIP BY THE MEMBERS OF THE BOARD AND THE GROUP EXECUTIVE COMMITTEE

On December 31, 2018, the total number of shares owned by the members of Aspo Plc's Board of Directors with entities under their control was 6,838,985 shares, which represents 21.8% of the company's shares and voting rights.

On December 31, 2018, Aspo Plc's CEO and the other members of the Group Executive Committee held a total of 236,299 shares, which represents 0.8% of the company's shares and voting rights.

KEY FIGURES FOR THE GROUP

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

	2018	2017	2016	2015	2014
Net sales, MEUR	540.9	502.4	457.4	445.8	482.9
Operating profit, MEUR	20.6	23.1	20.4	20.6	23.4
Share of net sales, %	3.8	4.6	4.5	4.6	4.8
Profit before taxes, MEUR	16.4	21.1	17.3	21.3	19.0
Share of net sales, %	3.0	4.2	3.8	4.8	3.9
Profit for the period, MEUR	14.2	19.4	15.9	19.8	18.4
Share of net sales, %	2.6	3.9	3.5	4.4	3.8
Return on investment (ROI), %	7.2	9.9	8.7	11.2	9.9
Return on equity (ROE), %	12.4	17.1	14.6	19.1	17.8
Equity ratio, %	29.5	35.6	37.4	33.8	35.2
Gearing, %	154.4	103.9	89.8	101.4	101.0
Gross investments in tangible and intangible assets, MEUR	43.2	18.0	6.9	15.1	18.7
Share of net sales, %	8.0	3.6	1.5	3.4	3.9
Personnel, Dec. 31	958	909	895	857	879
Average number of personnel	919	877	871	862	882
Share-specific indicators					
Earnings/share (EPS), EUR	0.42	0.56	0.49	0.61	0.57
Diluted earnings/share, EUR	0.42	0.56	0.49	0.61	0.57
Equity/share, EUR	3.75	3.67	3.75	3.36	3.42
Nominal dividend/share, EUR (2018 proposed by Board of Directors)	0.44	0.43	0.42	0.41	0.40
Dividend/earnings, %	106.7	76.3	85.4	67.1	70.3
Effective dividend yield, %	5.5	4.3	5.1	5.5	7.0
Price/earnings ratio (P/E)	19.1	17.7	16.6	12.3	10.0
Diluted price/earnings ratio (P/E)	19.1	17.7	16.6	12.3	10.0
Share price development					
average price, EUR	9.51	8.91	6.95	7.23	6.20
lowest price, EUR	7.90	8.20	6.00	5.92	5.21
highest price, EUR	10.80	10.00	8.21	8.16	7.52
Closing price on the last day of trading, EUR	7.96	10.00	8.18	7.50	5.69
Market value of shares, Dec. 31, MEUR	250.1	309.8	253.4	232.3	176.3
excluding treasury shares, MEUR *	247.7	306.1	250.1	228.7	173.0
Development of share turnover, 1,000	1,809	2,851	2,491	4,886	4,872
Development of share turnover, %	5.8	9.2	8.0	15.8	15.7
Total share trading, EUR 1,000	17,202	25,405	17,326	35,340	30,222
Registered share capital, number of shares, Dec 31, 1,000	31,420	30,976	30,976	30,976	30,976
outstanding, Dec. 31	31,115	30,605	30,579	30,496	30,402
outstanding, average	30,809	30,599	30,564	30,479	30,312
diluted number of shares, average	30,809	30,599	30,564	30,479	30,312

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

CALCULATION PRINCIPLES OF KEY FIGURES

Return on investment, % (ROI)	=	$\frac{(\text{Profit before taxes} + \text{Interest and other financial expenses}) \times 100}{\text{Balance sheet total} - \text{Interest-free liabilities (average)}}$
Return on equity, % (ROE)	=	$\frac{(\text{Profit before taxes} - \text{Taxes}) \times 100}{\text{Equity} + \text{Non-controlling interest (average)}}$
Equity ratio, %	=	$\frac{(\text{Equity} + \text{Non-controlling interest}) \times 100}{\text{Balance sheet total} - \text{Advances received}}$
Gearing, %	=	$\frac{(\text{Interest-bearing liabilities} - \text{Cash and cash equivalents}) \times 100}{\text{Equity} + \text{Non-controlling interest}}$
Average number of personnel	=	Average number of personnel at the end of each month
Earnings per share (EPS), EUR*	=	$\frac{\text{Profit before taxes} - \text{Income taxes} - \text{Non-controlling interest}}{\text{Adjusted average number of shares during the financial year}}$
Equity per share, EUR	=	$\frac{\text{Equity}}{\text{Adjusted number of shares on balance sheet date}}$
Adjusted dividend per share, EUR	=	$\frac{\text{Dividend per share paid for the financial year}}{\text{Share issue multiplier}}$
Dividend/earnings, %*	=	$\frac{\text{Adjusted dividend per share} \times 100}{\text{Earnings per share}}$
Effective dividend yield, %	=	$\frac{\text{Adjusted dividend per share} \times 100}{\text{Average share price on closing day weighted with trading volume}}$
Share issue adjusted repayment of capital/share, EUR	=	$\frac{\text{Repayment of capital per share paid for the financial year}}{\text{Share issue multiplier}}$
Repayment of capital/earnings, %	=	$\frac{\text{Share issue adjusted repayment of capital per share} \times 100}{\text{Earnings per share}}$
Effective repayment of capital yield, %	=	$\frac{\text{Share issue adjusted repayment of capital per share} \times 100}{\text{Average share price on closing day weighted with trading volume}}$
Price/earnings ratio (P/E)*	=	$\frac{\text{Adjusted average share price on closing day}}{\text{Earnings per share}}$
Market value of shares, EUR	=	Number of shares outside the Group x Average share price on closing day weighted with trading volume
Free cash flow	=	Net cash from operating activities + Net cash from investing activities

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

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

DIVIDEND PROPOSAL OF THE BOARD OF DIRECTORS

On December 31, 2018, the parent company's distributable funds totaled EUR 42,191,625.81, with the profit for the financial year totaling EUR 16,639,823.45.

The company's registered number of shares on December 31, 2018 was 31,419,779, of which the company held directly 304,361.

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

- EUR 0.44 per share be distributed in dividends in two installments for 31,115,418 shares* EUR 13,690,783.92
 - to be retained in shareholders' equity EUR 28,500,841.89
- EUR 42,191,625.81

*number of shares giving rights to dividends on the signing date

The dividend will be paid in two installments. The first installment of EUR 0.22 per share will be paid to shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd on the record date of April 11, 2019. The Board of Directors proposes that the dividend be paid on April 18, 2019. The second installment of EUR 0.22 per share will be paid in November 2019 to shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd on the record date. At its meeting to be held on October 29, 2019, the Board of Directors will decide on the record and payment dates of the second installment, in accordance with the rules of the Finnish book-entry securities system. According to the current system, the dividend record date would be October 31, 2019 and the payment date would be November 7, 2019.

No dividend will be paid for Aspo Plc's treasury shares.

The company's financial position has not changed substantially since the end of the financial year. The company's liquidity is good and, in the Board of Directors' view, is not endangered by the proposed distribution of profit.

Before the Board of Directors implements the decision made at the Annual Shareholders' Meeting, it must assess, as required in the Finnish Limited Liability Companies Act, whether the company's liquidity and/or financial position has changed after the decision was made at the Annual Shareholders' Meeting so that the prerequisites for the distribution of dividends stipulated in the Limited Liability Companies Act are no longer fulfilled. The fulfillment of the prerequisites stipulated in the Limited Liability Companies Act is a requirement for the implementation of the decision made at the Annual Shareholders' Meeting.

Helsinki February 27, 2019

Gustav Nyberg

Mammu Kaario

Mikael Laine

Salla Pöyry

Risto Salo

Tatu Vehmas

Aki Ojanen
CEO

Aspo Plc has issued a Corporate Governance Statement 2018. In addition, Aspo's Responsibility report of non-financial information required by the Finnish Accounting Act is published at the same time with this Management Report 2018. Both documents have been published on the company's website www.aspo.com.

FINANCIAL STATEMENTS 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1,000 EUR	Notes	Jan 1–Dec 31, 2018	Jan 1–Dec 31, 2017
Net sales	1	540,935	502,360
Other operating income	3	4,110	2,037
Share of profits accounted for using the equity method	16	-131	
Materials and services	6	-382,182	-370,554
Employee benefit expenses	4	-43,247	-41,554
Depreciation, amortization and impairment losses	5	-16,484	-11,869
Other operating expenses	7	-82,446	-57,284
Operating profit		20,555	23,136
Financial income	8	933	1,991
Financial expenses	8	-5,053	-4,073
Total financial income and expenses		-4,120	-2,082
Profit before taxes		16,435	21,054
Income taxes	9	-2,251	-1,646
Profit for the period		14,184	19,408
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Translation differences		-1,939	-3,070
Cash flow hedges		2,572	-3,697
Income tax on other comprehensive income	9	-125	192
Other comprehensive income for the period, net of taxes		508	-6,575
Total comprehensive income		14,692	12,833
Profit for the period attributable to			
Parent company shareholders		14,184	19,408
Total comprehensive income attributable to			
Parent company shareholders		14,692	12,833
Earnings per share attributable to parent company shareholders, EUR	10		
Earnings per share		0.42	0.56
Diluted earnings per share		0.42	0.56

The notes presented on pages 54–93 form an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

ASSETS

1,000 EUR	Notes	Dec 31, 2018	Dec 31, 2017
Non-current assets			
Intangible assets	11	8,887	7,994
Goodwill	12	43,011	42,013
Tangible assets	13	175,053	119,918
Investments accounted for using the equity method	16	1,512	
Other non-current financial assets	14	170	170
Receivables	15	250	525
Deferred tax assets	17	2,391	3,267
Total non-current assets		231,274	173,887
Current assets			
Inventories	18	71,295	60,921
Accounts receivable and other receivables	19	77,496	66,033
Current tax assets		323	331
Cash and cash equivalents	20	19,333	19,923
Total current assets		168,447	147,208
Total assets		399,721	321,095

EQUITY AND LIABILITIES

1,000 EUR	Notes	Dec 31, 2018	Dec 31, 2017
Equity attributable to parent company shareholders			
Share capital	21	17,692	17,692
Share premium	21	4,351	4,351
Invested unrestricted equity reserve	21	16,482	12,061
Fair value reserve	21	-122	-2,569
Other reserves	21	25,000	25,000
Translation differences		-23,616	-21,681
Retained earnings		76,862	77,413
Total equity		116,649	112,267
Non-current liabilities			
Deferred tax liabilities	17	7,158	3,300
Loans and overdraft facilities	22	170,921	109,517
Other liabilities	23	266	522
Total non-current liabilities		178,345	113,339
Current liabilities			
Provisions	25	385	1,216
Loans and overdraft facilities	22	28,526	27,102
Accounts payable and other liabilities	23	75,338	66,817
Current tax liabilities		478	354
Total current liabilities		104,727	95,489
Total liabilities		283,072	208,828
Total equity and liabilities		399,721	321,095

The notes presented on pages 54–93 form an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

1,000 EUR	Jan 1–Dec 31, 2018	Jan 1–Dec 31, 2017
Cash flows from operating activities		
Operating profit	20,555	23,136
Adjustments to operating profit:		
Depreciation, amortization and impairment losses	16,484	11,869
Gains and losses on sale of tangible assets	-25	285
Gains and losses on sale of business operations	24	-352
Share of profits accounted for using the equity method	131	
Employee benefits	70	718
Change in provisions	-822	699
Unrealized foreign exchange gains and losses on operating activities	-14	350
Change in working capital:		
Inventories	-10,645	-6,330
Current receivables	-4,530	-8,808
Non-interest-bearing current liabilities	4,438	2,495
Interest paid	-3,655	-5,062
Interest received	525	1,024
Income taxes paid	-2,263	-2,590
Net cash from operating activities	20,273	17,434
Cash flows from investing activities		
Investments in tangible and intangible assets	-43,054	-3,961
Advance payments on vessels		-13,692
Proceeds from sale of tangible assets	392	293
Proceeds from sale of other non-current financial assets		198
Acquisitions, net of cash	-12,528	
Dividends received	1	2
Proceeds from sale of business operations	104	600
Net cash from investing activities	-55,085	-16,560
Cash flows from financing activities		
Proceeds from current loans	17,289	3,641
Proceeds from non-current loans	58,018	15,600
Repayments of non-current loans	-25,391	-7,827
Hybrid instrument, interests	-1,687	-1,687
Dividends distributed	-13,287	-12,854
Net cash from financing activities	34,942	-3,127
Change in cash and cash equivalents	130	-2,253
Cash and cash equivalents Jan. 1	19,923	22,627
Translation differences	-720	-451
Cash and cash equivalents at year-end	19,333	19,923

The notes presented on pages 54–93 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1,000 EUR	Notes	Share capital	Share premium	Invested unrestricted equity reserve	Fair value reserve	Other reserves	Translation differences	Treasury shares	Retained earnings	Total
Equity January 1, 2018	21	17,692	4,351	12,061	-2,569	25,000	-21,681	-2,169	79,582	112,267
Impact of IFRS 2 amendment									566	566
Adjusted equity January 1, 2018		17,692	4,351	12,061	-2,569	25,000	-21,681	-2,169	80,148	112,833
Comprehensive income										
Profit for the period									14,184	14,184
Other comprehensive income, net of taxes										
Cash flow hedges					2,447					2,447
Translation differences				-4			-1,935			-1,939
Total comprehensive income				-4	2,447		-1,935		14,184	14,692
Transactions with owners										
Dividend payment									-13,287	-13,287
Share issue				4,425						4,425
Hybrid instrument, interests									-1,687	-1,687
Share-based incentive plan								431	-758	-327
Total transactions with owners				4,425				431	-15,732	-10,876
Equity December 31, 2018		17,692	4,351	16,482	-122	25,000	-23,616	-1,738	78,600	116,649
Equity January 1, 2017	21	17,692	4,351	12,054	936	25,000	-18,604	-2,341	75,439	114,527
Comprehensive income										
Profit for the period									19,408	19,408
Other comprehensive income, net of taxes										
Cash flow hedges					-3,505					-3,505
Translation differences				7			-3,077			-3,070
Total comprehensive income				7	-3,505		-3,077		19,408	12,833
Transactions with owners										
Dividend payment									-12,854	-12,854
Hybrid instrument, interests									-2,700	-2,700
Share-based incentive plan								172	289	461
Total transactions with owners								172	-15,265	-15,093
Equity December 31, 2017		17,692	4,351	12,061	-2,569	25,000	-21,681	-2,169	79,582	112,267

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BASIC INFORMATION

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

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

The Group's parent company is Aspo Plc. The parent company is domiciled in Helsinki and its registered address is Mikonkatu 13 A, FI-00100 Helsinki, Finland.

A copy of the consolidated financial statements is available in Aspo Plc's head office at Mikonkatu 13 A, FI-00100 Helsinki, Finland.

Aspo Plc's Board of Directors has approved the consolidated financial statements for issue at its meeting on February 14, 2019. Pursuant to the Finnish Companies Act, shareholders may either adopt or reject the consolidated financial statements at the Annual Shareholders' Meeting held after the issue, or may also decide to modify them.

ACCOUNTING PRINCIPLES

Basis of accounting

Aspo Plc's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) approved in the EU, applying the standards and interpretations valid on December 31, 2018. The notes to the consolidated financial statements also comply with complementary Finnish Accounting Standards and Company legislation.

All figures in the consolidated financial statements are presented in EUR thousands and are based on the original cost of transactions, unless otherwise stated in the Accounting Principles.

As of January 1, 2018 Aspo Group has applied the following new and amended standards and interpretations:

IFRS 15 Revenue from Contracts with Customers, Effective date of IFRS 15, and Clarifications to IFRS 15. Standard was effective starting on January 1, 2018. The standard includes a five-step model to recognize revenue from customer contracts.

IFRS 15 offers a comprehensive framework to determine whether revenue can be recognized, how much can be recognized and when. According to IFRS 15, an entity must recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services in question. IFRS 15 superseded all the previously valid guidelines on revenue recognition principles, e.g. IAS 18 Revenue, IAS 11 Construction contracts, and the related IFRIC interpretations.

According to the new IFRS 15 standard, an entity must recognize revenue once it has satisfied its performance obligation by transferring the promised goods or services to the customer. The Group's sales agreements mainly concern the sale of products to customers, and the Group has identified one performance obligation in the agreements. The transaction price is mainly fixed, while in some cases the consideration may be variable. Revenue is recognized once the products have been delivered to the customer at a specific point in time. More information about the revenue recognition principles is available under Recognition of revenue from contracts with customers.

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

The adoption of the standard did not have significant impact on revenue recognition compared to the Group's earlier revenue recognition principles. Since the effect of applying the standard's revenue recognition principles was minor, the 2017 comparative information has not been adjusted.

IFRS 9 standard, Financial Instruments and Amendments to IFRS 9, were adopted starting on January 1, 2018. The new standard replaced the earlier IAS 39 standard Financial instruments: Recognition and Measurement. IFRS 9 changed the classification and measurement of financial assets, and introduced a new model of expected credit losses for evaluating financial assets. The classification and measurement of financial liabilities is largely in line with earlier IAS 39 requirements. The new standard still includes three types of hedge accounting. However, the standard allows for more risk positions than before to be included in the hedge accounting, and the

hedge accounting principles are harmonized with risk management.

IFRS 9 changed the classification and measurement of certain Aspo's financial assets. More information about these is available under Financial assets and liabilities. When measuring accounts receivable, Aspo applies the simplified segment-specific model to the determination of expected credit losses as allowed by the standard. The impact of the changes resulting from the standard on the opening balance sheet was immaterial compared to the previous provision practice and, therefore, the figures on the opening balance sheet have not been adjusted. Regarding hedge accounting, the Group will continue its previously determined hedging principles.

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions. The amendment applied from January 1, 2018 onwards to share-based incentive plans that include net payment features for meeting payroll tax and other tax obligations. According to the amendments made to IFRS 2, these share-based incentive plans will no longer be divided into two items, one settled in cash and the other settled by using equity. Instead, they are classified as a single equity-settled item. Aspo has adopted the amendment, and the opening balance of January 1, 2018 has been adjusted for the impact of changes in accounting principles. Due to the change, the Group has re-classified the part of share-based incentive plans to be settled in cash, totaling EUR 0.6 million, from interest-free liabilities to a part of the equity-settled item.

IFRIC 22 Foreign Currency Transactions and Advance Consideration. The interpretation specified that the date of conversion of the advance on the asset item, expense or income related to the foreign currency is the date on which the entity originally records an advance payment or deferred income on the advance transaction. If the transaction is comprised of several advance transactions, the settlement date is determined separately for each individual transaction. The interpretation is consistent with the Group's previous accounting principles.

Principles of consolidation

The consolidated financial statements include the parent company Aspo Plc and all

its subsidiaries. The term “subsidiary” refers to a company in which the Group exercises control. The Group’s associated companies include companies in which the Group owns 20%–50% of the voting rights and at least a 20% holding, or in which the Group otherwise holds significant influence. Associated companies are consolidated using the equity method. If the Group’s share of losses in an associated company exceeds the carrying amount, losses in excess of the carrying amount will not be consolidated unless the Group undertakes to fulfill the obligations of the associated company. Unrealized profits between the Group and associated companies are eliminated in accordance with the Group’s ownership. In 2018 three associated companies were acquired to the Group.

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

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

Distribution of the financial year’s profit between the parent company’s shareholders and non-controlling shareholders is presented in the face of the statement of comprehensive income. The potential interest attributable to the non-controlling shareholders is presented as a separate item under the consolidated equity. The Group had no non-controlling shareholders in 2017 and 2018.

Items denominated in foreign currencies

Transactions denominated in foreign currencies are recorded at the exchange rates at the transaction dates. Receivables and liabilities denominated in foreign currencies and outstanding at the end of the financial year are translated using the exchange rates at the reporting date. The gains and losses arisen from foreign currency denominated transactions and the translation of monetary items are recognized in profit or loss.

Foreign exchange gains and losses related to business operations are included in the corresponding items above the operating profit. Foreign exchange gains and losses arisen from loans denominated in foreign currencies are included in financial income and expenses.

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

Subsidiaries abroad

Results and financial position of the Group’s units are measured in the primary currency of the unit’s economic environment (“functional currency”). The consolidated financial statements are presented in euro, the parent company’s functional and presentation currency. In the consolidated financial statements, the income statements of subsidiaries abroad are translated into euro using the average rate of the financial year. Balance sheet items are translated into euro using the exchange rates at the reporting date. Translation differences are presented as a separate item under equity. When an interest in a subsidiary is divested in its entirety or partially such that control is lost, the accumulated translation differences are reclassified to the statement of comprehensive income as part of the sales gain or loss.

Segment reporting

Aspo’s operating segments are ESL Shipping, Leipurin, Telko and Kauko. The operating segments are reported in a manner that is uniform with internal reporting to the chief operating decision maker of the

company. The Board of Directors has been identified as the chief operating decision maker. It is responsible for the allocation of resources to the operating segments and the assessment of their results. Inter-segment transactions are carried out at market prices.

Tangible assets

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

Depreciation is calculated on a straight-line basis over the estimated useful life as follows:

• Buildings and structures	15–40 years
• Vessels	17–30 years
• Pushers	18 years
• Dockings	2–3 years
• Machinery and equipment	3–10 years
• Piping	5–20 years
• Refurbishment costs from premises	5–10 years
• Other tangible assets	3–40 years

Land is not depreciated.

A previously recognized impairment loss on tangible assets is reversed if the estimates used in the determination of the recoverable amount change. Carrying amount increased due to the reversal of an impairment loss may not exceed the carrying amount that would have been defined for the asset item if no impairment loss had been recognized in previous years. Gains and losses arising from the removal from use and disposal of tangible assets are included in other operating income and expenses.

Goodwill and other intangible assets

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

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

Other intangible assets are measured at cost and amortized on a straight-line basis over their useful lives. The amortization periods for other intangible assets are:

- Software and associated licenses 3–5 years
- Principal relationships and technology acquired through business combinations 10 years
- Customer relationships acquired through business combinations 15 years

The Group assesses the carrying amounts of tangible and intangible assets annually, or more often if there is any indication of potential impairment. If such indication exists, the recoverable amount of the asset in question is determined. Impairment is assessed at the level of cash-generating units.

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

An impairment loss is recognized in the statement of comprehensive income if the carrying amount of the asset is higher than its recoverable amount. Where an impairment loss is recognized for an asset item subject to depreciation, the asset item's useful life is re-estimated. An impairment loss recognized for assets other than goodwill is reversed if the estimates used in the determination of the recoverable amount change to a substantial extent. Carrying amount increased due to the reversal of an impairment loss may not exceed the carrying amount that would have been determined for the asset item if no impair-

ment loss had been recognized in previous years. An impairment loss recognized from goodwill is not reversed under any circumstances.

Research and development costs

As a rule, research and development costs are recognized as expenses at the time of their occurrence. Development costs arising from the design of new products are capitalized in the balance sheet as intangible assets from the date when the product is technically and commercially feasible and expected to generate financial benefits in the future. Capitalized development expenditure will be amortized over their useful life. Other development costs are recognized as expenses upon their realization. Any development costs recognized earlier as expenses will not be capitalized during later periods. In 2017, the development and certification costs of medical computers developed by Kauko were capitalized as product development expenditure. The Group has estimated that the useful life of these assets is three years. The amount of these costs is low at an Aspo Group level.

Aspo Group's R&D focuses, according to the nature of each segment, on developing operations, procedures and products as part of customer-specific operations, which means that development inputs are included in normal operational costs and are not itemized.

Inventories

Inventories are measured at cost or net realizable value, if lower. The cost is determined using the FIFO (first-in, first-out) principle. The cost of finished goods and work in progress includes raw material purchase costs, direct manufacturing wages, other direct manufacturing costs, and a share of manufacturing overheads (based on normal operating capacity), borrowing costs excluded. Net realizable value is the actual sales price in the ordinary course of business, less the product's costs of completion and sale.

Leasing agreements – Group as lessee

Leasing agreements where the Group assumes an essential part of the risks and benefits inherent in ownership are classified as financial leasing agreements. Assets acquired through financial leasing agree-

ment are recognized in the balance sheet at an amount equaling the fair value of the leased asset at the start of the agreement or at the present value of minimum lease payments, if lower. Lease payments are divided into financial expenses and loan repayment. Corresponding leasing liabilities, less financial expenses, are included in interest-bearing liabilities. The interest of finance is recognized in profit or loss over the leasing period so that the interest rate for the remaining liability is the same for each financial year. Assets leased under financial leasing agreements are depreciated either over their useful lives or over the term of the leasing agreement, if shorter. Financial leasing agreements include leasing agreements of machinery and equipment and IT software.

Leasing agreements in which the material part of risks and benefits inherent in ownership remain with the lessor are classified as operating leases, the leasing payments of which are recognized in profit or loss as expenses over the leasing period.

Employee benefits

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

Share-based payments

The Group has share-based incentive plans for the management, where part of the reward is settled in shares and the rest in cash. These plans include net payment features for meeting payroll tax and other tax obligations. Therefore, the amendment to IFRS 2 Classification and Measurement of Share-based Payment Transactions adopted in 2018 is applied to them.

Note 29 shows more information on the share-based arrangements. Assigned shares are measured at fair value at the time of assignment and recognized in the statement of comprehensive income as costs over the validity of the incentive plan. The effects of other than market-based con-

ditions (e.g. profitability and profit growth target) are not included in the fair value but taken into account in the amount of shares to which a right is assumed to be generated by the end of the vesting period. Having recognized a share-based payment expense, the other side of the entry is to equity for the proportion to be settled in shares. As of year 2018 also share-based payments to be paid in cash are classified as settled by equity and recognized against equity measured at fair value at the time of assignment. Previously items settled in cash were recognized in non-interest-bearing liabilities and were remeasured at each reporting date. Equity of the opening balance January 1, 2018 was adjusted by the impact of the change in the accounting principle, EUR 0.6 million.

Share capital

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

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

Provisions

A provision is recognized in the balance sheet if the Group has, as a result of a past event, a present legal or constructive obligation that will probably have to be settled, and the amount of the obligation can be reliably estimated. Warranty provisions include the cost of product repair or replacement if the warranty period is still effective at the reporting date. Warranty and maintenance obligations usually extend over 1–2 years. Warranty provisions are determined on the basis of historical experience.

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

Income taxes

The Group's income taxes include taxes based on the Group companies' profits for the financial year, adjustment of taxes from previous financial years and changes in deferred taxes. Income taxes are recognized in accordance with the tax rate valid in each country. Deferred tax assets and liabilities are calculated from the temporary differences between accounting and taxation in accordance with the tax rate in force at the reporting date or at the estimated tax payment date. Elements resulting in temporary differences include provisions, depreciation differences and tax losses. Deferred tax assets are recognized from tax losses and other temporary differences to the extent that it is likely that they may be utilized in the future. The share of profits or losses of associated companies presented in the statement of comprehensive income is calculated from entity's profit or loss, and it includes the impact of taxes.

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

Recognition of revenue from contracts with customers

Aspo's operating segments are ESL Shipping, Leipurin, Telko and Kauko. Aspo's revenue from contracts with customers mainly consists of the following income flows:

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

The majority of Aspo's net sales comes from the sale of goods recognized upon delivery at a point in time once significant risks and benefits associated with ownership have been passed on to the buyer in accordance with the delivery clauses. Apart from ESL Shipping, only a small part of the net sales of the operating segments comprises ser-

vices sold to customers, income from which is recognized at a point in time once the service has been rendered, or over time if the customer simultaneously receives benefits when the service is being rendered. The majority of other services offered by the segments are regarded as part of customer service because they are related, for example, to the development and design of product concepts and customized solutions. ESL Shipping's income is recognized once its services have been rendered. The revenue recognition date is based on transportation agreements or other agreements. At the end of each reporting period, revenue from ESL Shipping's undelivered or otherwise incomplete services is recognized on the basis of the number of days completed by the reporting date as a percentage of the estimated total duration of the service.

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

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

Transaction prices do not include any significant financial component. Primarily, accounts receivable fall due within 0–60 days after the invoicing date. Advance payments received from customers are also

used, typically in projects with a long production period, where installments are tied to the progress of the project.

Some contracts with customers include discounts that are tied, for example, to product volumes purchased annually by the customer in question. With regard to these, the likely amount of a realized discount is estimated on the basis of historical information, and these estimates are used to adjust revenue to be recognized. These accruals are recorded on a monthly basis, and the estimates are updated when more information about the situation is obtained. The amount of these discounts is not significant within Aspo Group. The adoption of IFRS 15 did not change the previously applied practice.

Products sold by Aspo involve warranty obligations, due to the replacement or repair of any defective products during the warranty period. These warranty obligations do not differ from normal statutory obligations or any obligations followed in accordance with sector-specific market practices. These obligations are assessed regularly as the likely amount based on historical experience and recognized in operational expenses.

Aspo had no significant incremental costs included in obtaining contracts with customers that should be capitalized in the balance sheet. The nature of any incremental costs is that their amortisation period would be less than one year.

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

Subsidies

Government subsidies granted to compensate for expenses incurred are recognized in the statement of comprehensive income in the periods in which the expenses related to the object of the subsidy are expensed. Subsidies received are presented as net deductions from generated expenses. Subsidies related to the acquisition of tangible assets have been recognized as adjustments to their cost. Subsidies are entered as income during the period of use of the asset item in the form of smaller depreciation.

Financial assets

As a result of the adoption of IFRS 9, Aspo has redefined the classification of its financial assets in certain respects on the basis of its business model. Aspo classifies financial assets recognized at fair value through other comprehensive income, at fair value through profit or loss, and at amortized cost. Previously, the classification was made in loans and other receivables, available-for-sale financial assets, and financial assets recognized at fair value through profit or loss.

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

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

Loan receivables are recognized on the settlement date and are initially measured at fair value. Following the initial recognition, loan receivables are measured at amortized cost using the effective interest rate method. Their cash flows consist of the payment of capital and interest, and it is planned to hold them until the date of maturity. Transaction costs are included in the original acquisition cost. Credit loss risks associated with loan receivables are assessed on a customer-specific basis and, if required, the expected credit loss is considered when measuring receivables over each 12-month period or when the credit loss risk increases throughout the contrac-

tual period. The amount of the Group's loan receivables is not significant.

Accounts receivable and other receivables are measured at amortized cost. When measuring accounts receivable, Aspo applies the simplified segment-specific model to determine expected credit losses, as permitted by IFRS 9. The Group estimates expected credit losses using an experience-based matrix which takes into account the age structure of receivables, each segment's credit loss history from previous years, the market area and the customer base.

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

Financial assets are derecognized when the Group has lost the contractual right to cash flows, or when it has materially moved risks and revenue outside the Group.

Financial liabilities

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

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

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

The adoption of IFRS 9 did not change the classification of financial liabilities.

Derivatives

Derivatives are initially recognized at fair value on the day the Group becomes a contractual counterparty and are subsequently measured at fair value.

The Group has applied hedge accounting to the hedging of predicted foreign currency denominated cash flows arising from the acquisition of tangible assets. The change in the fair value of the effective portion of hedging has been recognized in other comprehensive income and has been presented in the hedging reserve that is included in the fair value reserve under equity. Profits and losses recognized under equity has been reclassified to the cost of the asset in question during the financial period when the hedged item has been capitalized.

Hedge accounting is also applied to interest rate swaps to hedge the future interest rate cash flows as fixed. The change in the fair value of the effective portion of hedging has been recognized in other comprehensive income and presented in the hedging reserve included in the fair value reserve under equity. Interest rates of the interest rate swap realized during the financial year are recognized in financial items. Hedge accounting is not applied to other derivatives.

When applying hedge accounting, the relation between the hedging instruments and hedged items is documented at the start of hedging, as well as the risk management targets and strategies used as guidelines when launching different hedging actions. At the start of hedging and continuously after this action, the Group prepares an estimate whether the derivatives used in hedging effectively abolish the changes in fair values or cash flows of the hedged objects. The gain or loss relating to an inefficient portion is immediately recognized in the statement of comprehensive income as financial items. When the hedging instrument expires or is sold or when hedging does not meet the criteria of hedge accounting, the accumulated gains and losses retained in equity at that time remain in equity and are reclassified to the statement of comprehensive income only after the forecast transaction affects profit or loss. If the forecast transaction is no longer expected to occur, the accumulated gain or loss retained under equity is immediately reclassified to the statement of comprehensive income as financial items.

Changes in the fair value of derivatives, to which the hedge accounting is not applied, associated with financial items are recognized in financial income and

expenses. Changes in the fair value of other derivatives are recognized in other operating income and expenses.

Fair value of derivatives is determined on the basis of quoted market prices and rates, the discounting of cash flows and option valuation models. The fair value of currency forwards is calculated by discounting the predicted cash flows from the agreements in accordance with interest rates of the currencies sold, translating the discounted cash flows at the exchange rates at the reporting date, and calculating the difference between the discounted values. Fair values of currency options are determined using commonly adopted option valuation models. The fair value of interest rate swaps is calculated by discounting the predicted cash flows from the agreements by using the market prices valid upon valuation.

Fair value hierarchy

Preparing the consolidated financial statements requires the measurement of fair values, for both financial and non-financial assets and liabilities. Group classifies the fair value measurement hierarchy as follows:

Level 1: The fair values of financial instruments are based on quoted prices on active markets. A market may be considered active when quoted prices are available on a regular basis and the prices represent the instrument's actual value in liquid trading.

Level 2: The financial instruments are not traded on active and liquid markets. The value of the financial instrument can be determined on verifiable market information and possibly partially on the basis of derived determination of value. If the factors influencing the instrument's fair value are nevertheless available and verifiable, the instrument belongs to level 2.

Level 3: The valuation of the financial instrument is not based on verifiable market information. Nor are other factors that affect the instrument's fair value available or verifiable.

Management judgment and use of estimates

When preparing the consolidated financial statements in accordance with IFRS, the Group management must use judgments including the recognition of transactions,

selection and application of relevant IFRS standard or accounting principle, determination of the appropriate financial statement presentation, and estimates and assumptions the recognition of items is based on. This judgment affects the amounts and presentation of assets and liabilities in the balance sheet at the time of preparation, the reporting of contingent assets and liabilities, and the amounts and presentation of income and expenses during the financial year.

Estimates are used, for instance, to determine the carrying amounts of goodwill and brands and their expected yields, the useful lives of tangible and intangible assets, as well as the recoverable amounts of inventories and assets and liabilities. The estimates are based on the information compiled from the business units related to the respective markets and development of the businesses and their impact on the Group's net sales and cost level; the experience of the management; and other justifiable assumptions that constitute the best current assessments of the management. Due to changes in the factors that form the basis for estimates, it is possible that final figures may, sometimes significantly, deviate from the assessments used in the consolidated financial statements.

According to the Group management, goodwill and brand impairment testing and recognition of deferred tax assets involve the most significant estimates and assumptions. Other judgment used includes the selection of accounting principles related to recognition of the income from construction contracts, interest rate swaps and leasing agreements. This selection didn't have a material impact on the Group's financial statements.

Goodwill and brand impairment testing

The Group tests the carrying amounts of goodwill and brands annually or more often if there is any indication of potential impairment. Goodwill is allocated to the Group's cash-generating units identified on the basis in which the management monitors goodwill in the internal management reporting. The unit's recoverable amount is calculated on the basis of value-in-use calculations. The cash-flow-based value in use is determined by calculating the discounted pres-

ent value of predicted cash flows. The cash flows include, among others projections of future sales, profitability and maintenance capital expenditures. The discount rate of the calculations is determined through the weighted average cost of capital (WACC) that depicts the overall costs of equity and liabilities, taking into account the particular risks related to asset items and location of operations. The weighted average cost of capital reflects the Group's average non-current financial structure. Different estimates and assumptions could significantly affect the amounts of goodwill and brands reported in the consolidated financial statements. An impairment loss is immediately recognized in profit or loss if the asset's carrying amount is higher than its recoverable amount. An impairment loss recognized for goodwill is not reversed under any circumstances. Goodwill, brands and their impairment testing are discussed in more detail in Note 12.

Deferred tax assets

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

Adoption of new or amended IFRS standards and interpretations

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

IFRS 16 Leases standard will become effective as of 1 January 2019. Under IFRS 16, all leases will be recognized in the lessee's balance sheet as the classification between operating and finance leases according to IAS 17 will no longer be valid. In accordance with the new standard, all assets related to lease agreement (right-of-use assets) and future lease payment obligations (lease liabilities) are recognized in the balance sheet. The only exceptions are the short-term leases and leases for which the underlying asset is of low value, the accounting treatment of which is explained

below. The accounting treatment for lessors remains largely in line with IAS 17.

Aspo Group acts mainly as a lessee. The Group has customary business-related leases, such as contracts related to office and warehouse premises, as well as transportation vehicles and cars. Part of the office technology is also leased. The Group's leases are classified as finance leases or operating leases in accordance with IAS 17 until 31 December 2018 as follows: Leases of property, plant and equipment that substantially transfer the risks and rewards of ownership to Aspo are classified as finance leases. Assets and liabilities related to these contracts are recognized in the consolidated balance sheet. Leases that do not meet the conditions described above are treated as operating leases, and lease payments made based on these contracts are recognized in equal installments in profit or loss over the lease term. The above classification of leases will be removed with the adoption of IFRS 16.

Aspo has implemented a new IT-system to produce accounting information required in IFRS 16 standard.

Transition

Aspo has chosen a simplified method of transition to IFRS 16. Aspo recognizes in the opening balance sheet of January 1, 2019 the right-of-use assets which consist of the lease liabilities and prepayments related to these leases at the time of transition.

The liabilities and assets of contracts previously classified as finance leases under IAS 17 will be included at the time of transition on January 1, 2019 in the lease liabilities and right-of-use-assets in accordance with IFRS 16. Financial leases that are subject to exemptions as short-term or low value right-of-use-assets are derecognized and the difference is recognized in equity. The difference recognized in equity is not material. Finance leases not covered by exemptions are accounted for in accordance with IFRS 16 as of the date of transition.

Aspo applies the following practical expedients in adoption of IFRS 16:

- Leases with lease term less than 12 months remaining at the date of transition on January 1, 2019 are accounted for as short-term leases and

not recognized in the balance sheet.

The election shall be made by class of underlying asset and is applied to all other classes except cars, which are recognized in the balance sheet even if their remaining lease term would be less than 12 months at the time of transition.

- The lease liability and the right-of-use-asset are not recognized in the balance sheet in respect of leases relating to low value assets. Aspo uses a threshold of EUR 5,000 for low value assets.
- The leasing expenses of the two above-mentioned practical expedients are recognized in other operating expenses as equal payments over the lease term.
- Lease agreements with reasonably similar characteristics are subject to one predetermined discount rate. The criteria used to determine the discount rate are the class of underlying asset, the geographic location, the currency, the maturity of the risk-free interest rate and the lessee's credit risk premium.
- In case of leases that the lease term includes extension options or termination options, current knowledge is used in determination of the lease term.
- The initial direct costs are not included into the right-of-use asset at the time of transition in January 1, 2019.

Management judgements

Aspo complies with IFRS 16 guidance for determining the lease term. In case of lease agreements where the lease term is defined valid until further notice, the expected lease term is based on management judgement. The financial impact of the sanctions included in the leases, such as those related to the early termination of the contract, has also been taken into account in determining the expected lease term.

For the contracts with lease term defined valid until further notice the most significant impact relates to vessels leased. If the vessel is leased for approximately a year, the lease term used to calculate the lease liability is 13 months (ongoing month + the next 12 months). As a significant part of the fleet is leased, it is likely that at the end

of the lease term the same or similar vessel will be leased again. In case this does not apply, the agreement will be treated as a fixed term lease contract. The procedure has been designed to give investors a better understanding of the obligations associated with the lease liability and the significance of the right-of-use asset in the balance sheet.

According to the standard guidance, the option to extend or terminate the lease is taken into account in determining the lease term. The period covered by an option to extend the lease is included into the lease term if it is reasonably certain that the option will be exercised and, correspondingly, if it is reasonably certain that the option to terminate the lease is not exercised the remaining period is included in the lease term.

When the agreement includes a lease component and a non-lease component, Aspo separates the non-lease components; such as maintenance, services, or crew, based on either the stand-alone prices given in the lease agreement or by using estimates.

Impact of the adoption of IFRS 16

In 2017, Aspo launched a project to prepare for the adoption of the IFRS 16 standard and it has been a major project for Aspo in 2018. The project has included collection of lease contract information from Group companies, implementing new IT-system and training related to the standard. The project will continue in 2019 with regard to imple-

mentation of the processes defined in the project and documentation of complementary information.

The adoption of the standard will have a significant impact on the balance sheet of Aspo Group and key figures derived from it, as the Group's interest-bearing debt and non-current assets will increase significantly. At the time of transition, January 1, 2019, the amount of the right-of-use assets recognized in the Group's opening balance sheet is EUR 38.5 million, the amount of prepaid lease payments is EUR 0.9 million, and the amount of lease liabilities EUR 37.6 million. Right-of-use assets are presented in the balance sheet as one item and lease liabilities are classified as non-current and current liabilities.

The impact of the leases in force at the time of transition January 1, 2019 in the income statement for 2019 is presented below (in millions of euros):

Increase in depreciations	13.0
Decrease in other operating expenses (leasing expenses)	13.8
Increase in operating profit	0.8
Increase in financial expenses	0.7
Profit before taxes, change	0.1

An accurate calculation of the impact was made of the contracts valid at the time of transition, covering more than 95% of the lease liability at the beginning of the 2019 financial year. The rest 5% has been calculated using estimates.

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

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

* Not yet endorsed for use by the EU.

1. Net Sales and Segment Information

Aspo's operating segments are ESL Shipping, Leipurin, Telko, and Kauko. From the beginning of 2019 Kauko will be reported as part of the Telko segment.

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

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

Telko acquires and supplies plastic raw materials and chemicals to industry. Its extensive customer service also covers technical support and the development of production processes.

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

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

The segment structure corresponds with the Group's organizational structure and internal reporting, where measurement principles of assets and liabilities are in accordance with IFRS. The assessment of each segment's profitability is based on the segment's operating profit and net sales to external customers. The Board of Directors is responsible for assessing the segments and making resourcing decisions.

The segment's assets and liabilities are items that the segment uses in its business operations or that can be reasonably allocated to the segment. Items not allocated to segments consist of items associated with income taxes and centralized financing in the statement of comprehensive income and balance sheet. Investments consist of increases in tangible assets and intangible assets that will be used in more than one financial year. Transactions between segments are based on fair market prices. There is no considerable inter-segment net sales.

NET SALES BY GEOGRAPHICAL AREA

1,000 EUR	2018	2017
ESL Shipping		
Finland	48,285	29,104
Scandinavia	28,730	15,818
Baltic countries	6,267	5,514
Russia, other CIS countries + Ukraine	7,150	6,204
Other countries	29,643	22,651
Total	120,075	79,291
Leipurin		
Finland	45,485	48,117
Scandinavia	269	847
Baltic countries	33,491	32,047
Russia, other CIS countries + Ukraine	36,309	35,039
Other countries	5,475	6,182
Total	121,029	122,232
Telko		
Finland	50,647	52,454
Scandinavia	32,809	33,912
Baltic countries	20,523	20,674
Russia, other CIS countries + Ukraine	128,462	123,609
Other countries	33,754	31,577
Total	266,195	262,226
Kauko		
Finland	31,250	31,102
Scandinavia	252	66
Baltic countries	311	512
Russia, other CIS countries + Ukraine		
Other countries	1,823	6,931
Total	33,636	38,611
Total		
Finland	175,667	160,777
Scandinavia	62,060	50,643
Baltic countries	60,592	58,747
Russia, other CIS countries + Ukraine	171,921	164,852
Other countries	70,695	67,341
Total	540,935	502,360

NET SALES

Aspo Group's net sales in 2018 increased by 8% from the previous year. Net sales increased particularly as a result of the acquisition of AtoB@C by ESL Shipping and the deployment of two new vessels. The impact of the acquisition on the increase in net sales was EUR 27.0 million.

Net sales grew in all market areas. The strongest growth was in Finland, 9%, and Scandinavia, 23%, accelerated by the increase in transportation resulting from the acquisition of AtoB@C. In 2018, Finland accounted for 33% (32) and the market area of Russia, other CIS countries and Ukraine for 32% (33) of net sales.

The majority of the Group's net sales, 76% in 2018, is recognized as income at a point in time in conjunction with the delivery of goods or services. Transactions recognized as income over time mainly include ESL Shipping's sea transportation and related services of EUR 120.0 (79.3) million and Leipurin's construction contracts in machinery operations of EUR 8.3 (7.6) million.

Of Leipurin's net sales, raw material operations accounted for 83% (84) and machinery operations for 17% (16). Of Telko's net sales, plastics operations accounted for 55% (57) and chemical operations for 45% (43). Of Kauko's net sales, mobile knowledge work accounted for 47% (46) and energy-efficiency equipment for 48% (38).

NET SALES BY TIMING OF RECOGNITION

1,000 EUR	2018	2017
ESL Shipping		
Over time	120,075	79,291
Total	120,075	79,291
Leipurin		
At a point in time	112,748	114,629
Over time	8,281	7,603
Total	121,029	122,232
Telko		
At a point in time	265,463	261,316
Over time	732	910
Total	266,195	262,226
Kauko		
At a point in time	33,422	38,411
Over time	214	200
Total	33,636	38,611
Total		
At a point in time	411,633	414,356
Over time	129,302	88,004
Total	540,935	502,360

NET SALES BY PRODUCT CATEGORY

1,000 EUR	2018	2017
ESL Shipping	120,075	79,291
Raw materials	100,355	103,223
Machinery	20,674	19,009
Leipurin	121,029	122,232
Plastics	147,737	150,690
Chemicals	118,458	111,536
Telko	266,195	262,226
Mobile knowledge work	15,646	17,630
Energy-efficiency equipment	16,260	14,485
Other	1,730	6,496
Kauko	33,636	38,611
Total	540,935	502,360

CONTRACT ASSETS AND CONTRACT LIABILITIES

Contract assets include the amount recognized as income from construction contracts produced in accordance with individual orders which are not yet delivered to customers. Revenue from construction contracts is recognized on the basis of the stage of completion, and the amounts show annual variation depending on project completion schedules. Some of the construction contracts outstanding on the closing date are expected to be delivered to customers during the first quarter of 2019 but majority will be delivered during the final quarter. The duration of projects is usually less than one year.

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

CONTRACT ASSETS

1,000 EUR	2018	2017	Jan 1, 2017
The cumulative revenue of non-delivered construction contracts	430	1,215	887
Total	430	1,215	887

CONTRACT LIABILITIES

1,000 EUR	2018	2017	Jan 1, 2017
Advances received, construction contracts		2,410	377
Advances received, others	4,722	3,479	3,267
Total	4,722	5,889	3,644

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

INFORMATION RELATED TO GEOGRAPHICAL REGIONS

1,000 EUR	Net sales		Non-current assets*	
	2018	2017	2018	2017
Finland	175,667	160,777	175,455	144,984
Scandinavia	62,060	50,643	20,954	4
Baltic countries	60,592	58,747	388	471
Russia, other CIS countries + Ukraine	171,921	164,852	1,176	964
Other countries	70,695	67,341	30,909	24,197
Total	540,935	502,360	228,882	170,620

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

OPERATING SEGMENTS

2018

1,000 EUR	ESL Shipping	Leipurin	Telko	Kauko	Unallocated items	Group total
Sales to external customers	120,075	121,029	266,195	33,636		540,935
Inter-segment sales			30	92		
Net sales	120,075	121,029	266,225	33,728		540,935
Operating profit	15,114	3,267	12,087	-4,700	-5,213	20,555
Net financial expenses						-4,120
Profit before taxes						16,435
Income taxes						-2,251
Profit for the period						14,184
Depreciation on tangible assets	9,407	296	737	31	24	10,495
Amortization on intangible assets	120	443	372	186	68	1,189
Segment's assets	206,780	58,936	92,020	17,208	24,777	399,721
Segment's liabilities	17,293	14,179	35,656	6,100	209,844	283,072
Investments	41,848	509	714	26	92	43,189

2017

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

2. Acquisitions and Divestments

ACQUISITIONS IN 2018 AND 2017

Acquisition of the shipping company AtoB@C

ESL Shipping acquired the operations of AtoB@C, a Swedish shipping company, by acquiring all shares in its key companies AtoB@ Shipping AB and AtoB@C Holding AB through a transaction completed on August 31, 2018. The consideration was EUR 25.5 million. Part of the consideration was paid by transferring 444,255 new shares in Aspo Plc to the seller at the rate prevailing on the acquisition date. The acquired companies own and charter dry bulk carriers. On the acquisition date, there were six own and 22 chartered vessels. The transaction included two holdings of 49% in German limited partnerships, both of which own one vessel as well as 100% holding in a Finnish subsidiary and 40% holding in a Swedish company.

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

The fair values of the asset items acquired and liabilities assumed in the acquisition on the transaction date are presented in the following table. The fair values of receivables correspond the gross contractual amounts of receivables. Aspo Plc's shares were transferred as part of the consideration. The goodwill of EUR 5.5 million arising from the acquisition is based on a higher operational competitiveness and synergies related to sourcing and more comprehensive organization. The goodwill is not deductible in taxation.

The acquired companies have been consolidated in Aspo Group's figures starting from September 1, 2018. Net sales of the

ACQUISITION OF THE SHIPPING COMPANY ATOB@C

1,000 EUR

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

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

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

acquired companies in the Group's ownership amounted to EUR 27.0 million and profit for the period was EUR 0.1 million. If the acquired companies were consolidated in Aspo Group's figures starting from January 1, 2018, net sales in the consolidated statement of comprehensive income would have increased by EUR 49.6 million and the operating profit by approximately EUR 1 million.

Other acquisitions

On August 10, 2018 Telko completed the acquisition of the business of Square Oil,

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

No new businesses were acquired in the financial year 2017.

DIVESTMENTS IN 2018 AND 2017

No businesses were divested during the financial year 2018.

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

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

3. Other Operating Income

1,000 EUR	2018	2017
Gains on sale of tangible assets	119	185
Rents and related remunerations	301	817
Compensations for delays and discontinuations of agreements	2,608	
Gains on sale of business operations		352
Leasing agreement related compensation	88	232
Other income	994	451
Total	4,110	2,037

4. Employee Benefits and Personnel Information

At the end of the financial year, the number of employees of Aspo Group was 958 (909), while the average during the financial year was 919 (877). The average number of office staff was 627 (604) and that of non-office workers 292 (273).

EMPLOYEE BENEFIT EXPENSES

1,000 EUR	2018	2017
Wages and salaries	35,946	33,722
Pension expenses, defined contribution plans	4,482	5,244
Share-based payments	742	928
Other employee benefit expenses	2,077	1,660
Total*	43,247	41,554

*Expenses are decreased by the government subsidy for merchant vessels from the Ministry of Transport and Communications, according to which ESL Shipping receives withholding taxes and social security expenses related to marine personnel's pays as refunds

4,792	4,661
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Information regarding the employee benefits of key management personnel is presented in the Related parties section.

PERSONNEL BY SEGMENT AT YEAR-END

	2018	2017
ESL Shipping	276	235
Leipurin	323	315
Telko	301	288
Kauko	33	46
Other operations	25	25
Total	958	909

PERSONNEL BY SEGMENT, ON AVERAGE DURING THE FINANCIAL YEAR

	2018	2017
ESL Shipping	254	230
Leipurin	320	305
Telko	280	269
Kauko	41	48
Other operations	24	25
Total	919	877

PERSONNEL BY GEOGRAPHICAL AREA AT YEAR-END

	2018	2017
Finland	452	436
Scandinavia	40	20
Baltic countries	81	75
Russia, other CIS countries + Ukraine	340	327
Other countries	45	51
Total	958	909

5. Depreciation, Amortization and Impairment Losses

1,000 EUR	2018	2017
Depreciation and amortization		
Intangible assets	1,189	1,984
Buildings	330	310
Vessels	9,394	8,685
Machinery and equipment	739	860
Other tangible assets	32	30
Total	11,684	11,869
Impairment losses		
Goodwill	4,800	
Total	4,800	
Total depreciation, amortization and impairment losses	16,484	11,869

6. Materials and Services

1,000 EUR	2018	2017
Purchases during the period		
ESL Shipping	28,889	13,197
Leipurin	90,072	94,836
Telko	240,132	225,998
Kauko	26,927	34,003
Total	386,020	368,034
Change in inventories	-11,652	-5,219
Outsourced services		
Leipurin	3,933	4,003
Telko	3,389	3,228
Kauko	492	508
Total	7,814	7,739
Total materials and services	382,182	370,554

7. Other Operating Expenses

1,000 EUR	2018	2017
Rents	7,365	7,742
ESL Shipping	55,599	30,158
Leipurin	6,895	6,814
Telko	7,789	8,109
Kauko	1,884	2,187
Other operations	2,914	2,274
Total	82,446	57,284

AUDITORS' FEES

1,000 EUR	2018	2017
Auditing	303	290
Tax advice	64	55
Other services	124	138
Total	491	483

8. Financial Income and Expenses

The items above operating profit include EUR -0.2 million (-0.9) in exchange rate differences in 2018.

1,000 EUR	2018	2017
Dividend income from other non-current financial assets	1	1
Interest income from loans and other receivables	434	1,137
Foreign exchange gains	498	657
Gains on sale of other non-current financial assets		196
Total financial income	933	1,991
Interest and other financial expenses	-3,996	-3,208
Foreign exchange losses	-1,057	-865
Total financial expenses	-5,053	-4,073
Total financial income and expenses	-4,120	-2,082

9. Income Taxes

TAXES IN THE STATEMENT OF COMPREHENSIVE INCOME

1,000 EUR	2018	2017
Taxes for the period	-2,038	-2,283
Change in deferred tax assets and liabilities	-174	636
Taxes from previous financial years	-39	1
Total	-2,251	-1,646

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

1,000 EUR	2018	2017
Profit before taxes	16,435	21,054
Taxes calculated using the parent company's tax rate	-3,287	-4,211
Impact of foreign subsidiaries' tax rates	312	255
Impact of tonnage taxation	3,594	3,128
Losses for which no deferred tax asset was recognized	-996	-892
Utilization of previously unrecognized tax losses	36	191
Allowance from deferred tax assets	-490	-354
Taxes from previous financial years	-39	1
Withholding taxes	-128	-272
Timing differences, tax-free and non-deductible items	-1,253	508
Taxes in the statement of comprehensive income	-2,251	-1,646
Effective tax rate	14%	8%

INCOME TAX ON OTHER COMPREHENSIVE INCOME

1,000 EUR	2018	2017
Cash flow hedges	-125	192

10. Earnings per Share

Earnings per share is calculated by dividing the profit or loss attributable to the parent company's shareholders by the weighted average number of outstanding shares during the financial year. When calculating the earnings per share, interest of the hybrid bond, adjusted for tax effect, has been considered as a profit-reducing item. When calculating the diluted earnings per share in previous years, the average number of shares was adjusted with the dilutive effect of the equity-based convertible capital loan and the shareholding plan for Aspo Management Oy. At the end of 2018 and 2017, there were no diluting components.

1,000 EUR	2018	2017
Undiluted		
Profit for the period attributable to parent company shareholders	14,184	19,408
Interest of the hybrid bond (adjusted by tax effect)	-1,350	-2,160
Average number of shares during period (1,000)	30,809	30,599
Earnings per share, EUR	0.42	0.56
Diluted		
Diluted earnings per share, EUR	0.42	0.56

11. Intangible Assets

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

2018				
1,000 EUR	Intangible rights	Other intangible assets	Advance payments of intangible assets	Total
Acquisition cost, Jan. 1	7,886	16,300	118	24,304
Translation differences	-4	72		68
Increases, business combinations		1,874		1,874
Increases	28	139	42	209
Decreases	-1	-856		-857
Transfers between classes			-118	-118
Acquisition cost, Dec. 31	7,909	17,529	42	25,480
Accumulated amortization, Jan. 1	-2,241	-14,069		-16,310
Translation differences	3	47		50
Accumulated amortization of decreases	1	855		856
Amortization for the period	-76	-1,113		-1,189
Accumulated amortization, Dec. 31	-2,313	-14,280		-16,593
Carrying amount, Dec. 31	5,596	3,249	42	8,887

2017

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

**INTANGIBLE ASSETS LEASED UNDER FINANCIAL LEASES
ARE INCLUDED IN INTANGIBLE ASSETS AS FOLLOWS**
Other intangible assets

1,000 EUR	2018	2017
Acquisition cost, Jan. 1	3,580	4,614
Increases	140	307
Transfers between classes	118	
Decreases	-855	-1,341
Acquisition cost, Dec. 31	2,983	3,580
Accumulated amortization, Jan. 1	-2,034	-2,527
Accumulated amortization of decreases	855	1,341
Amortization for the period	-673	-848
Accumulated amortization, Dec. 31	-1,852	-2,034
Carrying amount, Dec. 31	1,131	1,546

12. Goodwill

Goodwill is allocated to the Group's cash-generating units by business unit, depending on the level of goodwill monitoring in internal reporting. Every unit represents each of Aspo's operating segments. Goodwill is allocated to the segments as follows: ESL Shipping EUR 6.3 million (0.8), Leipurin EUR 26.7 million (26.7), Telko EUR 5.3 million (5.0), and Kauko EUR 4.7 million (9.5). During the 2018 financial year, an impairment loss of EUR 4.8 million was recognized on Kauko's goodwill in accordance with the strategic decision made by Aspo's Board of Directors in December to restructure Kauko's energy operations either by divesting or discontinuing the operations.

The useful lives of brands included in Leipurin and Telko segments have been estimated to be indefinite. The strong image and history of these brands support the management's view that these brands will affect cash flow generation over an indefinite period. The brands have been tested for impairment. According to test results, there is no need for impairment.

IMPAIRMENT TESTING

Future cash flows in impairment calculations have been defined on the basis of value in use. Cash flow estimates are based on three-year financial plans approved by the Board of Directors. In testing, cash flow estimates are prepared for five years, after which the cash flow is assumed to grow steadily. The terminal value has been calculated by using a growth assumption of 1% (1). The recoverable amount indicated by tests clearly exceeds the book value of goodwill in all segments, apart from Kauko. The proportion of the terminal value ranged from 53% to 76% of the recoverable amount and was the highest in the Kauko segment regarding the remaining operations. The goodwill of ESL Shipping before the acquisition of AtoB@C and the goodwill of other operations are not significant compared to the recoverable amount. The goodwill generated in conjunction with the acquisition of AtoB@C in August 2018 was not yet tested in 2018. In addition to the impairment loss recognized on Kauko's goodwill, impairment tests showed no impairment in other segments.

Future cash flows used in Kauko's impairment calculation have been defined on the basis of the value in use. The discount rate

(WACC) used in the calculations was 10.3% (9.1) after taxes. On the basis of testing results, an impairment loss of EUR 4.8 million was recognized on goodwill.

When estimating net sales, the assumption is that current operations can be maintained, and net sales will grow in a controlled manner at the rate estimated in financial plans. The sales margin is estimated to follow net sales growth. It is estimated that costs will increase slowly as a result of continuous cost management.

Fixed costs are expected to grow as much as the rate of inflation at the most.

The discount rate is determined for each segment through the weighted average cost of capital (WACC) that depicts the overall costs of equity and liabilities, taking into account the particular risks related to the asset items and location of operations. The post-tax discount rate (WACC) used in the calculations was 10.3–13.4%.

GOODWILL

1,000 EUR	2018	2017
Acquisition cost, Jan. 1	43,360	43,990
Business combinations	5,839	
Decreases		-598
Translation differences	-41	-32
Acquisition cost, Dec. 31	49,158	43,360
Accumulated impairment losses, Jan. 1	-1,347	-1,347
Impairment loss for the financial year	-4,800	
Accumulated impairment losses, Dec. 31	-6,147	-1,347
Carrying amount, Dec. 31	43,011	42,013

ALLOCATION OF GOODWILL

1,000 EUR	2018	2017
ESL Shipping	6,319	790
Leipurin	26,683	26,683
Telko	5,269	5,000
Kauko	4,704	9,504
Other operations	36	36
Total	43,011	42,013

BRANDS

1,000 EUR	2018	2017
Leipurin	3,148	3,148
Telko	2,155	2,155
Total	5,303	5,303

FACTORS INFLUENCING IMPAIRMENT TESTING AND SENSITIVITY ANALYSIS

Slow economic growth, changes in exchange rates and heavy fluctuation in the operating environment make it more difficult to evaluate the assumptions used in impairment testing. There are no indications of impairment in the business operations' goodwill, apart from Kauko, but the results of impairment testing will depend on the realization of estimated future cash flows. The management believes the assumptions to be appropriate and that tested operations have a sustainable basis. A substantial negative change in future cash flows,

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

Kauko's goodwill was lowered to correspond to the future cash flows of remaining operations. Any significant unfavorable change in any factor would therefore increase impairment losses.

Each segment has undergone a sensitivity analysis in which the values used as basic assumptions in the testing were lowered one at a time other factors remaining

the same. As a result of this, the value of segment's future cash flows has decreased and the recoverable amount is lower. The changes and their effects were:

- WACC was raised by 20%, effect 17–21% (18–19).
- operating profit was cut down by 10%, effect 7–14% (9–12).

The sensitivity analysis shows that there is no need for impairment

13. Tangible Assets

2018

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

2017

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

In 2017 tangible assets included advance payments for ESL Shipping's upcoming LNG-fueled vessels. The EU supports energy-efficiency and environmental investments in ships. ESL Shipping receives subsidy of at most EUR 5.9 million in 2016–2019, of which EUR 2.1 million was paid in 2016. This reduces the acquisition cost of the vessels. To obtain the subsidy, it is required that the activities listed in the agreement are carried out and that the arising costs are documented in an approved manner.

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

Machinery and equipment

1,000 EUR	2018	2017
Acquisition cost, Jan. 1	308	441
Increases		52
Decreases	-237	-185
Acquisition cost, Dec. 31	71	308
Accumulated depreciation, Jan. 1	-238	-333
Accumulated depreciation of decreases	237	185
Depreciation for the period	-27	-90
Accumulated depreciation, Dec. 31	-28	-238
Carrying amount, Dec. 31	43	70

14. Other Long-term Financial Assets

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

UNLISTED SHARES

1,000 EUR	2018	2017
Acquisition cost, Jan. 1	170	172
Decreases		-2
Acquisition cost, Dec. 31	170	170
Carrying amount, Dec. 31	170	170

15. Non-current Receivables

1,000 EUR	2018	2017
Derivative contracts		4
Loan receivables	149	171
Deferred receivables	101	350
Total	250	525

16. Investments Accounted for Using the Equity Method

In conjunction with the acquisition of AtoB@C, Aspo Group obtained three associated companies. Of these, German limited partnership companies Auriga KG and Norma KG are domiciled in Leer. Both of these companies own one dry bulk cargo vessel. Aspo Group holds 49% of these companies. Their income consists of profit from leased vessels, and their combined balance sheet total on the acquisition date was EUR 7.1 million. The fair value of these associated companies determined in conjunction with the acquisition was EUR 0.9 million higher than the carrying amount. The difference between the fair value and carrying amount is based on the value of the vessels owned by the companies, and it will be amortized during useful life.

The third associated company obtained in conjunction with the acquisition is Swedish Norra Skeppnings Gruppen AB, domiciled in Stockholm. It offers brokerage and logistics services for sea transportation and

is engaged in raw material trading on bio-fuels. Aspo Group holds 40% of the company. The company's balance sheet total on the acquisition date was EUR 0.4 million.

INVESTMENTS IN ASSOCIATED COMPANIES

1,000 EUR	2018
Balance Jan. 1	
Investments in associated companies	1,643
Share of associated companies' profits for the the financial year	-131
Carrying amount Dec. 31	1,512

17. Deferred Taxes

Deferred tax liability on the transition to tonnage taxation is relieved through annual state subsidies during the validity of the Tonnage Tax Act if the preconditions for such relief are met. The amount of tax relief was EUR 0.6 million in 2018, and EUR 4.8 million in 2011–2017.

The balance sheet includes deferred tax assets of EUR 1.9 million (2.5) from Finnish companies with a negative result for the financial years 2012 or 2013. These deferred tax assets are recognized on the basis of the management's profit forecast indicating that the realization of the deferred tax assets in question is probable. No deferred tax assets were recognized on the taxable losses of EUR 26.7 million incurred by Finnish companies in other years. The utilization period of these taxable losses is 10 years.

The Group had EUR 2.5 million (2.5) in unused taxable losses in subsidiaries abroad, on which no deferred tax assets have been recognized because the Group is unlikely to accumulate taxable income against which the losses could be utilized before these losses expire. The loss expiry period varies from one country to another. Some losses expire in 2019, while some losses do not have any expiry period set out within the scope of the current legislation. A deferred tax liability of EUR 1.7 million (1.5) has not been recognized from the retained earnings of subsidiaries abroad because they are permanently invested in the countries in question.

DEFERRED TAX ASSETS

1,000 EUR	2018	2017
Derivatives	26	160
Employee benefits	3	30
Losses available for utilization against future taxable income	2,111	2,728
Other temporary differences	251	349
Total	2,391	3,267

DEFERRED TAX LIABILITIES

1,000 EUR	2018	2017
Depreciation in excess of plan	3,026	231
Deferred tax liability due to tonnage taxation	1,235	1,853
Tangible and intangible assets	2,844	1,185
Other temporary differences	53	31
Total	7,158	3,300

CHANGES IN DEFERRED TAX ASSETS

1,000 EUR	2018	2017
Deferred tax assets, Jan. 1	3,267	3,432
Items recognized in the statement of comprehensive income		
Unutilized tax losses	-617	-297
Employee benefits	-27	19
Other temporary differences	-107	-12
Items recognized in other comprehensive income	-125	125
Deferred tax assets, Dec. 31	2,391	3,267

CHANGES IN DEFERRED TAX LIABILITIES

1,000 EUR	2018	2017
Deferred tax liabilities, Jan. 1	3,300	4,243
Items recognized in the statement of comprehensive income		
Depreciation in excess of plan	242	-1
Deferred tax liability due to tonnage taxation	-618	-617
Tangible and intangible assets	-133	-211
Other temporary differences	22	-47
Business combinations	4,345	
Items recognized in other comprehensive income		-67
Deferred tax liabilities, Dec. 31	7,158	3,300

18. Inventories

An expense of EUR 0.4 million (0.3) was recognized during the financial year for a write-down of inventories to net realizable value.

1,000 EUR	2018	2017
Materials and supplies	4,038	1,615
Finished goods	64,129	56,304
Other inventories	3,128	3,002
Total	71,295	60,921

19. Accounts Receivable and Other Receivables

Accounts receivable do not involve significant credit loss risks. A total of EUR 0.5 million (0.9) was recognized as impairment loss from accounts receivable.

When measuring accounts receivable, Aspo applies the simplified segment-specific model to the determination of expected credit losses as allowed by the IFRS 9 standard. The Group evaluates expected credit losses using an experience-based matrix which takes into account the age structure of receivables, each segment's credit loss history from previous years, the market area and the customer base.

ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

1,000 EUR	2018	2017
Accounts receivable	64,797	54,294
Accounts receivable on construction contracts, non-delivered	430	1,215
Refund from the Ministry of Transport and Communications	2,535	2,357
Advance payments	2,013	2,168
VAT receivable	1,055	640
Loan receivables	50	21
Other deferred receivables	6,616	5,338
Total	77,496	66,033

AGEING ANALYSIS OF ACCOUNTS RECEIVABLE

2018	Accounts receivable	Provision for credit losses	Carrying amount
1,000 EUR			
Not matured	49,089	-37	49,052
Matured 1–30 days ago	11,591	-70	11,521
Matured 31–60 days ago	2,459	-98	2,361
Matured 61–90 days ago	650	-10	640
Matured more than 90 days ago	2,848	-1,625	1,223
Total	66,637	-1,840	64,797

2017	Accounts receivable	Provision for credit losses	Carrying amount
1,000 EUR			
Not matured	41,837	-35	41,802
Matured 1–30 days ago	8,434	-35	8,399
Matured 31–60 days ago	1,815	-17	1,798
Matured 61–90 days ago	1,202	-10	1,192
Matured more than 90 days ago	2,695	-1,592	1,103
Total	55,983	-1,689	54,294

20. Cash and Cash Equivalents

1,000 EUR	2018	2017
Bank accounts and deposits	19,333	19,923

21. Equity

On December 31, 2018, Aspo Plc's number of shares was 31,419,779 and the share capital was EUR 17.7 million. During the financial year, the number of Aspo Plc's registered shares increased by 444,255 shares. In August 2018, Aspo's Board of Directors decided on directed share issue against payment relating to the implementation of the acquisition of AtoB@C.

On May 27, 2016, Aspo issued a EUR 25 million hybrid bond. The coupon rate of the bond is 6.75% per annum. The bond has no maturity but the company may exercise an early redemption option after four years from the issuing date. An interest payment obligation is set up if the Annual Shareholders' Meeting decides to distribute dividends. If no dividend is distributed, the company can decide upon the payment of interest separately. A hybrid bond is an

instrument which is subordinated to the company's other debt obligations. In the consolidated financial statements, the loan has been classified as equity, and interest paid is presented in equity according to its nature. The hybrid bond does not confer to its holders the rights of a shareholder and does not dilute the holdings of the shareholders.

Equity consists of the share capital, share premium, fair value reserve, translation differences, invested unrestricted equity reserve, other reserves, and retained earnings. Share subscriptions based on the convertible capital loan that were issued during the validity of the old Companies Act (29.9.1978/734) were recognized in the share premium. The invested unrestricted equity reserve includes other equity-type investments and share subscription

price to the extent that it is not recognized in the share capital in accordance with a separate resolution. The fair value reserve includes accumulated changes in the fair value of derivative instruments under hedge accounting. Other reserves include hybrid instruments.

DIVIDENDS

After the reporting date, the Board of Directors has proposed that a dividend of EUR 0.44 per share be distributed for 2018, and that the dividend be paid in two installments, EUR 0.22 per share in April and EUR 0.22 per share in November. A dividend of EUR 0.43 was distributed for 2017 in two installments: EUR 0.21 per share in April and EUR 0.22 per share in November.

EQUITY 2018

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

2017

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

Shares have no nominal value.

FAIR VALUE RESERVE

1,000 EUR	2018	2017
Cash flow hedges	-122	-2,569

22. Loans

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

NON-CURRENT LOANS AND OVERDRAFT FACILITIES

1,000 EUR	2018	2017
Loans	152,826	89,747
Pension loans	4,286	5,714
Bond	10,945	10,934
Financial leasing liabilities	700	977
Overdraft facilities in use	2,164	2,145
Total	170,921	109,517

CURRENT LOANS AND OVERDRAFT FACILITIES

1,000 EUR	2018	2017
Loans	23,206	23,309
Pension loans	1,429	1,429
Financial leasing liabilities	503	680
Overdraft facilities in use	3,388	1,684
Total	28,526	27,102

MATURING OF FINANCIAL LEASING LIABILITIES

1,000 EUR	2018	2017
Financial leasing liabilities – total amount of minimum lease payments		
Within one year	522	707
After one year and within five years	715	1,000
Total	1,237	1,707
Financial leasing liabilities – present value of minimum lease payments		
Within one year	503	680
After one year and within five years	700	977
Total	1,203	1,657
Future financial expenses	34	50

23. Accounts Payable and Other Liabilities

OTHER NON-CURRENT LIABILITIES

1,000 EUR	2018	2017
Derivative contracts	66	122
Other non-interest-bearing liabilities	200	400
Total	266	522

ACCOUNTS PAYABLE AND OTHER LIABILITIES

1,000 EUR	2018	2017
Accounts payable	45,520	37,161
Advances received, construction contracts		2,410
Advances received, others	4,722	3,479
Salaries and social security contributions	7,419	6,854
Employer contributions	1,286	1,238
Accrued interest	1,566	1,640
Derivative contracts	128	1,939
VAT liability	4,096	3,844
Share-based incentive plan		566
Other current liabilities	200	200
Other current deferred liabilities	10,401	7,486
Total	75,338	66,817

24. Pension Obligations

The Group has provided for statutory pension cover by taking out insurance with pension insurance companies. In foreign units, the pension cover is arranged in accordance with local legislation and social security regulations. The Group's pension schemes are treated as defined contribution plans in the consolidated financial statements.

PENSION EXPENSES IN THE STATEMENT OF COMPREHENSIVE INCOME

1,000 EUR	2018	2017
Defined contribution plans	4,482	5,244

25. Provisions

The recognized provisions are based on best estimates on the reporting date. Warranty provisions are mainly associated with the Group's product warranties, rental provisions to onerous sublease contracts of office premises, contract payments to compensations of old project deliveries, and pension provisions to direct pension liabilities granted by the Group. Tax provisions were based on any increased expenses arising from ongoing tax inquiries.

1,000 EUR	Warranties and maintenance services	Rental agreements	Compensations for deliveries	Pension commitments	Tax charges	Total
December 31, 2017	405	296	489	5	21	1,216
Increase in provisions	40					40
Decrease in provisions	-65	-296	-489		-21	-871
December 31, 2018	380	0	0	5	0	385

26. Financial Risks and Financial Risk Management

26.1 FINANCIAL RISK MANAGEMENT PRINCIPLES AND ORGANIZATION

The function of Aspo Group's financial risk management is to protect the operating margin and cash flows, and effectively manage fund-raising and liquidity. The Group aims to develop the predictability of the results, future cash flows, and capital structure, and continuously adapt its operations to changes in the operating environment.

Financial risk management is based on the treasury policy approved by the Board of Directors, which defines the main principles for financial risk management in Aspo Group. The treasury policy defines general risk management objectives, the relationship between the Group's parent company and business units, the division of responsibility, and risk management-related reporting requirements.

The treasury policy also defines the operating principles related to the management of currency risks, interest rate risks, and liquidity and refinancing risks.

Together with the Group Treasurer, Aspo's CEO is responsible for the implementation of financial risk management in accordance with the treasury policy approved by the Board of Directors. The business units are responsible for recognizing their own financial risks and managing them together with the parent company in accordance with the Group's treasury policy and more detailed instructions provided by the parent company.

26.2 MARKET RISKS

Currency risk

Aspo Group has companies in 18 countries, and the operations take place in 13 different currencies. The Group's currency risk consists of foreign currency-denominated internal and external receivables, liabilities, estimated currency flows, derivative contracts and translation risks related to results and capital. The target of Aspo Group is to decrease the uncertainty related to fluctuations in results, cash flows and balance sheet items.

At the business unit level, currency risk mainly occurs when a unit sells products and services with its domestic currency, but the costs are realized in a foreign currency.

In accordance with Aspo's strategy, an increasingly significant part of the net sales of Telko and Leipurin originates from Russia. In addition, a considerable part of Telko's net sales comes from Ukraine. Aspo's most

INTEREST-BEARING LIABILITIES BY CURRENCY

1,000 EUR	2018	2017
EUR	193,561	132,790
RUB	2,497	
USD		2,145
PLN	3,389	1,684
Total	199,447	136,619

ACCOUNTS RECEIVABLE BY CURRENCY

1,000 EUR	2018	2017
EUR	45,508	38,202
SEK	1,164	1,296
DKK	1,361	1,178
PLN	911	670
RUB	4,549	4,137
UAH	5,611	3,742
USD	4,029	4,218
Other	1,664	851
Total	64,797	54,294

ACCOUNTS PAYABLE AND ADVANCES RECEIVED BY CURRENCY

1,000 EUR	2018	2017
EUR	38,874	35,921
SEK	1,148	727
DKK	284	387
PLN	305	239
RUB	1,386	1,429
UAH	589	128
USD	7,061	3,784
Other	595	435
Total	50,242	43,050

extensive currency risks are related to the Russian ruble. If the ruble weakened against the euro, the Russian net sales and result denominated in euro of the Telko and Leipurin segments would decrease. In 2018, the Russian ruble weakened, compared to the previous year. Changes in the Russian ruble in relation to the euro slowed the increase in euro-denominated net sales in 2018.

The currency risks of ESL Shipping were mainly related to dollar-denominated investments. In 2018, the shipping company completed its investment program to build two

new vessels. The total value of the investment was approximately EUR 60 million, and the related cash flows were divided between the years 2015–2018. Part of the cash flows related to the agreement were dollar-denominated, and they were hedged in their entirety by currency forward contracts. The currency forward contracts were subject to hedge accounting. All currency forward contracts related to the investment program ended as a result of the completion and receipt of the vessels.

At the reporting date, Aspo Group's currency position mainly consisted of internal and external interest-free and interest-bearing receivables and liabilities denominated in foreign currency.

Interest-bearing liabilities are mainly denominated in euro.

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

Aspo Group has made investments in subsidiaries abroad. In addition, the equity of subsidiaries abroad increases through profitable business. The total equity of the Group's subsidiaries abroad at the reporting date was EUR 36.1 million (29.4). Ruble-denominated investments of EUR 14.8 million (16.2) in subsidiaries operating in Russia were the biggest investment in regard to the currency amount. Despite the significant share of equity being denominated in the Russian ruble, the Group deems that diversifying is at a sufficient level, and there is no need to hedge the translation position associated with the equities of its subsidiaries abroad. The table shows the Group's share in the subsidiaries' equity by currency.

In addition, non-current intra-Group loan receivables (included in the Telko segment) from Telko's Belarusian, Ukrainian and Kazakhstani subsidiaries have been classified as non-current net investments in foreign operations. The total amount of these loan receivables is EUR 12.5 million (12.5).

Interest rate risk

To finance its operations, Aspo Group uses both fixed-rate and floating-rate liabilities that cause an interest rate risk in Aspo Group's cash flow and profit as a result of changes in the interest rate level. In addition to fixed-rate liabilities, Aspo Group uses interest rate derivatives to decrease a possible growth in future cash flows caused by an increase in short-term market interest rates. On December 31, 2018, the Group's interest-bearing liabilities totaled EUR 199.4 million (136.6) and cash and cash equivalents stood at EUR 19.3 million (19.9). Aspo Group's credit portfolio is reviewed with regard to average interest rate, the duration of interest rate position, average loan maturity, and relation between fixed-rate and floating-rate liabilities. On the balance sheet date, the average interest rate on interest-bearing liabilities

INVESTMENTS IN FOREIGN SUBSIDIARIES

1,000 EUR	Equity 2018	Equity 2017
EUR	12,898	7,054
SEK	-540	-984
DKK	5,812	6,162
RUB	14,836	16,170
NOK	18	-100
UAH	2,260	175
PLN	1,929	1,787
BYN	-990	-837
CNY	492	430
KZT	-474	-433
AZN		26
IRR	-174	-91
UZS	16	
Total	36,083	29,359

CASH AND CASH EQUIVALENTS AND UNUTILIZED COMMITTED REVOLVING CREDIT FACILITIES

1,000 EUR	2018	2017
Cash and cash equivalents	19,333	19,923
Revolving credit facilities	40,000	40,000
Total	59,333	59,923

ities was 1.6% (1.8), the duration of interest rate position was 1.1 years (1.9), the average loan maturity was 3.5 years (3.4), and the share of fixed-rate liabilities was 30% (47). In 2018, the average maturity of interest-bearing loans lengthened and the duration of interest rate position shortened. The portion of fixed-rate loans decreased.

Sensitivity to market risks

Aspo Group is exposed to interest rate and currency risks via financial instruments, such as financial assets and liabilities including derivative contracts, in the balance sheet on the reporting date. The currency position varies during the financial year and, accordingly, the position included in the balance sheet on the reporting date does not necessarily reflect the situation during the financial year. The impact of foreign currency denominated sales and purchase transactions made during the financial year on the statement of comprehensive income is not taken into account in the sensitivity analysis

unless they were hedged through derivatives.

The sensitivity analysis is used to analyze the impact of market trends on measurements. The US dollar poses a significant currency risk for Aspo Group due to vessel investments. Cash flows related to the investment were hedged by currency forwards. The fluctuation between the Russian ruble and euro is the most significant factor causing currency risks to the Group.

The sensitivity analysis regarding changes in the euro/Russian ruble exchange rate is based on the following assumptions:

- The exchange rate change of +/-30%.
- The position includes the ruble-denominated financial assets and liabilities of companies that use the euro as their functional currency and the euro-denominated financial assets and liabilities of subsidiaries operating in Russia, i.e. accounts receivable and other receivables, loans and overdraft facilities used, accounts payable and

other liabilities, as well as cash and cash equivalents on the reporting date.

- Future cash flows are not taken into account in the position.

The sensitivity calculation resulting from changes in interest rates is based on the following assumptions:

- The interest level changes by one percentage point.
- The position includes floating-rate interest-bearing financial liabilities and assets.
- The calculation is based on balance sheet values on the reporting date, and changes in capital during the year are not taken into account.

In the sensitivity analysis, the effects in the statement of comprehensive income are calculated as profit before taxes.

The equity sensitivity analysis covers the capital invested in the subsidiary with regard to the currency risk.

Market risks also have an impact on Aspo Group through items other than financial instruments. The oil price has an impact on Aspo Group's financial performance through transportation costs. The Group has hedged against this risk by means of contractual clauses. The fluctuations in raw material prices for chemicals and food also affect the Group's financial performance.

Hedge accounting

The US dollar-denominated cash flows related to the ESL Shipping's vessel investments were hedged with currency forwards. The currency forwards were subject to hedge accounting, and the effective part of changes in their fair value was recognized in the hedging reserve under the fair value reserve in Aspo Group's equity. The effective portion of the changes in fair value of currency forwards, was recognized in other comprehensive income, while the interest portion of the currency forwards was recognized in financial items of the statement of comprehensive income. Hedged transactions were realized in 2018 through final installments and the gains and losses recognized in equity were transferred to the vessel acquisition cost.

The floating interest rate of the term loan taken out by Aspo Plc in 2011 and matured in 2015 was hedged with an interest rate swap throughout the validity of the loan agreement. The said interest rate swap was subject to hedge accounting, and changes in its fair value were recognized in other comprehensive income. The hedging

relation between the loan hedged and the hedging instrument was effective. The said term loan, matured in 2015, was renewed with the same amount, and hedging of the variable interest of the renewed term loan was continued with an interest swap, but hedge accounting was discontinued in connection with the renewal due to its partial ineffectiveness, and changes in fair value have since been recognized through profit or loss. The loss accumulated in equity by 2015 was EUR 0.6 million and is entered in profit or loss in accordance with the original forecast transaction, still expected to occur by 2019. The fair value of the interest rate derivative amounted to EUR -0.1 million (-0.4) on December 31, 2018. The fair value of Group's other interest rate swaps to which hedge accounting is applied was EUR -0.1 million (0.0) on December 31, 2017. The effective portion of the changes in their fair value, EUR -0.1 million, was recognized in other comprehensive income, and interest expenses for the financial year and the inefficient portion were recognized in the financial items.

26.3 LIQUIDITY AND REFINANCING RISK

The objective of Aspo Group is to ensure sufficient financing for operations in all situations and market conditions. In accordance with the treasury policy, the sources of financing are diversified among a sufficient number of counterparties and different loan instruments. The sufficient number of committed financing agreements and sufficient

maturity ensure Aspo Group's current and near-future financing needs.

Aspo Group's most significant financing needs in 2018 were related to the vessel investments by ESL Shipping and the company has signed vessel finance agreements of EUR 50 million. In 2018, ESL Shipping made payments of approximately EUR 38 million related to the ship investments and acquired a Swedish shipping company AtoB@C. Of the transaction price, ESL Shipping paid approximately EUR 19 million in cash and cash equivalents. The main financing source of Telko, Leipurin and Kauko is the cash flow from their operations. Liquidity is ensured through cash and cash equivalents, the issuing of commercial papers and committed overdraft limits, as well as revolving credit facilities granted by selected cooperation banks.

The Group's cash and cash equivalents at the end of the financial year 2018 were EUR 19.3 million (19.9). At the reporting date, Aspo Plc had a EUR 80 million domestic commercial paper program of which EUR 17 million were in use. At the reporting date, Aspo Plc also had revolving credit facilities granted by selected cooperation banks in the amount of EUR 40 million which were fully unutilized. In the financial year, Aspo Plc signed a credit agreement amounting to EUR 30 million. The loan period is 5 years.

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

SENSITIVITY ANALYSIS FOR FOREIGN CURRENCY AND INTEREST RATE RISK

1,000 EUR	2018		2017	
	Statement of comprehensive income	Equity	Statement of comprehensive income	Equity
Currency risk				
+ 30% strengthening of euro against RUB	1,136	-3,424	197	-3,731
- 30% weakening of euro against RUB	-612	6,358	-365	6,930
Interest rate risk				
Change of +100 basic points in the market interest rates	-1,378		-738	
Change of -100 basic points in the market interest rates	1,377		734	

MATURITY ANALYSIS 2018

1,000 EUR	Balance sheet value Dec 31, 2018	Cash flow 2019	2020	2021	2022	2023–
Loans	-192,692	-40,769	-38,110	-23,173	-26,188	-72,236
Overdraft facilities	-5,552	-3,388	-2,164			
Other liabilities	-200		-200			
Financial leasing liabilities	-1,203	-522	-357	-271	-68	-19
Accounts payable and other liabilities	-75,338	-75,338				
Derivative instruments						
Interest rate swaps						
Hedge accounting applied						
Cash flows to be paid		-46	-24			
Cash flows to be received					4	
Hedge accounting not applied						
Cash flows to be paid		-128				

2017

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

FINANCIAL ASSETS AND LIABILITIES 2018

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

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

26.4 CREDIT AND COUNTERPARTY RISKS

The Group has credit risk from accounts receivables. The Telko and Leipurin segments have an international and highly diversified customer base, and no considerable customer risk concentrations exist. ESL Shipping's accounts receivable are connected to long-term customer relationships with creditworthy companies. The turnover rate of its accounts receivable is high. All segments hedge against credit risks by using, when necessary, payment terms based on advance payments and bank guarantees.

Aspo Group's aim is to have low cash and cash equivalents. The counterparty

risk is managed by selecting well-known and financially solvent domestic and international banks as counterparties. Excess funds are invested in bank deposits and short-term money market instruments. The derivative contract-based counterparty risk is managed by selecting well-known and solvent domestic banks as counterparties.

26.5 CAPITAL MANAGEMENT

The objective of the Group is to achieve a capital structure, with which Aspo Group can ensure the operational framework for short- and long-term operations, and a sufficient return on equity.

The main factors affecting the capital structure are possible acquisitions and

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

The development of the Group's capital structure is mainly monitored through the equity ratio and gearing. On December 31, 2018, the equity ratio was 29.5% (35.6) and gearing was 154.4% (103.9). During the financial year 2018, Aspo Group's capital structure was especially affected by the shipping company's investment in two new dry cargo vessels and the acquisition of the shipping company AtoB@C.

FINANCIAL ASSETS AND LIABILITIES 2017

1,000 EUR	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	Measured at amortized cost	Carrying amount
Non-current financial assets				
Other non-current financial assets		170		170
Derivatives	4			4
Non-current receivables*			171	171
Current financial assets				
Accounts receivable and other receivables*			54,955	54,955
Cash and cash equivalents			19,923	19,923
Total	4	170	75,049	75,223
Non-current financial liabilities				
Loans and overdraft facilities			109,517	109,517
Derivatives		122		122
Other non-current liabilities			400	400
Current financial liabilities				
Loans and overdraft facilities			27,102	27,102
Derivatives	1,679	260		1,939
Accounts payable and other liabilities*			44,083	44,083
Total	1,679	382	181,102	183,163

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

As described in the Accounting Principles, the Group classifies the determining of fair values of financial assets and liabilities on different levels in the fair value hierarchy. Group's derivatives include interest rate swaps and currency forwards and they fall into level 2 in the fair value hierarchy. Other long-term financial assets fall into hierarchy level 3.

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

CHANGE IN CLASSIFICATION OF FINANCIAL ASSETS CLASSIFICATION IAS 39

1,000 EUR	Loans and other receivables	Available-for-sale financial assets recognized in other comprehensive income	Derivatives in hedge accounting recognized in other comprehensive income	Carrying amount
Financial assets measured at fair value				
Non-current financial assets				
Other non-current financial assets		170		170
Non-current receivables			4	4
Total		170	4	174
Financial assets measured at amortized cost				
Non-current financial assets				
Non-current receivables	171			171
Current financial assets				
Accounts receivable and other receivables	54,955			54,955
Cash and cash equivalents	19,923			19,923
Total	75,049			75,049

CLASSIFICATION IFRS 9

1,000 EUR	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	Measured at amortized cost	Carrying amount
Financial assets measured at fair value				
Non-current financial assets				
Other non-current financial assets		170		170
Non-current receivables	4			4
Total	4	170		174
Financial assets measured at amortized cost				
Non-current financial assets				
Non-current receivables			171	171
Current financial assets				
Accounts receivable and other receivables			54,955	54,955
Cash and cash equivalents			19,923	19,923
Total			75,049	75,049

27. Derivative Contracts

1,000 EUR	2018		2017	
	Nominal value	Fair values, net	Nominal value	Fair values, net
Currency derivatives				
Currency forwards			-26,999	-1,679
Interest rate derivatives				
Interest rate swaps	28,462	-194	30,385	-378
Total		-194		-2,057

28. Contingent Assets and Liabilities, and Other Commitments

CONTINGENT LIABILITIES

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

HYBRID INSTRUMENT

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

ENVIRONMENTAL REMEDIATION OBLIGATION

Rauma Terminal Services Oy, a company within the Aspo Group, is obligated, with regard to land areas leased from the Town of Rauma to restore the land areas so that they are in the same condition as before the lease. The scope of the obligation covers the dismantling of the buildings built by the company, including their foundations, and leveling the dismantled area. The review also includes regular environmental responsibilities from which no costs arise according to the company's understanding. The area has long-term lease agreements, and the Town of Rauma has not expressed any intention to change the area's purpose of use. As a result, the obligation has been treated as a contingent liability in the consolidated financial statements, and no separate transactions have been entered in the statement of comprehensive income or on the balance sheet.

TAX POSITIONS

Due to local tax audits or clarification requests, Aspo has some uncertain tax positions, as the tax authority has summoned the company's claims for deductible items in tax returns. Concerning each case, Aspo has assessed whether the tax authority's interpretations are justified and, if necessary, adjusted the recognized amounts to correspond with the expected payable amounts. Although the management believes that these cases will not result in any significant additional recognitions in addition to previously recognized amounts, the final amounts may differ from

COLLATERAL FOR OWN DEBT

1,000 EUR	2018	2017
Mortgages given	155,837	104,454
Guarantees	31,970	27,593
Other commitments*	314	36,670
Total	188,121	168,717

* Other commitments in 2017 were mainly related to new vessels contracts.

OPERATING LEASE RENTALS PAYABLE

1,000 EUR	2018	2017
Within one year	31,851	10,754
After one year and within five years	16,173	10,649
After five years	26	120
Total	48,050	21,523

the estimated amounts. If the final results differed from the results estimated by the management, the possible additional recognition at the end of the reporting period would be approximately EUR 0–1 million.

LEGAL PROCEEDINGS

On February 27, 2015, the Helsinki District Court announced its judgement in the case between ESL Shipping and the Finnish State regarding fairway dues levied during the years 2001–2004. According to the judgement, the Finnish State was required to refund to ESL Shipping approximately EUR 3.0 million in accordance with the company's claim, as well as legal expenses and interest. The State lodged an appeal against the District Court's judgement and, in its ruling issued on August 8, 2016, the Court of Appeal overruled the Helsinki District Court's judgement and dismissed ESL Shipping's legal action as time-barred. The company applied for a leave to appeal from the Supreme Court, which rejected the application in February 2018. In June 2018, ESL Shipping filed together with 13 other shipping companies, an appeal regarding extraordinary appeal (for nullification) to the Supreme Court. In addition, the company lodged a complaint with the European Court of Human Rights, particularly regarding a breach of protection of property. In September, the European Court of Human

Rights announced that it will not process the appeal. No fairway dues related receivables are not recognized in the Financial Statements.

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

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

In 2018, Telko took legal action in Korea against a former principal (Korea Engineering Plastics Co. LTD) regarding unpaid commission.

In spring 2017, Kauko took legal action in civil court against two individuals who worked in leading positions in the mobile

knowledge work unit that provides IT solutions for the healthcare sector due to breaches of the non-solicitation and non-compete clauses. On February 2018, the District Court has decided the matter for the benefit of the defendants and Kauko appealed against the judgement to the Court of Appeal. In 2018, Kauko dropped its claims against one of the defendants. The Court of Appeal issued its decision on February 8, 2019, and confirmed that the

non-compete clause was valid as regards the defendant, and a contractual penalty, plus interest on arrears, was imposed on the defendant for the violation of the clause. In addition, the Court of Appeal confirmed that the clause for the non-use of trade and professional secrets and the non-poaching clause were binding. The decision is not yet final, and it has no significant impact on Aspo Group's financial results.

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

29. Related Parties

Information on subsidiaries and associated companies within Aspo Group's related parties is presented in the attached table. More information on associated companies within Aspo Group's related parties is presented in Note 16. The related parties also include key management personnel, i.e. members of the Board of Directors and the Group Executive Committee, and any entities under their control.

Information about the members of the Board and the Group Executive Committee is available in the Aspo's Year 2018 in Corporate Governance section.

MANAGEMENT EMPLOYEE BENEFITS

Share-based incentive plan 2015–2017

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

The reward from the earnings period 2017 was based on the Group's earnings per share (EPS). In March 2018, on the basis of the 2017 earnings period, employees included in the plan received 70,525 treasury shares as a share-based reward, as well as cash equaling the value of the shares, at most, in order to pay taxes.

In year 2018 in accordance with the rules of incentive plans a total of 4,400 treasury shares, originally granted on the basis of share-based incentive plans during 2016 and 2017, were returned to Aspo due to ended contracts of employment.

SHARE-BASED PAYMENTS RECOGNIZED IN THE PERIOD

	2018	2017
Total expenses recognized in employee benefit expenses	742	928
Accrued expenses in the balance sheet related to the proportion paid in cash	118	566

SHARE-BASED INCENTIVE PLANS

	Grant date	Transfer date	Number of shares granted	Market value of share on grant date, EUR	Market value of share on transfer date, EUR
Share-based incentive plan 2015–2017	Feb. 11, 2015				
the share of the year 2015	Mar. 13, 2015	Mar. 18, 2016	88,970	7.72	7.25
the share of the year 2016	Mar. 11, 2016	Mar. 24, 2017	25,740	7.20	8.43
the share of the year 2017	Mar. 13, 2017	Mar. 22, 2018	70,525	8.76	9.85
Share-based incentive plan 2018–2020	Apr. 9, 2018				
the share of the year 2018	Jun. 8, 2018		7,711	8.76	
Executive committee share-based incentive plan 2018–2020	Apr. 9, 2018				
	Jun. 8, 2018			8.76	

KEY MANAGEMENT PERSONNEL COMPENSATION

1,000 EUR	2018	2017
Salaries and other short-term employee benefits	1,869	1,836
Post-employment benefits	517	552
Termination benefits	72	
Share-based payments	591	671
Total	3,049	3,059

Share-based incentive plans**2018–2020**

The Board of Directors of Aspo Plc has approved three new share-based incentive plans for the Group key employees in April 2018. The aim of the new plans is to combine the objectives of the shareholders and the key employees in order to increase the value of the company in the long-term, to retain the key employees at the company, and to offer them competitive reward plans based on earning and accumulating the company's shares.

Share-based incentive plan 2018–2020

The share-based incentive plan 2018–2020 includes three earnings periods, calendar years 2018, 2019 and 2020. The Board of Directors of the company will resolve on the plan's performance criteria and required performance levels for each criterion at the beginning of each earnings period. The potential reward of the plan from the earnings period 2018 will be based on the Group's earnings per share (EPS).

The share-based incentive plan is directed to approximately 15 people, including the members of the Group Executive Committee, during the earnings period 2018. The rewards to be paid on the basis of the share-based incentive plan 2018–2020 correspond to the value of a maximum total of 500,000 Aspo Plc shares including also the proportion to be paid in cash.

The reward from the 2018 earnings period was based on the Group's earnings per share (EPS). The share-based cost of rewards was on the balance sheet date estimated at in total of EUR 0.1 million. It will be accrued over the years 2018–2020 on the basis of the rules of the incentive plan.

On February 14, 2019, the Board of Directors decided that the reward for the 2018 earnings period will be 7,711 shares and cash corresponding at most to the value of the shares for covering taxes.

Executive Committee share-based incentive plan 2018–2020

The Executive Committee share-based incentive plan 2018–2020 includes one earnings period, calendar years 2018–2020. The potential reward of the plan from the earnings period 2018–2020 will be based on the Group's operating profit (EBIT), and the reward payment requires exceptional performance.

The potential reward from the earnings period 2018–2020 will be paid partly in the company's shares and partly in cash in 2021. The rewards to be paid on the basis

GROUP COMPANIES

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

ASSOCIATED COMPANIES

Company	Domicile	Holding %
Auriga KG	Germany	49.00
Norma KG	Germany	49.00
Norra Skeppnings Gruppen AB	Sweden	40.00

of the earnings period 2018–2020 correspond to the value of a maximum total of 200,000 Aspo Plc shares including also the proportion to be paid in cash.

Restricted share-based incentive plan 2018

The reward from the restricted share-based incentive plan 2018 will be based on the participant's valid employment or service and the continuation of employment during the vesting period. The reward will be paid partly in the company's shares and partly in cash after the end of a 12–36 month vesting period. The restricted share-based incentive plan is intended solely for individual key employees by a special resolution of the Board of Directors. The rewards to be paid on the basis of restricted share-based incentive plan 2018 correspond to the value of a maximum total of 100,000 Aspo Plc shares including also the proportion to be paid in cash.

OTHER BENEFITS

The CEO has a supplementary defined contribution pension plan in which the pension is determined in accordance with the accumulated insurance savings at the time of retirement. The CEO's retirement age is the lowest possible statutory retirement age less three years. The statutory pension cost recognized as expenses was EUR 89,819 and the voluntary pension cost was EUR 102,835. The period of notice applied to the CEO is six months. If notice is given by the company, severance pay corresponding to 18 months' salary will be paid in addition to the salary for the notice period.

Information on Aspo's hybrid bond subscribed by the related parties is presented in Corporate Governance section in the Aspo's Year 2018.

SALARIES AND BENEFITS OF BOARD MEMBERS AND CEO

1,000 EUR	2018		2017	
	Salaries and remunerations	Pensions	Salaries and remunerations	Pensions
Ojanen Aki, CEO		193		186
CEO, salaries	381		372	
CEO, bonuses	151		82	
CEO, share-based payments	290		85	
Nyberg Gustav, Chairman of the Board	65		85	32
Members of the Board of Directors:				
Kaario Mammu, Vice Chairman of the Board in 2018	48		34	
Laine Mikael	36		33	
Lencioni Roberto*	13		47	
Pöyry Salla	36		33	
Salo Risto	33		33	
Vehmas Tatu **	26			
Total	1,079	193	804	218

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

**Member of the Board since April 10, 2018

Pension benefits include both statutory and voluntary pension payments.

TRANSACTIONS WITH RELATED PARTIES ASSOCIATED COMPANIES

1,000 EUR	2018
Services sold	1,471
Services received	34
Time chartering expenses	782
Accounts receivable and other receivables	427
Accounts payable and other liabilities	1

30. Events After the Financial Year

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

PARENT COMPANY'S INCOME STATEMENT

1,000 EUR	Notes	Jan 1–Dec 31, 2018	Jan 1–Dec 31, 2017
Other operating income	1.1	1,671	2,380
Staff expenses	1.2	-1,862	-2,071
Depreciation and amortization	1.3	-22	-21
Other operating expenses	1.4	-4,759	-4,484
Operating loss		-4,972	-4,196
Financial income and expenses	1.5	17,742	15,684
Profit before appropriations and taxes		12,770	11,488
Appropriations	1.6	3,870	3,560
Profit before taxes		16,640	15,048
Income taxes		0	0
Profit for the period		16,640	15,048

PARENT COMPANY'S BALANCE SHEET

ASSETS

1,000 EUR	Notes	Dec 31, 2018	Dec 31, 2017
Non-current assets			
Intangible assets	2.1	51	10
Tangible assets	2.1	127	148
Investments	2.2	83,427	83,427
Total non-current assets		83,605	83,585
Current assets			
Non-current receivables	2.3	99,475	50,550
Current receivables	2.3	21,398	18,860
Cash and cash equivalents		202	2,976
Total current assets		121,075	72,386
Total assets		204,680	155,971

EQUITY AND LIABILITIES

1,000 EUR	Notes	Dec 31, 2018	Dec 31, 2017
Equity			
Share capital	2.4	17,692	17,692
Share premium	2.4	4,351	4,351
Invested unrestricted equity reserve	2.4	21,305	16,706
Retained earnings	2.4	4,247	2,127
Profit for the period		16,640	15,048
Total equity		64,235	55,924
Provisions	2.5	60	760
Liabilities			
Non-current liabilities			
Loans from Group companies	2.6	7,089	5,714
Bond	2.6	11,000	11,000
Loans from financial institutions	2.6	70,000	40,000
Hybrid instrument	2.6	25,000	25,000
Deferred liabilities	2.6		122
Total non-current liabilities		113,089	81,836
Current liabilities			
Loans from financial institutions	2.7	17,000	4,000
Liabilities to Group companies	2.7	8,212	11,405
Accounts payable	2.7	203	
Other liabilities	2.7	37	39
Deferred liabilities	2.7	1,844	2,007
Total current liabilities		27,296	17,451
Total liabilities		140,385	99,287
Total equity and liabilities		204,680	155,971

PARENT COMPANY'S CASH FLOW STATEMENT

1,000 EUR	Jan 1–Dec 31, 2018	Jan 1–Dec 31, 2017
Cash flows from operating activities		
Operating loss	-4,973	-4,196
Adjustments to operating loss	-516	464
Change in working capital	62	-460
Interest paid	-3,484	-3,399
Interest received	1,255	772
Dividends received	20,700	19,900
Net cash from operating activities	13,044	13,081
Cash flows from investing activities		
Investments in tangible and intangible assets	-27	-24
Proceeds from sale of investments		198
Net cash from investing activities	-27	174
Cash flows from financing activities		
Proceeds from non-current loans from Group companies	1,375	
Repayment of non-current loans from Group companies		-1,429
Proceeds from non-current loans	30,000	
Change in non-current receivables from Group companies	-44,500	-7,450
Change in current receivables	-3,116	849
Change in current liabilities	9,807	745
Group contributions received	3,560	2,495
Dividends distributed	-13,287	-12,854
Purchase of treasury shares	-42	
Proceeds from sale of treasury shares	412	134
Net cash from financing activities	-15,791	-17,510
Change in cash and cash equivalents	-2,774	-4,255
Cash and cash equivalents Jan. 1	2,976	7,231
Cash and cash equivalents at year-end	202	2,976

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

Aspo Plc's financial statements have been compiled in accordance with FAS. The accounting principles have not changed from the previous year. When compiling the financial statements, the management of the company must, in accordance with valid regulations and good accounting practice, make estimates and assumptions that affect the measurement and accruing of financial statement items. The actual figures may differ from the estimates.

FOREIGN CURRENCY TRANSACTIONS

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

PENSIONS

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

RECEIVABLES

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

NON-CURRENT ASSETS AND DEPRECIATIONS

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

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

LEASING

Leasing payments are treated as rent expenses.

PROVISIONS

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

INCOME TAXES

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

DIVIDENDS

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

MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value measurement compliant with Chapter 5, section 2a of the Accounting Act is applied to the accounting treatment of financial derivatives, and changes in their fair value were entered in the income statement. Financial derivatives were measured at the market prices of the balance sheet date.

1.1 Other Operating Income

1,000 EUR	2018	2017
Other operating income, Group	495	503
Rental income, Group	793	833
Other rental income	293	812
Other operating income	90	232
Total	1,671	2,380

1.2 Personnel and Board Members

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

STAFF EXPENSES

1,000 EUR	2018	2017
Salaries and remunerations	1,343	1,156
Share-based payments	63	446
Profit bonus paid to the personnel fund	21	14
Pension expenses	417	421
Other social security expenses	18	34
Total	1,862	2,071

MANAGEMENT SALARIES AND BENEFITS

1,000 EUR	2018	2017
CEO, salaries	381	372
CEO, bonuses	151	83
CEO, share-based payments	290	85
Members of the Board of Directors, remunerations	244	264
Total	1,066	804

AVERAGE NUMBER OF PERSONNEL DURING THE FINANCIAL YEAR

	2018	2017
Office staff	5	5

1.3 Depreciation and amortization

1,000 EUR	2018	2017
Other capitalized long-term expenditure	1	1
Machinery and equipment	21	20
Total	22	21

1.4 Other Operating Expenses

1,000 EUR	2018	2017
Rents	1,777	2,090
Other expenses	2,982	2,394
Total	4,759	4,484

AUDITOR'S FEES

1,000 EUR	2018	2017
Auditing	37	37
Tax advice	32	41
Other services	103	106
Total	172	184

1.5 Financial Income and Expenses

1,000 EUR	2018	2017
Dividend income		
From Group companies	19,700	18,900
Income from non-current investments	19,700	18,900
Other interest and financial income		
From Group companies	1,265	772
From others	3	196
Total interest and other financial income	1,268	968
Interest expenses and other financial expenses		
To Group companies	-119	-138
To others	-3,107	-4,046
Total interest and other financial expenses	-3,226	-4,184
Total financial income and expenses	17,742	15,684

1.6 Appropriations

1,000 EUR	2018	2017
Income		
Group contributions	3,870	3,560

2.1 Intangible and Tangible Assets

1,000 EUR	Intangible rights	Other capitalized long-term expenditure	Total intangibles	Land	Buildings	Machinery and equipment	Other tangible assets	Total tangibles
Acquisition cost, Jan. 1	201	11	212	1	12	164	73	250
Increases	42		42					
Acquisition cost, Dec. 31, 2018	243	11	254	1	12	164	73	250
Accumulated depreciation, Jan. 1	-201	-1	-202		-12	-90		-102
Depreciation and amortization for the period		-1	-1			-21		-21
Accumulated depreciation, Dec. 31, 2018	-201	-2	-203		-12	-111		-123
Carrying amount, Dec. 31, 2018	42	9	51	1	0	53	73	127
Carrying amount, Dec. 31, 2017	0	10	10	1	0	74	73	148

2.2 Investments

1,000 EUR	Subsidiary shares	Other shares	Total
Acquisition cost, Jan. 1	83,244	183	83,427
Acquisition cost, Dec. 31, 2018	83,244	183	83,427
Acquisition cost, Dec. 31, 2017	83,244	183	83,427

2.3 Non-current and Current Receivables

NON-CURRENT RECEIVABLES

1,000 EUR	2018	2017
Receivables from Group companies		
Loan receivables	99,475	50,550
Total	99,475	50,550

CURRENT RECEIVABLES

1,000 EUR	2018	2017
Receivables from Group companies		
Dividend receivables	14,000	15,000
Group contribution receivables	3,870	3,560
Cash pool accounts	213	
Loan receivables	2,895	
Deferred receivables	8	
Total	20,986	18,560
Other receivables	109	134
Deferred receivables	303	166
Total	412	300
Total current receivables	21,398	18,860

2.4 Equity

1,000 EUR	2018	2017
Share capital, Jan. 1	17,692	17,692
Share capital, Dec. 31	17,692	17,692
Share premium, Jan. 1	4,351	4,351
Share premium, Dec. 31	4,351	4,351
Invested unrestricted equity reserve, Jan. 1	16,706	16,662
Share-based payments	174	44
Share issue	4,425	
Invested unrestricted equity reserve, Dec. 31	21,305	16,706
Retained earnings, Jan. 1	17,175	14,833
Dividend payment	-13,287	-12,854
Share-based payments	401	148
Returned share-based payments	-42	
Retained earnings, Dec. 31	4,247	2,127
Profit for the period	16,640	15,048
Total equity	64,235	55,924

Distributable funds under unrestricted equity total EUR 42,191,625.81 (33,881,234.68).

2.5 Provisions

1,000 EUR	2018	2017
Share-based incentive plan	60	443
Onerous rental contract		296
Provision for tax charges		21
Total	60	760

2.6 Non-current Liabilities

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

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

1,000 EUR	2018	2017
Loans from Group companies	7,089	5,714
Bond	11,000	11,000
Hybrid instrument	25,000	25,000
Loans from financial institutions	70,000	40,000
Total non-current loans	113,089	81,714
Measurement of interest rate swap		122
Total deferred liabilities		122
Total non-current liabilities	113,089	81,836

2.7 Current Liabilities

1,000 EUR	2018	2017
Loans from financial institutions	17,000	4,000
Unpaid dividend	9	11
Accounts payable	204	
Other liabilities	37	38
Deferred liabilities*	1,834	1,996
Total	19,084	6,045
Liabilities to Group companies		
Accounts payable	6	
Cash pool accounts	6,756	9,950
Other liabilities	1,450	1,455
Total	8,212	11,405
Total current liabilities	27,296	17,450
 * Main items		
Accrued interests	1,302	1,439
Accrued salaries	476	518

2.8 Other Notes

FUTURE LEASE PAYMENTS

1,000 EUR	2018	2017
Payable within one year	94	93
Payable later	143	164
Total	237	257

OTHER RENTAL LIABILITIES

1,000 EUR	2018	2017
Payable within one year	602	2,042
Payable later	3,426	760
Total	4,028	2,802

GUARANTEES ON BEHALF OF GROUP COMPANIES

1,000 EUR	2018	2017
Guarantees	112,316	72,208
Total	112,316	72,208

GUARANTEES ON OWN BEHALF

1,000 EUR	2018	2017
Guarantees	95	
Total	95	

DERIVATIVE CONTRACTS

1,000 EUR	2018	2017
Interest rate swap		
Nominal value	15,000	15,000
Fair value	-128	-382

Helsinki, February 27, 2019

ASPO PLC

Board of Directors

CEO

AUDITOR'S REPORT

To the Annual General Meeting of Aspo Oyj

(Translation of the Finnish original)

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Aspo Oyj (business identity code 1547798-7) for the year ended 31 December, 2018. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

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

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

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of goodwill</p> <p>We refer to the consolidated financial statements' accounting policies and to the note 12</p> <p>At the balance sheet date 31.12.2018, the value of goodwill amounted to EUR 43.0 million representing 11% of total assets and 37% of total equity. Annually performed impairment tests were considered as a key audit matter, because:</p> <ul style="list-style-type: none"> the estimation process is complex and includes judgmental areas impairment test is based on assumptions in relation to market and economic conditions: goodwill is significant relative to the financial statements. <p>The Group's cash-generating units' recoverable amount is determined by and based on the value in use calculations, which may vary significantly when the underlying assumptions included in the calculations changes. The determination of value in use is affected by several assumptions, such as for example revenue growth, gross margin, and the discount rate applied on discounting the cash flows. Changes in the above mentioned assumptions may result in an impairment of goodwill.</p> <p>Valuation of goodwill was a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).</p>	<p>Our audit procedures, which take into account significant risk of material misstatement in valuation of goodwill, included among others:</p> <ul style="list-style-type: none"> as part of audit, valuation specialist assisted us in evaluating the assumptions and methodologies used by the Group; assessment of management's forecasting accuracy and comparison of projections to the latest budgets approved by the Board; assessment of appropriateness of sensitivity analyses and whether any reasonably possible change in key assumptions could cause the carrying amount to exceed its recoverable amount; assessment of the adequacy of the notes related to sensitivity analyses for assumptions used in impairment tests presented in the note 12.
<p>Revenue recognition</p> <p>We refer to the consolidated financial statements' revenue recognition accounting policies and to the note 1</p> <p>In the financial year 2018 Aspo Group's turnover amounted to EUR 540.9 million, which mainly consists of sale of goods, but also from services sold to customers. Minor part of the turnover consists of revenue recognized from customer specific long-term projects.</p> <p>Revenue from sale of goods is recognized when the control of the underlying products have been transferred to the customer. Revenue from services is recognized after the service has been rendered. Sales contract terms and practices vary in different markets.</p> <p>Turnover is Group's key performance indicator, which may be an incentive for premature revenue recognition. Revenue recognition was a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2) due to risk related to correct timing of revenue recognition.</p>	<p>Our audit procedures, which take into account significant risk of material misstatement in revenue recognition, included among others:</p> <ul style="list-style-type: none"> assessment of the compliance of company's accounting policies over revenue recognition and comparison with applicable accounting standards; testing of the revenue recognition including testing of internal controls when applicable. Our tests included among others external confirmations, reconciliation of sales against customer contracts and verification of acceptance of deliveries; analytical substantive audit procedures relating to revenue recognition; assessment of the adequacy of financial statement notes related to revenues.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of inventories</p> <p>We refer to the consolidated financial statements' accounting policies and to the note 18</p>	
<p>At the balance sheet date 31.12.2018, the value of inventory amounted to EUR 71.3 million representing 18% of total assets and 61% of total equity. Inventories are measured at acquisition cost or net realizable value if lower. Net realizable value is the sales price in the ordinary course of business less sales costs and the costs needed to finish the production of the goods.</p> <p>Impairment due to obsolescence is considered when assessing the valuation of inventories. Aspo has segment and market specific procedures to identify impairment due to obsolescence.</p> <p>Inventory is a key audit matter due to the size of the account balance and because inventory valuation involves management judgement.</p>	<p>Our audit procedures, which take into account risk related to valuation of inventories, included among others:</p> <ul style="list-style-type: none"> • assessment of the compliance of company's accounting policies on inventory valuation and comparison with applicable accounting standards; • assessment of the processes and practices related to inventory valuation, and in major locations testing of the controls related to processes; • test of detail procedures related to acquisition cost of inventory; • assessment of the compliance of obsolescence provisions with the group accounting policies; • assessment of the appropriateness and correctness of management judgement included in obsolescence provisions; • assessment of the notes related to inventories.
<p>Acquisition of AtoB@C shipping business</p> <p>We refer to the consolidated financial statements' accounting policies and to the note 2</p>	
<p>The Group acquired Swedish shipping business AtoB@C during the financial year. The acquisition date was determined to be August 31, 2018. The purchase consideration of EUR 25.6 million was paid partly in cash and partly in Aspo's shares.</p> <p>Assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their acquisition-date fair values. Management judgment relates especially to determining the fair value of acquired assets and liabilities, in particular determining the fair values of separately identifiable intangible assets such as customer contracts.</p> <p>The significant business combination was a key audit matter as it involves valuation processes and –methods, and judgments made by management.</p>	<p>Our audit procedures included amongst other:</p> <ul style="list-style-type: none"> • Assessing the acquisition date and the consideration transferred • Assessing together with our valuation specialists the valuation processes and methodologies to identify acquired assets and liabilities and to determine the fair value of these. • Assessing the disclosures in respect of the business combination

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

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and com-

ply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as appli-

cable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial state-

ments as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify

our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

OTHER REPORTING REQUIREMENTS

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 10.4.2013, and

our appointment represents a total period of uninterrupted engagement of 6 years.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Aspo's Year 2018 publication, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Aspo's Year 2018 publication is expected to be made available to us after that date.

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

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

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

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

Helsinki 5th March, 2019

Ernst & Young Oy
Authorized Public Accountant Firm

Toni Halonen
Authorized Public Accountant

INFORMATION FOR INVESTORS

BASIC SHARE INFORMATION

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

ANNUAL SHAREHOLDERS' MEETING

The Aspo Plc Annual Shareholders' Meeting will be held at the Scandic Marina Congress Center, Katajanokanlaituri 6, FI-00100 Helsinki, Finland on Tuesday, April 9, 2019 at 10:00 p.m. The record date of the Annual Shareholders' Meeting is March 28, 2019.

Shareholders wishing to attend the Annual Shareholders' Meeting must notify the company on April 4, 2019 by 16:00 p.m. at the latest. Please register:

- through Aspo's website at www.aspo.com,
- by telephone on +358 20 770 6887,
- by letter to Aspo Plc, P.O. Box 499, FI-00101 Helsinki.

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

DIVIDEND PAYMENTS

According to Aspo's new dividend policy, Aspo's goal is to annually increase the amount of dividends. The Board of Directors proposes to the Annual Shareholders' Meeting that a dividend of EUR 0.44 per share be paid for 2018 and that no dividend be paid for treasury shares held by the company.

The dividend will be paid in two installments. The first installment of EUR 0.22 per share will be paid to shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd on the record date of April 11, 2019. The Board of Directors proposes that the dividend be

paid on April 18, 2019. The second installment of EUR 0.22 per share will be paid in November 2019 to shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd on the record date. At its meeting to be held on October 29, 2019, the Board of Directors will decide on the record and payment dates of the second installment, in accordance with the rules of the Finnish book-entry securities system. According to the current system, the dividend record date would be October 31, 2019 and the payment date would be November 7, 2019.

FINANCIAL REPORTING IN 2019

- Financial Statement Release February 14, 2019
- Financial Statements 2018 will be published on March 15, 2019 at the latest
- Interim Report for January–March on Wednesday, May 8, 2019
- Half Year Financial Report for January–June on Wednesday, August 14, 2019
- Interim Report for January–September on Tuesday, October 29, 2019

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

FURTHER INVESTOR INFORMATION

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

ADDRESS CHANGES

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

ASPO PLC'S INVESTOR RELATIONS

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

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

CONTACT INFORMATION

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

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