ASPO PLC FINANCIAL STATEMENT RELEASE February 14, 2019 at 10:00 a.m.

ASPO GROUP FINANCIAL STATEMENT RELEASE, JANUARY 1 TO DECEMBER 31, 2018

Aspo Q4: Net sales in strong growth

(Figures from the corresponding period in 2018 are presented in brackets.)

January–December 2018

- Aspo's net sales increased and were EUR 540.9 (502.4) million.
- Operating profit, adjusted by an impairment loss of EUR 4.8 million recognized on goodwill, increased and was EUR 25.4 (23.1) million.
- Operating profit decreased and was EUR 20.6 (23.1) million.
- Profit for the period stood at EUR 14.2 (19.4) million.
- Earnings per share, adjusted by an impairment loss recognized on goodwill, increased to EUR 0.57 (0.56).
- Earnings per share decreased and were EUR 0.42 (0.56).
- The operating profit of ESL Shipping was EUR 15.1 (13.5) million, Leipurin EUR 3.3 (3.1) million, Telko EUR 12.1 (10.8) million and Kauko EUR -4.7 (-0.2) million.
- Net cash from operating activities improved and was EUR 20.3 (17.4) million.

October–December 2018

- Aspo's net sales increased by 18.3% to EUR 156.6 (132.4) million.
- Operating profit, adjusted by an impairment loss recognized on goodwill, increased and was EUR 7.4 (6.5) million.
- Operating profit decreased and was EUR 2.6 (6.5) million.
- Profit for the quarter stood at EUR 0.8 (5.5) million.
- Earnings per share, adjusted by an impairment loss recognized on goodwill, increased to EUR 0.17 (0.16).
- Earnings per share were EUR 0.02 (0.16).
- The operating profit of ESL Shipping increased to EUR 4.2 (4.1) million. The operating profit of Leipurin improved to EUR 0.8 (0.7) million. The operating profit of Telko went up to EUR 3.4 (3.0) million. The operating profit of Kauko decreased to EUR -4.4 (0.0) million.

- The second installment of dividends of EUR 0.22 per share was paid on November 5, 2018.

Aspo's guidance for 2019

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

Proposal of the Board of Directors for the payment of dividends

The Board of Directors proposes that EUR 0.44 (0.43) per share be distributed in dividends for the 2018 financial year, and that the dividend be paid in two installments. Furthermore, the Board of Directors proposes that the first installment of EUR 0.22 per share be paid in April and the second installment of EUR 0.22 per share be paid in November.

More information about the proposed payment of dividends is available under "Dividend proposal."

KEY FIGURES

	10-12/2018	10-12/2017	Change,%	**1-12/2018**	1-12/2017	Change,%
Net sales, MEUR	**156.6**	132.4	18.3	**540.9**	502.4	7.7
Operating profit, MEUR *)	**2.6**	6.5	-60.0	**20.6**	23.1	-10.8
Operating profit, %	**1.7**	4.9		**3.8**	4.6	
Profit before taxes, MEUR	**1.5**	6.1	-75.4	**16.4**	21.1	-22.3
Profit for the period, MEUR	**0.8**	5.5	-85.5	**14.2**	19.4	-26.8
Earnings per share, EUR	**0.02**	0.16	-87.5	**0.42**	0.56	-25.0
Net cash from operating activities, MEUR	**12.7**	11.7	8.5	**20.3**	17.4	16.7
Equity per share, EUR **)				**3.75**	3.67	
Return on equity, % (ROE)				**12.4**	17.1	
Equity ratio, %				**29.5**	35.6	
Gearing, %				**154.4**	103.9	
ESL Shipping, operating profit, MEUR	**4.2**	4.1	2.4	**15.1**	13.5	11.9
Leipurin, operating profit, MEUR	**0.8**	0.7	14.3	**3.3**	3.1	6.5
Telko, operating profit, MEUR	**3.4**	3.0	13.3	**12.1**	10.8	12.0
Kauko, operating profit, MEUR *)	**-4.4**	0.0	-	**-4.7**	-0.2	-2250.0

*) Figures for 2018 include an impairment loss of EUR 4.8 million recognized on Kauko’s goodwill.
**) Figures for 2018 include an impairment loss recognized on Kauko’s goodwill which reduced earnings per share approximately EUR 0.16.

General outlook for 2019

General political uncertainty in the markets has remained. The increase in industrial production is expected to slow down in the main market areas of Aspo’s business operations during 2019. Raw material prices are expected to remain at their current level or decrease. The national economy and industrial production are growing moderately in Russia, an important market area for Aspo, while international sanctions and their possible increase have maintained uncertainties regarding the development of the Russian economy. General political risks continue to increase, and this may have rapid effects on the operating environment or decrease free trade, also affecting the operating conditions of customers of Aspo’s businesses. Economic conditions will remain favorable in Aspo’s businesses, even though there is always the risk of rapid changes.

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

“Aspo’s net sales continued to increase significantly, and the operating profit adjusted by the impairment loss recognized on Kauko’s goodwill improved clearly. Even though Aspo’s profitability has developed positively and all main businesses increased their operating profit during the fourth quarter, we have not been able to use the full potential of all businesses. ESL Shipping accounted for a significant part of the increase in Aspo’s net sales. ESL Shipping’s new environmentally friendly vessels and the acquisition of Swedish shipping company AtoB@C had a positive effect on its net sales in the fourth quarter. Eastern markets, an area important to Aspo, developed well, with net sales during the fourth quarter growing by 12%.

During the fourth quarter, the impairment loss of EUR 4.8 million recognized on Kauko’s goodwill strained Aspo's operating profit. Serious technical problems with cranes slowed down the deployment of ESL Shipping's new vessels. This also reduced profit for the fourth quarter. Cargotec MacGregor, the crane supplier, is committed to completing its warranty repairs during the first quarter of 2019. We can be satisfied with the operation of the energy and environmental efficiency systems of the new vessels. When we can raise the reliability and efficiency of the loading and unloading operations of the new vessels to the planned level, the vessels will meet our high profitability requirements and they can be placed to intended customers' cargo deliveries.

During the 2018 financial year, net sales reached a new record level of EUR 541 million. The operating profit for the financial year, adjusted by the impairment loss recognized on goodwill, stood at EUR 25.4 million, increasing for the second year in succession. The operating profit for the period was EUR 20.6 (23.1) million. During the 2018 financial year, Aspo made significant investments to ensure its future growth and the development of its profitability. ESL Shipping's new vessels and the acquisition completed in Sweden, combined with investments to expand operations, for example, in Central Asia, enable Aspo's strong financial performance to continue. We expect Aspo's strong financial performance to continue and indebtedness to decrease. Aspo is committed to reaching its financial goals. The year 2018 was significant in terms of investments and operations on our way towards our goals."

ASPO GROUP

NET SALES

Net sales by segment

	10-12/2018 MEUR	10-12/2017 MEUR	Change %	**1-12/2018 MEUR**	1-12/2017 MEUR	Change %
ESL Shipping	**46.4**	22.6	105.3	**120.1**	79.3	51.5
Leipurin	**31.6**	32.9	-4.0	**121.0**	122.3	-1.1
Telko	**69.5**	65.6	5.9	**266.2**	262.2	1.5
Kauko	**9.1**	11.3	-19.5	**33.6**	38.6	-13.0
Other operations	**0.0**	0.0	-	**0.0**	0.0	-
Total	**156.6**	132.4	18.3	**540.9**	502.4	7.7

There is no considerable inter-segment net sales.

Net sales by market area

	10-12/2018 MEUR	10-12/2017 MEUR	Change %	**1-12/2018 MEUR**	1-12/2017 MEUR	Change %
Finland	**53.7**	40.7	31.9	**175.7**	160.8	9.3
Scandinavia	**20.1**	13.3	51.1	**62.0**	50.6	22.5
Baltic countries	**14.8**	16.7	-11.4	**60.6**	58.8	3.1
Russia, other CIS countries + Ukraine	**47.5**	42.3	12.3	**171.9**	164.9	4.2
Other countries	**20.5**	19.4	5.7	**70.7**	67.3	5.1
Total	**156.6**	132.4	18.3	**540.9**	502.4	7.7

During the financial year, net sales increased in all of Aspo's market areas. The most significant growth took place in Scandinavia as a result of ESL Shipping's acquisition which also increased net sales in Finland during the fourth quarter. Net sales in the Baltic countries increased slightly at an annual level but decreased notably during the fourth quarter. Net sales in Russia, other CIS countries and Ukraine increased substantially during the fourth quarter, and the market area was the second largest for Aspo following Finland.

EARNINGS

Operating profit by segment

	10-12/2018 MEUR	10-12/2017 MEUR	Change %	1-12/2018 MEUR	1-12/2017 MEUR	Change %
ESL Shipping	**4.2**	4.1	2.4	**15.1**	13.5	11.9
Leipurin	**0.8**	0.7	14.3	**3.3**	3.1	6.5
Telko	**3.4**	3.0	13.3	**12.1**	10.8	12.0
Kauko *)	**-4.4**	0.0	-	**-4.7**	-0.2	-2250.0
Other operations	**-1.4**	-1.3	-7.7	**-5.2**	-4.1	-26.8
Total *)	**2.6**	6.5	-60.0	**20.6**	23.1	-10.8

*) Figures for 2018 include an impairment loss of EUR 4.8 million recognized on Kauko’s goodwill.

Earnings per share

Earnings per share was EUR 0.42 (0.56) during the period. Equity per share was EUR 3.75 (3.67). The impairment loss recognized on Kauko’s goodwill reduced earnings per share by approximately EUR 0.16.

Financial targets

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

The operating profit rate for the financial year was 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%.

OUTLOOK FOR 2019

Global economic growth is expected to slow down. Economies in Russia and eastern markets will continue their moderate increase, 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. The risk of increasing obstacles to international free trade has remained and negative development may also be rapid, which may affect 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 particularly in Finland, remains at good level, while the growth in Finnish export volumes has decelerated. The increase in industrial production is expected to slow down in the main market areas of Aspo’s businesses in Northern Europe. The boom will continue in Aspo’s businesses, even though there is always the risk of rapid changes.

The prices of 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.

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 in difficult weather conditions. The shipping company loads and unloads large ocean liners at sea as a special service.

	10-12/2018	10-12/2017	Change,%	**1-12/2018**	1-12/2017	Change,%
Net sales, MEUR	**46.4**	22.6	105.3	**120.1**	79.3	51.5
Operating profit, MEUR *)	**4.2**	4.1	2.4	**15.1**	13.5	11.9
Operating profit, %	**9.1**	18.1		**12.6**	17.0	

*) Operating profit for 1–12/2018 includes EUR 0.9 million in acquisition related transaction costs.

The general market prices of dry bulk cargo decreased slightly during the fourth quarter, being at the same level as in the year before at the end of the quarter. Duties and sanctions that potentially restrict international free trade have increased uncertainties over continued international growth.

During the fourth quarter, the shipping company'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 years, until the end of the season in November. The numerous storms in late autumn caused lay days in vessel operations and additional costs, also as a result of higher fuel consumption.

ESL Shipping's net sales in the fourth quarter increased significantly as a result of higher transportation volumes, the completion of the new vessels and the increase in the vessel capacity through the acquisition of AtoB@C. As part of its growth strategy, ESL Shipping completed the acquisition of Swedish shipping company AtoB@C on August 31, 2018. Its figures are included in the shipping company's financial reporting starting from the beginning of September. Net sales for the fourth quarter grew by 105% from the comparative period to EUR 46.4 (22.6) million. The impact of the acquisition on the increase in net sales was EUR 20,0 million in the fourth quarter.

Operating profit for the fourth quarter was EUR 4.2 (4.1) million. The operating profit rate for the period of 9.1% (18.1) was not satisfactory considering long-term target.

Fluctuations in the prices of ship fuel were unusually high during the fourth quarter. The highest prices of the year were recorded in the middle of October, after which prices fell rapidly by more than 30% to the lowest level of the year. Fuel prices mainly have an impact on net sales through fuel clauses included in agreements. However, extreme short-term fluctuations have also some impact on results.

Transportation volumes in the steel industry increased from the comparative period but were lower than expected due to production problems at certain plants and congestion at ports. In the energy industry, the transportation volumes of coal decreased slightly as expected from the comparative period. The 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 business acquisition. The cargo volume carried by ESL Shipping during the final quarter amounted to

4.5 (3.3) million tons.

Demand for loading and unloading operations for large ocean liners at sea was at the usual level in the fourth quarter, being however lower compared with the very high demand in the previous year.

Through the acquisition of AtoB@C, ESL Shipping also 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. ESL Shipping will continue its development to offer more environmentally friendly and efficient transportation solutions to meet its customers' future needs. In the fourth quarter, two smaller wholly-owned vessels and both party-owned vessels were docked as planned.

In November, AtoB@C acquired a 4,100 dwt dry 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.

In the fourth quarter, ESL Shipping started activities to reach synergy benefits and profitability target level. In addition, it strengthened its operating and sales resources through recruitment processes in order to ensure the high and efficient use of its vessel capacity. All important and expiring customer agreements were renewed as targeted during the fourth quarter. In addition, the shipping company signed new agreements and expanded existing agreements at a highly satisfactory cargo level.

MS Viikki and *MS Haaga*, the world's first ice-strengthened dry bulk cargo vessels fueled by liquefied natural gas, have started their operations. The vessels fulfil the high goals set for them, for example, in terms of load-bearing capacity, fuel economy and eco-friendliness. In the fourth quarter, both vessels arrived safely and fully laden to the Baltic Sea via the Northern Sea Route, which is shorter than the route via the Panama Canal by three weeks, significantly reducing the environmental impact of the voyage.

However, extensive and serious problems in the conventional mechanics of high-power cranes, which are subject to warranty, have significantly interfered with the efficient operations 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.

In 2018, ESL Shipping improved its profitability, and its operating profit stood at EUR 15.1 (13.5) million. The operating profit includes EUR 0.9 million in transaction costs related to the acquisition. The shipping company's net sales grew by 51% in January–December to EUR 120.1 (79.3) million. In 2018, the cargo volume carried by ESL Shipping amounted to 13.4 (11.4) million tons.

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 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. The 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 largest Supramax vessels of the shipping company.

Most of the shipping company's transportation capacity has been secured in the Baltic Sea and Northern Europe through long-term agreements. The current forecasts of general transportation volumes of contractual partners are highly satisfactory in all key customer segments, even though there are uncertainties in demand due to 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 continue 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. The transportation volumes of coal will decrease as expected.

During 2019, three vessels of the larger category 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, in accordance with any changes in demand.

Ice conditions in the Baltic Sea area are expected to be normal during 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 aims at 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.

	10-12/2018	10-12/2017	Change,%	**1-12/2018**	1-12/2017	Change,%
Net sales, MEUR	**31.6**	32.9	-4.0	**121.0**	122.3	-1.1
Operating profit, MEUR *)	**0.8**	0.7	14.3	**3.3**	3.1	6.5
Operating profit, %	**2.5**	2.1		**2.7**	2.5	

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

During the fourth quarter, confidence among consumers decreased in Leipurin's main market areas. The consumer price of food increased in Finland, and the rate of inflation accelerated slightly in Russia, remaining however at a low level. The prices of raw materials important to Leipurin showed variation from one raw material group to the next, and the market prices of seasonal products continued to increase during the fourth quarter.

The market for industrially packed bread continues to decrease in the west, whereas the market of in-store bakeries and baking units has continued to increase. This change presents 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. The change has significantly reduced the production of packed bread and reduced net sales compared with the comparative period. However, this change has increased the markets for in-shop 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. increasing popularity of out-of-home eating, eating snacks and the consumption of pastries, continued.

The net sales of Leipurin in the fourth quarter decreased from the comparative period to EUR 31.6 (32.9) million. This decrease was mainly attributable to the timing of project deliveries in machinery operations. Net sales in Ukraine and Russia and in certain Baltic countries increased. The operating profit of EUR 0.8 (0.7) million was not at the targeted level. The operating profit includes costs from the discontinuation of loss-producing operations, such as raw material operations in Poland. Operations in eastern markets, in particular, improved profitability. The operating profit rate during the quarter was 2.5% (2.1%).

Net sales of bakery raw materials in Russia, other CIS countries and Ukraine increased in the fourth quarter by 2% to EUR 9.1 (8.9) million. The operating profit rate was approximately 9% (10%). Net sales in the eastern markets, including machinery sales, increased by approximately 14% to EUR 11.8 (10.3) million and the operating profit rate was approximately 10% (10).

In western markets, the total net sales of raw material and foodservice operations were at the comparative period’s level. The decreasing profitability of the loss-producing test cafeteria operations and costs from discontinuation of raw material operations in Poland and a test cafeteria had a negative impact on the operating profit.

In Finland, the total net sales of raw material and foodservice operations were at the comparative period’s level, even though the volume of industrial sales fell. The net sales of foodservice operations increased in Finland from the comparative period as a result of the procurement and logistics services of a new significant chain customer. Currently, foodservice operations do not account for any significant part of net sales.

The net sales of machinery operations fell by roughly 20% due to the timing of project deliveries in Leipurin’s own machine production and deliveries of principals equipment. Cyclicality is typical of Leipurin’s machinery operations due to the timing of revenue recognition related to bakery lines and projects.

Leipurin’s net sales in January–December fell to EUR 121.0 million (122.3). The net sales of raw material operations decreased by 3% due to the divestment completed at the end of August 2017 where Leipurin sold its meat industry raw material business to MP Maustepalvelut Oy. Leipurin’s operating profit improved to EUR 3.3 (3.1) million. The operating profit during the comparative period included sales gains of EUR 0.4 million from the sale of meat industry raw material business and compensation of EUR -0.5 million for a project delivery completed by Leipurin in 2014, including processing fees. The operating profit during January–December was strained by the further decrease in loss-producing operations, such as raw material operations in Poland, and by costs from the discontinuation of loss-producing operations.

In addition, exchange rate losses and increased resources in foodservice operations reduced the operating profit. Net sales in Russia, other CIS countries and Ukraine increased by 3.6% to EUR 36.3 (35.0) million. Profitability in this market area remained at the comparative period’s level, approximately at 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 in moderate growth, while international sanctions and their possible increase have added to the uncertainties regarding 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 in order 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 in the bread and pastry sectors, as well as in-store bakeries.

The foodservice market is a significant area of growth for Leipurin. Leipurin will continue to invest in the foodservice market, particularly in Finland and the 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. Currently, orders focus on the latter half of 2019 due to customers' project schedules. 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.

	10-12/2018	10-12/2017	Change,%	**1-12/2018**	1-12/2017	Change,%
Net sales, MEUR	**69.5**	65.6	5.9	**266.2**	262.2	1.5
Operating profit, MEUR *)	**3.4**	3.0	13.3	**12.1**	10.8	12.0
Operating profit, %	**4.9**	4.6		**4.5**	4.1	

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

International economic growth slowed down in Telko's market areas. The price of oil fell steeply during the fourth quarter, which reduced the prices of raw materials sold by Telko. The prices of volume plastics decreased exceptionally during the entire second half of 2018. The price level of technical plastics has been high and increasing as a result of the upward trend. However, the prices of technical plastics started to decrease clearly during the final quarter. The prices of industrial chemicals that are important to Telko have remained high in the long term but turned to a slight decrease during the fourth quarter as a result of lower oil prices. Problems with the availability of products that limited growth have been eliminated, which improves Telko's potential for growth. However, the prices of plastic and chemical raw materials were at the comparative period's level, despite any decreases.

In the fourth quarter, Telko's net sales increased by 6% to EUR 69.5 (65.6) million. Operating profit improved to EUR 3.4 (3.0) million. Net sales of chemical operations grew by 12% to EUR 32.2 (28.6) million. Net sales of plastic operations increased by 1% to EUR 37.3 (37.0) million.

Net sales in Russia, other CIS countries and Ukraine increased during the fourth quarter by 11% to EUR 34.4 (31.0) million. The operating profit rate in the eastern markets increased significantly as a result of improved pricing, while still remaining below 5%. The sales volume in the eastern markets grew heavily from the comparative period.

In the western markets, net sales and profitability during the fourth quarter were at the comparative period's level, while volumes decreased slightly.

Telko opened a subsidiary in Uzbekistan during the fourth quarter. Uzbekistan is a rapidly emerging market of roughly 30 million people which Telko estimates to have a significant long-term business potential. In addition, Telko started operations in Romania and plans to establish a subsidiary in the country. In the fourth quarter, Telko signed an agreement on the purchase of the operations of Danish HH Plastkombi A/S. HH Plastkombi is a distributor specializing in technical plastics. Its net sales amount to approximately EUR 3 million. The transaction was completed at the beginning of 2019.

In 2018, net sales increased to EUR 266.2 (262.2) million. Net sales during the first quarter were low due to, for example, the long cold winter in the eastern markets and Europe. Problems with the availability of many raw materials limited the increase in net sales in 2018. Telko's operating profit reached a new record, being EUR 12.1 (10.8) million. Telko's operating profit rate improved to 4.5% (4.1).

In 2018, net sales in the eastern markets grew by 4% to EUR 128.5 (123.6) million. The value of the Russian ruble, the currency in Telko's largest market area, decreased in 2018, which weakened the euro-denominated increase in net sales. Net sales increased in all countries in the eastern markets. The strongest growth was seen in Kazakhstan and Azerbaijan where the initial level was moderate. The operating profit rate remained below 5%. In the western markets, Telko's net sales decreased slightly and operating profit improved.

Outlook for Telko for 2019

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

In the third quarter of 2018, Telko acquired the operations of Danish Square Oil A/S. Square Oil is a specialist in lubricants and a distribution company. Its net sales amounted to approximately EUR 3 million. The integration of Square Oil into 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 improved efficiency of the procurement operations is assessed to improve Telko's profitability. The project is expected to be completed by the end of 2019.

Telko's strategic targets for 2020 will remain unchanged. The target is to have net sales of EUR 300–350 million and an operating profit rate of 6–7%. Telko can reach these targets by continuing its growth in its current key market areas and by possibly expanding its operations to new geographic 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 of a higher processing rate and the life science segment in the eastern markets. R&D operations have increased in order 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 for 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.

	10-12/2018	10-12/2017	Change,%	**1-12/2018**	1-12/2017	Change,%
Net sales, MEUR	**9.1**	11.3	-19.5	**33.6**	38.6	-13.0
Operating profit, MEUR *)	**-4.4**	0.0	-	**-4.7**	-0.2	-2250.0
Operating profit, %	**-48.4**	0.0		**-14.0**	-0.5	

*) 10-12/2018 and 1-12/2018 figures include an impairment loss of EUR 4.8 million recognized on Kauko's goodwill
**) 1-12/2017 include a EUR 0.3 million impairment loss of receivables related to previously divested business operations in the first quarter.

Kauko's net sales fell by 19.5% during the fourth quarter, amounting to EUR 9.1 (11.3) million. Kauko's operating profit adjusted by the impairment loss recognized on goodwill improved to EUR 0.4 million (0.0). The operating profit fell during the fourth quarter to EUR -4.4 (0.0) million due to the impairment loss of EUR -4.8 million.

Kauko's operations have been developed determinedly, focusing on the improvement of its profitability. Net sales of mobile knowledge work decreased slightly from the comparative period, remaining however at a good level. Sales to the healthcare sector fell slightly short of the comparative period. The unit continued to build operations in Finland and Germany in accordance with its strategy.

Net sales of energy-efficiency equipment increased from the comparative period, and the increase that started during the third quarter continued. Aspo Plc decided to restructure the energy business by divesting or discontinuing it, since its profitability does not meet the internally defined goals.

Net sales during the comparative period included significant project deliveries in China. There were no corresponding deliveries in the fourth quarter, as Kauko's agency in China was shut down. Kauko's net sales in January–December decreased by 13% to EUR 33.6 (38.6) million. Kauko's operating profit adjusted by the impairment loss recognized on goodwill stood at EUR 0.1 million (-0.2). The operating profit during the period under review was EUR -4.7 million, including an impairment loss recognized on goodwill of EUR 4.8 million resulting from the restructuring of the energy business. The comparative period's operating result fell due to the bankruptcy of a long-term principal of the previously divested industrial operations. This caused a write-down of EUR 0.3 million related to commission receivables.

Outlook for Kauko for 2019

The net sales and 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, hardware and other services. In the market of rugged computers, 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 starting from the beginning of 2019. Kauko's administration will be merged into Telko.

OTHER OPERATIONS

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

	10-12/2018	10-12/2017	Change,%	**1-12/2018**	1-12/2017	Change,%
Net sales, MEUR	**0.0**	0.0	0.0	**0.0**	0.0	0.0
Operating profit, MEUR	**-1.4**	-1.3	-7.7	**-5.2**	-4.1	-26.8

The operating result of other operations was EUR -1.4 (-1.3) million during the fourth quarter and EUR -5.2 (-4.1) million during the financial year. Aspo and its businesses decided to move out of shared facilities at the end of 2018. This change reduced the operating result during the fourth quarter when Aspo used both new and former premises. In addition, Aspo paid rent for a higher number of vacant premises due to ended sublease agreements. Starting 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.

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 of interest-bearing liabilities was 1.6% (1.8) at the end of the review period. 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). In 2018, Aspo Group's capital structure was affected by the shipping company's investment in two new dry cargo vessels and the acquisition of the shipping company AtoB@C, as well as the impairment of Kauko's goodwill. These notable investments 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 improved ability to produce cash flows will improve the Group's capital structure starting from 2019.

The Group's cash flow from operating activities in January–December increased from the comparative period to EUR 20.3 (17.4) million. During the period under review, the change in working capital was EUR -10.7 (-12.6) million. Cash flow from investing activities totaled EUR -55.1 (-16.6) million. 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 review period. The revolving credit facilities remained fully unused at the end of the review period. 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 Alppila 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. The financial instruments are on level 2 of the fair value hierarchy.

INVESTMENTS

The Group's investments in 2018 totaled EUR 43.2 million (18.0). Investments mainly consisted of payments of ESL Shipping's LNG-fueled vessels and a small number of fixed assets acquired by other segments.

Investments by segment, acquisitions excluded

	10-12/2018 MEUR	10-12/2017 MEUR	Change %	**1-12/2018 MEUR**	1-12/2017 MEUR	Change %
ESL Shipping	**3.4**	2.6	30.8	**41.9**	16.8	149.4
Leipurin	**0.1**	0.3	-66.7	**0.5**	0.5	0.0
Telko	**0.3**	0.1	200.0	**0.7**	0.5	40.0
Kauko	**0.0**	0.0	-	**0.0**	0.1	-100.0
Other operations	**0.0**	0.1	-100.0	**0.1**	0.1	0.0
Total	**3.8**	3.1	22.6	**43.2**	18.0	140.0

The acquisition of the shipping company AtoB@C is described in acquisition section.

PERSONNEL

Personnel by segment, period-end

	12/2018	12/2017	Change,%
ESL Shipping	**276**	235	17,4
Leipurin	**323**	315	2,5
Telko	**301**	288	4,5
Kauko	**33**	46	-28,3
Other operations	**25**	25	0,0
Total	**958**	909	5,4

At the end of the review period, Aspo Group had 958 (909) employees. ESL Shipping's personnel increased as a result of the acquisition of AtoB@C and the deployment of the new LNG-fueled vessels. Telko's personnel increased as a result of business acquisitions, while Kauko's personnel decreased as a result of discontinuation of the functions in China and the software business.

Rewarding

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

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 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.

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.

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

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

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

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

Aspo's businesses continued to develop their responsibility in 2018. All of Aspo's businesses have shared and separate indicators that represent the responsibility of their operations. Aspo's responsibility report will be presented in the Year 2018 publication to be released in conjunction with financial statements.

Aspo's application to join the UN's Global Compact initiative was approved in December 2018 and, therefore, Aspo committed to adopting, supporting and implementing the ten principles related to human rights, working life principles, the environment and the prevention of bribery within its scope of influence.

RISKS AND RISK MANAGEMENT

Despite the 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 can 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 does not have any business operations that are or would be affected directly by the 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 of 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 the GDP and the inflation rate are at the expected levels, exports have increased, and private consumption and investments have increased slowly. General cargo prices in sea transport fluctuated throughout the period under review. At the end of the review period, the prices started to increase.

Financial risks in all of 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. The subdued demand for investment commodities, which earlier 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.

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 the 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, even though inflation has reduced the 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. Production volumes were up from the previous 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.

The 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 set stricter regulations on internal transportation, for example, regarding the transport of energy products. In Finland and the rest of Europe, social pressures to reduce the use of fossil energy sources in energy production have increased, which will reduce coal transportation volumes in the future. Correspondingly, the transportation volumes of replacement energy products will increase. Due to this change, it is difficult to estimate future transportation volumes. 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 that may decrease the use of fossil fuels and increase the use of alternative forms of energy. The flow of goods in the Baltic Sea may change as a result of steel production, cost structures, changes in the customer structure, such as centralization, or other reasons. These changes may have negative consequences on operations as the need for transportation decreases, but they can also be seen as significant opportunities. As a result of low cargo prices in international shipping, competition over cargoes may also become fiercer in the Baltic Sea. Mild, ice-free winters may also increase competition. During the review period, 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. The accumulation and discharge of investments may cause long-term changes in the competitive situation and customer behavior. Trade between eastern and western markets may suffer from restrictions on free trade, as a result of which there may be a decrease in 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 that require 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. The growth opportunities presented by emerging markets are encouraging interest among competitors in starting or expanding business operations in these areas. The challenging emerging markets and 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 customers, Aspo’s businesses have not been subjected 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 down or be delayed. Sales margins may be reduced and financial claims related to deliveries may emerge if Aspo’s products are not suited for the customers’ production processes or do not have 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. The amounts insured are sufficient in view of the scope of Aspo’s operations, but insurance companies may restrict the validity of insurance policies as a result of risks increasing for various reasons, such as in war areas.

Internal control and risk management

One of the responsibilities of Aspo's Audit Committee is to monitor the efficiency of the Group's internal control, internal audits, and risk management systems. The Audit Committee monitors the risk management process and instructs necessary measures to prevent strategic risks in particular. In accordance with the internal control principles approved by the Board of Directors, risk management is part of Aspo’s internal control, and its task is to ensure the implementation of the Group’s strategy, development of financial results, shareholder value, dividend payment ability, and continuity in business operations. The operational management of 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.

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

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

SHARE CAPITAL AND SHARES

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 directed share issue relating to the implementation of the acquisition of AtoB@C.

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

During January–December 2018, a total of 1,809,464 Aspo Plc shares with a market value of EUR 17.2 million were traded on Nasdaq Helsinki, in other words, 5.8% of the shares changed hands. During January–December, the share price 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 end of December was EUR 7.96. At the end of the review period, the market value excluding treasury shares was EUR 247.7 million.

The number of Aspo Plc shareholders was 9,502 at end of the review period. A total of 1,317,918 shares, or 4.2% of the share capital, were nominee registered or held by non-domestic shareholders.

DIVIDEND PROPOSAL

The Board of Directors proposes that EUR 0.44 (0.43) per share be paid in dividends for the 2018 financial year and that no dividend be paid for treasury shares held by Aspo Plc. The parent company’s distributable funds totaled EUR 42,191,625.81 of which the profit for the financial year amounted to EUR 16,639,823.45. There are a total of 31,115,418 shares entitling to dividends on the publication date of this financial statement release.

The dividend will be paid in two installments. The first installment of EUR 0.22 per share will be paid to shareholders who are registered in the shareholders' register maintained by Euroclear Finland Oy on the record date of April 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 Oy 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.

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

BOARD OF DIRECTORS AND THE AUDITORS

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 the new member of the Board. At the Board's organizing meeting held after the Annual Shareholders' Meeting, Gustav Nyberg was elected as Chairman of the Board and Mammu Kaario as 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.

In 2018, the Board of Directors arranged 13 meetings. The participation rate was 99%.

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

The authorized public accountant firm Ernst & Young Oy has been the company’s auditor. Toni Halonen, APA, has acted as the auditor in charge.

DECISIONS AT THE SHAREHOLDERS' MEETING

Dividend

The Annual Shareholders' Meeting of Aspo Plc on April 10, 2018, approved the payment of a dividend totaling EUR 0.43 per share in accordance with the Board of Directors' proposal.

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

Board authorizations

<u>Authorization of the Board of Directors to decide on the acquisition of treasury shares</u>

The Annual Shareholders’ Meeting on April 10, 2018 authorized the Board of Directors to decide on the acquisition of no more than 500,000 of the treasury shares using the unrestricted equity of the company representing about 1.6% of all the shares in the company. The authorization includes the right to accept treasury shares as a pledge. The authorization is valid until the Annual Shareholders’ Meeting in 2019 but not more than 18 months from the approval at the Shareholders’ Meeting.

<u>Authorization of the Board of Directors to decide on a share issue of treasury shares</u>

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.

<u>Authorization of the Board of Directors to decide on a share issue of new shares</u>

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.

ASPO NOMINATION BOARD PROPOSALS TO THE ANNUAL SHAREHOLDERS’ MEETING

The Shareholders' Nomination Board consists of the representatives of the four largest shareholders. According to the list of shareholders as of August 31, 2018, the following representatives of the largest shareholders were members of the Nomination Board which prepared proposals for the Annual Shareholders’ Meeting 2019: Roberto Lencioni, Chairman (Vehmas family); 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.

The Nomination Board of Aspo Plc's shareholders proposes to the Annual Shareholders´ Meeting of Aspo Plc to be held on April 9, 2019 that the Board of Directors will have six members.

Members of the Board

The Nomination Board proposes that Mammu Kaario, Mikael Laine, Gustav Nyberg, Salla Pöyry, Risto Salo and Tatu Vehmas, current members of the company's Board of Directors, be re-elected as members of the Board for the term closing at the end of the Annual Shareholders’ Meeting 2020.

Remuneration paid to the members of the Board

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

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

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

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.

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

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

In 2018, Aspo 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 has 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 Court of Appeal held that these were also violated. The decision is not yet final, and it has no significant impact on Aspo Group’s financial results.

Helsinki February 14, 2019

ASPO PLC
Board of Directors

ASPO GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	10-12/2018		10-12/2017	
	MEUR	%	MEUR	%
Net sales	156.6	100.0	132.4	100.0
Other operating income	1.2	0.8	0.3	0.2
Share of profits accounted for using the equity method	-0.1	-0.1		
Materials and services	-104.4	-66.7	-95.9	-72.4
Employee benefit expenses	-11.3	-7.2	-10.8	-8.2
Depreciation, amortization and impairment losses	-8.1	-5.2	-2.9	-2.2
Other operating expenses	-31.3	-20.0	-16.6	-12.5
Operating profit	2.6	1.7	6.5	4.9
Financial income and expenses	-1.1	-0.7	-0.4	-0.3
Profit before taxes	1.5	1.0	6.1	4.6
Income taxes	-0.7	-0.4	-0.6	-0.5
Profit for the period	0.8	0.5	5.5	4.2
Other comprehensive income				
Items that may be reclassified to profit or loss in subsequent periods:				
Translation differences	-0.3		-0.9	
Cash flow hedges	-0.1		-0.4	
Income tax on other comprehensive income	0.0		0.1	
Other comprehensive income for the period, net of taxes	-0.4		-1.2	
Total comprehensive income	0.4		4.3	
Profit attributable to shareholders	0.8		5.5	
Total comprehensive income attributable to shareholders	0.4		4.3	
Earnings per share, EUR	0.02		0.16	
Diluted earnings per share, EUR	0.02		0.16	

	1-12/2018 MEUR	%	1-12/2017 MEUR	%
Net sales	540.9	100.0	502.4	100.0
Other operating income	4.1	0.8	2.0	0.4
Share of profits accounted for using the equity method	-0.1	0.0		
Materials and services	-382.2	-70.7	-370.5	-73.7
Employee benefit expenses	-43.2	-8.0	-41.6	-8.3
Depreciation, amortization and impairment losses	-16.5	-3.1	-11.9	-2.4
Other operating expenses	-82.4	-15.2	-57.3	-11.4
Operating profit	20.6	3.8	23.1	4.6
Financial income and expenses	-4.2	-0.8	-2.0	-0.4
Profit before taxes	16.4	3.0	21.1	4.2
Income taxes	-2.2	-0.4	-1.7	-0.3
Profit for the period	14.2	2.6	19.4	3.9
Other comprehensive income				
Items that may be reclassified to profit or loss in subsequent periods:				
Translation differences	-1.9		-3.0	
Cash flow hedges	2.5		-3.7	
Income tax on other comprehensive income	-0.1		0.2	
Other comprehensive income for the period, net of taxes	0.5		-6.5	
Total comprehensive income	14.7		12.9	
Profit attributable to shareholders	14.2		19.4	
Total comprehensive income attributable to shareholders	14.7		12.9	
Earnings per share, EUR	0.42		0.56	
Diluted earnings per share, EUR	0.42		0.56	

ASPO GROUP CONSOLIDATED BALANCE SHEET

	12/2018 MEUR	12/2017 MEUR	Change %
Assets			
Intangible assets	8.9	8.0	11.3
Goodwill	43.0	42.0	2.4
Tangible assets	175.1	119.9	46.0
Investments accounted for using the equity method	1.5		-
Other non-current assets	2.8	4.0	-30.0
Total non-current assets	231.3	173.9	33.0
Inventories	71.3	60.9	17.1
Accounts receivable and other receivables	77.8	66.4	17.2
Cash and cash equivalents	19.3	19.9	-3.0
Total current assets	168.4	147.2	14.4
Total assets	399.7	321.1	24.5
Equity and liabilities			
Share capital	17.7	17.7	0.0
Other equity	98.9	94.6	4.5
Total equity	116.6	112.3	3.8
Loans and overdraft facilities	170.9	109.5	56.1
Other liabilities	7.4	3.8	94.7
Total non-current liabilities	178.3	113.3	57.4
Loans and overdraft facilities	28.5	27.1	5.2
Accounts payable and other liabilities	76.3	68.4	11.5
Total current liabilities	104.8	95.5	9.7
Total equity and liabilities	399.7	321.1	24.5

ASPO GROUP CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

A = Share Capital
B = Share Premium
C = Fair Value Reserve
D = Other Reserves
E = Treasury Shares
F = Translation Differences
G = Retained Earnings
H = Total

MEUR	A	B	C	D	E	F	G	H
Equity January 1, 2018	17.7	4.3	-2.5	37.0	-2.1	-21.6	79.5	112.3
Impact of IFRS 2 amendment							0.6	0.6
Adjusted equity January 1,2018	17.7	4.3	-2.5	37.0	-2.1	-21.6	80.1	112.9
Comprehensive income:								
Profit for the period							14.2	14.2
Translation differences						-1.9		-1.9
Cash flow hedges*			2.4					2.4
Total comprehensive income			2.4			-1.9	14.2	14.7
Transactions with owners:								
Dividend payment							-13.3	-13.3
Interest on hybrid instrument							-1.7	-1.7
Share-based incentive plan					0.4		-0.8	-0.4
Share issue				4.4				4.4
Total transactions with owners				4.4	0.4		-15.8	-11.0
Equity December 31, 2018	17.7	4.3	-0.1	41.4	-1.7	-23.5	78.5	116.6
Equity January 1, 2017	17.7	4.3	1.0	37.0	-2.3	-18.6	75.4	114.5
Comprehensive income:								
Profit for the period							19.4	19.4
Translation differences						-3.0		-3.0
Cash flow hedges*			-3.5					-3.5
Total comprehensive income			-3.5			-3.0	19.4	12.9
Transactions with owners:								
Dividend payment							-12.9	-12.9
Interest on hybrid instrument							-2.7	-2.7
Share-based incentive plan					0.2		0.3	0.5
Total transactions with owners					0.2		-15.3	-15.1
Equity December 31, 2017	17.7	4.3	-2.5	37.0	-2.1	-21.6	79.5	112.3

*net of taxes

ASPO GROUP CONSOLIDATED CASH FLOW STATEMENT

	1-12/2018 MEUR	1-12/2017 MEUR
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating profit	20.6	23.1
Adjustments to operating profit	15.9	13.6
Change in working capital	-10.7	-12.6
Interest paid	-3.7	-5.1
Interest received	0.5	1.0
Income taxes paid	-2.3	-2.6
Net cash from operating activities	20.3	17.4
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in tangible and intangible assets	-43.1	-4.0
Advance payments on vessels		-13.7
Proceeds from sale of tangible assets	0.4	0.3
Proceeds from sale of other non-current assets		0.2
Acquisition of businesses, net of cash	-12.5	
Divestment of businesses, net of cash	0.1	0.6
Net cash from investing activities	-55.1	-16.6
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in current loans	17.3	3.7
Proceeds from non-current loans	58.0	15.6
Repayments of non-current loans	-25.4	-7.8
Hybrid instrument, interests	-1.7	-1.7
Dividends distributed	-13.3	-12.9
Net cash from financing activities	34.9	-3.1
Change in cash and cash equivalents	0.1	-2.3
Cash and cash equivalents January 1	19.9	22.6
Translation differences	-0.7	-0.4
Cash and cash equivalents at period-end	19.3	19.9

ASPO GROUP DISAGGREGATION OF NET SALES

Net sales by market area

	10-12/2018	10-12/2017	1-12/2018	1-12/2017
ESL Shipping	MEUR	MEUR	MEUR	MEUR
Finland	21.3	8.8	48.3	29.1
Scandinavia	11.6	4.8	28.7	15.8
Baltic countries	1.4	1.7	6.3	5.5
Russia, other CIS countries + Ukraine	1.3	1.0	7.1	6.3
Other countries	10.8	6.3	29.7	22.6
Total	46.4	22.6	120.1	79.3
Leipurin				
Finland	11.1	11.6	45.5	48.2
Scandinavia	0.0	0.1	0.3	0.8
Baltic countries	8.1	9.4	33.5	32.1
Russia, other CIS countries + Ukraine	11.8	10.3	36.3	35.0
Other countries	0.6	1.5	5.4	6.2
Total	31.6	32.9	121.0	122.3
Telko				
Finland	12.8	13.0	50.6	52.4
Scandinavia	8.4	8.3	32.8	33.9
Baltic countries	5.2	5.4	20.5	20.7
Russia, other CIS countries + Ukraine	34.4	31.0	128.5	123.6
Other countries	8.7	7.9	33.8	31.6
Total	69.5	65.6	266.2	262.2
Kauko				
Finland	8.5	7.3	31.3	31.1
Scandinavia	0.1	0.1	0.2	0.1
Baltic countries	0.1	0.2	0.3	0.5
Russia, other CIS countries + Ukraine	0.0	0.0	0.0	0.0
Other countries	0.4	3.7	1.8	6.9
Total	9.1	11.3	33.6	38.6
Total				
Finland	53.7	40.7	175.7	160.8
Scandinavia	20.1	13.3	62.0	50.6
Baltic countries	14.8	16.7	60.6	58.8
Russia, other CIS countries + Ukraine	47.5	42.3	171.9	164.9
Other countries	20.5	19.4	70.7	67.3
Total	156.6	132.4	540.9	502.4

Net sales by timing of recognition

	10-12/2018 MEUR	10-12/2017 MEUR	1-12/2018 MEUR	1-12/2017 MEUR
ESL Shipping				
Over time	46.4	22.6	120.1	79.3
Total	46.4	22.6	120.1	79.3
Leipurin				
At a point of time	30.5	30.3	112.7	114.7
Over time	1.1	2.6	8.3	7.6
Total	31.6	32.9	121.0	122.3
Telko				
At a point of time	69.3	65.4	265.5	261.3
Over time	0.2	0.2	0.7	0.9
Total	69.5	65.6	266.2	262.2
Kauko				
At a point of time	9.1	11.2	33.4	38.4
Over time	0.0	0.1	0.2	0.2
Total	9.1	11.3	33.6	38.6
Total				
At a point of time	108.9	106.9	411.6	414.4
Over time	47.7	25.5	129.3	88.0
Total	156.6	132.4	540.9	502.4

Net sales by product category

	10-12/2018 MEUR	10-12/2017 MEUR	1-12/2018 MEUR	1-12/2017 MEUR
ESL Shipping total	46.4	22.6	120.1	79.3
Raw materials	26.8	27.0	100.3	103.3
Machinery	4.8	5.9	20.7	19.0
Leipurin total	31.6	32.9	121.0	122.3
Plastics	37.3	37.0	147.7	150.7
Chemicals	32.2	28.6	118.5	111.5
Telko total	69.5	65.6	266.2	262.2
Mobile knowledge work	3.8	4.6	15.6	17.6
Energy-efficiency equipment	4.9	3.0	16.3	14.5
Other	0.4	3.7	1.7	6.5
Kauko total	9.1	11.3	33.6	38.6
Total	156.6	132.4	540.9	502.4

ASPO GROUP ASSETS AND LIABILITIES BY SEGMENT

Segments' assets, MEUR	12/2018	12/2017
ESL Shipping	206.8	132.9
Leipurin	58.9	63.5
Telko	92.0	76.4
Kauko	17.2	23.6
Unallocated items	24.8	24.7
Total	399.7	321.1

Segments' liabilities, MEUR	12/2018	12/2017
ESL Shipping	17.3	11.0
Leipurin	14.2	17.9
Telko	35.7	29.7
Kauko	6.1	6.6
Unallocated items	209.8	143.6
Total	283.1	208.8

ASPO GROUP CONTINGENT LIABILITIES

	12/2018 MEUR	12/2017 MEUR
Collateral for own debt:		
Mortgages given	155.8	104.5
Guarantees	32.0	27.6
Other contingent liabilities	0.3	36.7
Operating lease rentals payable	48.1	21.5
Derivative contracts, fair values, net		
-Currency forwards		-1.7
-Interest rate swaps	-0.2	-0.4

ACQUISITIONS

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 transfering 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 Finnish subsidiary and 40% holding in Swedish associated company.

Through the acquisition, ESL Shipping strengthens its position in the smaller vessel category. The shipping company's operations will diversify significantly as it expands 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 through the transaction on the acquisition date are presented in the following table. 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. 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.

Consideration	MEUR
Paid in cash	19.1
Unpaid consideration	2.0
Paid in shares of Aspo Plc	4.4
Total consideration	**25.5**

Recognized amounts of identifiable assets acquired and liabilities assumed	**Fair value** MEUR
Intangible assets (customer relationships)	1.9
Tangible assets	23.1
Investments accounted for using the equity method	1.6
Inventories	1.3
Accounts receivable and other receivables	7.9
Cash and cash equivalents	6.9
Total assets	**42.7**
Loans and overdraft facilities	12.8
Accounts payable and other liabilities	5.6
Deferred tax liabilities	4.3
Total liabilities	**22.7**
Net assets acquired	**20.0**
Goodwill	**5.5**
Total	**25.5**

	MEUR
Transaction costs related to the acquisition	0.9

Expenses have been recognized in ESL Shipping's other operating expenses.

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.

ACCOUNTING PRINCIPLES

Aspo Plc's Financial Statements release has been prepared in accordance with the principles of IAS 34 *Interim Financial Reporting*. As of January 1, 2018, Aspo applies certain new or amended IFRS standards and IFRIC interpretations as described in the 2017 consolidated financial statements. In other respects, the same accounting principles have been adopted as in the consolidated financial statements of December 31, 2017. The information in this report is unaudited.

Aspo Plc applies the guidance on alternative key figures issued by the European Securities and Market Authority (ESMA). In addition to IFRS figures, the company releases other commonly used key figures which are mainly derived from the statement of comprehensive income and balance sheet. According to the management, key figures clarify the view drawn by the statement of comprehensive income and balance sheet of Aspo's financial performance and financial position. The calculation principles of key figures are explained on page 79 of the Financial Statements and Responsibility Report 2017.

Adoption of new or amended standards:

IFRS 15 – Revenue from Contracts with Customers. Aspo adopted the standard on January 1, 2018, by using a fully retrospective method, and also by using practical expedients that are allowed by the standard. The impact of the new standard on Aspo's revenue recognition principles are explained in more detail in notes to the consolidated financial statements or in the section describing the application of amended standards and IFRIC interpretations (page 47 of the Financial Statements and Responsibility Report 2017). Since the impact of the application of the standard's revenue recognition principles, considering materiality, is minor, the 2017 comparative information has not been adjusted. Aspo specifies revenue from contracts with customers according to market areas, product categories and timing of revenue recognition.

IFRS 9 – Financial Instruments. The adoption of the standard starting from January 1, 2018 is explained in more detail in notes to the financial statements (page 49 of the Financial Statements and Responsibility Report 2017). 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.

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions. The amendment applies 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.

IFRS 16 Leases. The standard will be applied starting from January 1, 2019. As a result of IFRS 16, all lease agreements will be recognized on the lessee's balance sheet, and no division into operational and financial leasing agreements will be made in accordance with IAS 17. In 2017, Aspo launched a project to prepare for the adoption of the standard. During 2018, Aspo reviewed and classified its lease agreements. Aspo will adopt the new standard using a modified retrospective approach and practical expedients, for example, with regard to short-term rights-of-use assets as well as rights-of-use assets with lower value. In accordance with the selected approach, comparative data will not be adjusted, and the impact of the adoption will be recognized on the opening balance sheet at the time of the adoption. The recognized values are also affected by the management's estimates of the duration of lease agreements, particularly regarding agreements valid until further notice, and any potential extensions, options or sanctions.

The adoption of the standard has a significant impact on Aspo's consolidated balance sheet and related key figures. The value of the asset items recognized on Aspo's opening balance sheet the time of the adoption is approximately EUR 40 million, the value of rents paid in advance is approximately EUR 4 million and the amount of lease agreement liabilities is approximately EUR 36 million. Leased vessels will have the most significant impact on consolidated figures. Other significant asset items for rights of use include facilities, warehouses and vehicles. Aspo will describe the adoption and impact of the standard in more detail in its 2018 financial statements.

SEGMENT REPORTING

Aspo Group's operating segments are ESL Shipping, Leipurin, Telko and Kauko. Other operations consists of Aspo Group's administration, the financial and ICT service center, and a small number of other functions not covered by business units. As of year 2019 Kauko will be reported as part of the Telko segment.

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

PRESS AND ANALYST CONFERENCE

A press and analyst conference will be arranged today, Thursday, February 14, 2019 at 13.00 at Hotel Kämp's Paavo Nurmi conference room, Pohjoisesplanadi 29, 00100 Helsinki.

ANNUAL SHAREHOLDERS' MEETING

The Aspo Plc Annual Shareholders' Meeting is scheduled to be held on Tuesday, April 9, 2019, at 10.00 in Helsinki.

FINANCIAL INFORMATION IN 2019

Aspo's Financial Statements 2018 will be published on March 15, 2019 at the latest in Finnish and in English. You can read and order the report on our website at www.aspo.com.

In 2019, Aspo Plc will publish two interim reports and a half year financial report:
- 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.

Helsinki February 14, 2019

ASPO PLC

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