ASPO PLC HALF YEAR FINANCIAL REPORT August 14, 2018, at 10:00 a.m.

# ASPO GROUP HALF YEAR FINANCIAL REPORT, JANUARY 1 TO JUNE 30, 2018

**Aspo Q2: Record-high operating profit for the half year and second quarter of the year**
(Figures from the corresponding period in 2017 are presented in brackets.)

**January–June 2018**

- Aspo’s net sales increased and was EUR 248.0 (242.8) million.
- Operating profit increased and was EUR 10.8 (9.5) million.
- Profit for the period stood at EUR 7.4 (8.0) million.
- Earnings per share were EUR 0.22 (0.21).
- The operating profit of ESL Shipping stood at EUR 6.9 (6.1) million, Leipurin EUR 1.7 (1.0) million, Telko EUR 5.8 (4.7) million and Kauko EUR -1.0 (-0.4) million.
- Net cash from operating activities weakened and was EUR -1.2 (3.5) million.

**April–June 2018**

- Aspo's net sales increased by 7.2% to EUR 132.7 (123.8) million.
- Operating profit improved by 39.2% and was EUR 7.1 (5.1) million.
- Profit for the quarter stood at EUR 5.4 (4.1) million.
- The operating profit of ESL Shipping increased to EUR 4.3 (3.1) million. The operating profit of Telko increased to EUR 3.6 (2.4) million. The operating profit of Leipurin improved to EUR 0.9 (0.6) million. The operating profit of Kauko decreased to EUR -0.4 (0.1) million.
- Earnings per share increased by 112.5% and were EUR 0.17 (0.08).

- The first installment of the dividend of EUR 0.43, EUR 0.21 per share, was paid in April. The second installment will be paid in November.

- In June, ESL Shipping announced that it will acquire AtoB@C, a Swedish shipping company. The acquisition is expected to be completed during August. It is expect that the delivery of the first of the two LNG-vessels under construction will happen during August.

- Aspo’s net sales in Russia, Ukraine and other CIS countries increased by 15.2% to EUR 46.2 (40.1) million, while the relative profitability improved.

**Aspo's guidance for 2018 remains unchanged.**

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

## KEY FIGURES

| | **4-6/ 2018** | 4-6/ 2017 | Change, % | **1-6/ 2018** | 1-6/ 2017 | Change, % | 1-12/ 2017 |
|---|---|---|---|---|---|---|---|
| Net sales, MEUR | **132.7** | 123.8 | 7.2 | **248.0** | 242.8 | 2.1 | 502.4 |
| Operating profit, MEUR | **7.1** | 5.1 | 39.2 | **10.8** | 9.5 | 13.7 | 23.1 |
| Operating profit, % | **5.4** | 4.1 | | **4.4** | 3.9 | | 4.6 |
| Profit before taxes, MEUR | **6.1** | 4.4 | 38.6 | **8.6** | 8.6 | 0.0 | 21.1 |
| Profit for the period, MEUR | **5.4** | 4.1 | 31.7 | **7.4** | 8.0 | -7.5 | 19.4 |
| | | | | | | | |
| Earnings per share, EUR | **0.17** | 0.08 | 112.5 | **0.22** | 0.21 | 4.8 | 0.56 |
| Net cash from operating activities, MEUR | **0.0** | 6.7 | -100.0 | **-1.2** | 3.5 | -134.3 | 17.4 |
| | | | | | | | |
| Equity per share, EUR | | | | **3.52** | 3.41 | | 3.67 |
| Return on equity, % (ROE) | | | | **13.5** | 14.6 | | 17.1 |
| Equity ratio, % | | | | **32.7** | 32.9 | | 35.6 |
| Gearing, % | | | | **118.6** | 113.7 | | 103.9 |
| | | | | | | | |
| ESL Shipping, operating profit, MEUR | **4.3** | 3.1 | 38.7 | **6.9** | 6.1 | 13.1 | 13.5 |
| Leipurin, operating profit, MEUR | **0.9** | 0.6 | 50.0 | **1.7** | 1.0 | 70.0 | 3.1 |
| Telko, operating profit, MEUR | **3.6** | 2.4 | 50.0 | **5.8** | 4.7 | 23.4 | 10.8 |
| Kauko, operating profit, MEUR | **-0.4** | 0.1 | -500.0 | **-1.0** | -0.4 | -150.0 | -0.2 |

### General outlook for 2018

General political uncertainty in the markets has increased. However, industrial production is expected to increase in the main market areas of Aspo's business operations during 2018. Raw material prices are expected to remain at their current level or strengthen. In Russia, the national economy and industrial production are growing, while international sanctions and their possible increase have added to the uncertainties regarding development of the Russian economy. The global economy is expected to continue its growth. General political risks have increased significantly. This may cause rapid changes in the operating environment or weaken free trade, also having an impact on Aspo's business operations.

## AKI OJANEN, CEO OF ASPO GROUP:

"During the second quarter, Aspo more than doubled the earnings per share to EUR 0.17 (0.08). The increase of net sales by 7% and improvement of operating profit by 39% during the second quarter from the comparative period were consequences of long-term actions inducing growth and improved profitability, aimed at achieving Aspo's long-term financial goals.

Aspo's main businesses ESL Shipping and Telko both produced record-high operating profits during the second quarter. The actions aimed at speeding up ESL Shipping's recent growth were completed up to an interim stage when the acquisition of the Swedish shipping company AtoB@C was announced. The acquisition will increase ESL Shipping's net sales to a new level. It is particularly important that in addition to its current strong market position, ESL Shipping will now also be able to serve new customer bases and transport volumes. We will inform about the future goals of ESL Shipping and the associated actions in more detail during 2018. We expect that the acquisition will be completed during August. Delivery of the shipping company's newbuildings has been delayed from the original schedule. Finalizing the vessels' technical systems following the experience gained during sea trial runs is taking longer than expected. We expect that the vessels will be handed over to the shipping company so that the first vessel would be delivered during August and the second one during August-September.

Telko's operating profit was the best ever during a single quarter. The actions promised by Telko for improving both growth and profitability clearly manifested themselves during the second quarter, as net sales grew by 9%, operating profit increased by 50% and the operating profit rate improved to 5%.

Leipurin has now been improving its operating profit for five consecutive quarters. The essential factors contributing to the improved result have been stabilization of the machinery operations and profitable expansion of the bakery raw material operations in the east.

Our smallest unit Kauko has not met its targets. The company's application business unit was closed down during the second quarter, which also resulted in redundancies.

Aspo's business operations in the eastern market continued to grow at a rate normal for Aspo, approximately by 15% compared to the comparative period, at the same time improving their relative profitability in the market area. Russia, Kazakhstan, Belarus and Ukraine constitute Aspo's biggest single market area, where we expect growth to continue.

We have also aimed at a clear improvement of results this year, and I am pleased to say that after the second quarter, the outlook for 2018 has remained unchanged. I believe that Aspo's profit potential has improved as a result of the actions taken and the acquisitions announced."

## ASPO GROUP

## NET SALES

### Net sales by segment

| | **4-6/2018 MEUR** | 4-6/2017 MEUR | Change % | **1-6/2018 MEUR** | 1-6/2017 MEUR | Change % | 1-12/2017 MEUR |
|---|---|---|---|---|---|---|---|
| ESL Shipping | **22.6** | 19.5 | 15.9 | **43.1** | 38.4 | 12.2 | 79.3 |
| Leipurin | **31.2** | 30.1 | 3.7 | **61.4** | 59.5 | 3.2 | 122.3 |
| Telko | **71.7** | 65.7 | 9.1 | **129.4** | 129.3 | 0.1 | 262.2 |
| Kauko | **7.2** | 8.5 | -15.3 | **14.1** | 15.6 | -9.6 | 38.6 |
| Other operations | **0.0** | 0.0 | - | **0.0** | 0.0 | - | 0.0 |
| Total | **132.7** | 123.8 | 7.2 | **248.0** | 242.8 | 2.1 | 502.4 |

There is no considerable inter-segment net sales.

### Net sales by market area

| | **4-6/2018 MEUR** | 4-6/2017 MEUR | Change % | **1-6/2018 MEUR** | 1-6/2017 MEUR | Change % | 1-12/2017 MEUR |
|---|---|---|---|---|---|---|---|
| Finland | **39.6** | 40.5 | -2.2 | **77.4** | 80.7 | -4.1 | 160.8 |
| Scandinavia | **14.3** | 13.1 | 9.2 | **26.1** | 26.1 | 0.0 | 50.6 |
| Baltic countries | **16.8** | 14.0 | 20.0 | **32.7** | 26.8 | 22.0 | 58.8 |
| Russia, Ukraine + other CIS countries | **46.2** | 40.1 | 15.2 | **78.8** | 79.4 | -0.8 | 164.9 |
| Other countries | **15.8** | 16.1 | -1.9 | **33.0** | 29.8 | 10.7 | 67.3 |
| Total | **132.7** | 123.8 | 7.2 | **248.0** | 242.8 | 2.1 | 502.4 |

Of the market areas for Aspo's business operations, the Baltic countries experienced strong growth at 20%, as well as the market area of Russia, CIS countries and Ukraine, where growth was 15%. Net sales from Aspo's biggest market area of Russia, CIS countries and Ukraine totaled EUR 46.2 (40.1) million. In that market area, Telko increased its net sales, and the volume of transports of ESL Shipping's Russian customers grew. Most of the growth in the Baltic countries was generated by Leipurin's business. The decreased net sales of Kauko reduced net sales in Finland.

## EARNINGS

### Operating profit by segment

| | **4-6/2018 MEUR** | 4-6/2017 MEUR | Change % | **1-6/2018 MEUR** | 1-6/2017 MEUR | Change % | 1-12/2017 MEUR |
|---|---|---|---|---|---|---|---|
| ESL Shipping | **4.3** | 3.1 | 38.7 | **6.9** | 6.1 | 13.1 | 13.5 |
| Leipurin | **0.9** | 0.6 | 50.0 | **1.7** | 1.0 | 70.0 | 3.1 |
| Telko | **3.6** | 2.4 | 50.0 | **5.8** | 4.7 | 23.4 | 10.8 |
| Kauko | **-0.4** | 0.1 | -500.0 | **-1.0** | -0.4 | -150.0 | -0.2 |
| Other operations | **-1.3** | -1.1 | -18.2 | **-2.6** | -1.9 | -36.8 | -4.1 |
| Total | **7.1** | 5.1 | 39.2 | **10.8** | 9.5 | 13.7 | 23.1 |

### Earnings per share

In January–June 2018 earnings per share were EUR 0.22 (0.21). Equity per share was EUR 3.52 (3.41).

### 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 rate of 7% with the current structure by 2020.

The operating profit rate for the January–June 2018 was 4.4% (3.9), return on equity was 13.5% (14.6), and gearing was 118.6% (113.7).

## OUTLOOK FOR 2018

The global economy is expected to continue its growth. The economic situation in Russia and eastern markets will improve, while political risks and international sanctions imposed on Russia have increased risks in the market area, meaning that future development is difficult to predict. The risk of increasing obstacles to international free trade has increased and negative developments may also be rapid, which may affect the operating prerequisites of Aspo's principals, customer companies or Aspo itself. Exchange rates are expected to continue to fluctuate heavily. Economic growth in the EU, and particularly in Finland, has accelerated, and Finnish export volumes have increased. Industrial production is expected to increase in the main market areas of Aspo's business operations in Northern Europe. The positive trend is expected to continue, even though the risk of rapid changes in the economic situation has increased.

The prices of industrial raw materials and oil that are important to Aspo are expected to remain at their current level or strengthen. Dry bulk freight rates in sea transportation that are important to ESL Shipping are expected to remain at their current level or strengthen.

Aspo aims to continue to increase the market shares of its businesses profitably in the strategically important eastern growth markets.

## ASPO'S BUSINESS OPERATIONS

### ESL SHIPPING

ESL Shipping is the leading dry bulk cargo company in the Baltic Sea region. At the end of the review period, the company's fleet consisted of 18 units, of which the company owned 13. One vessel is operated under a long-term lease agreement and four smaller vessels have been time-chartered.

| | **4-6/2018** | 4-6/2017 | Change,% | **1-6/2018** | 1-6/2017 | Change,% | 1-12/2017 |
|---|---|---|---|---|---|---|---|
| Net sales, MEUR | **22.6** | 19.5 | 15.9 | **43.1** | 38.4 | 12.2 | 79.3 |
| Operating profit, MEUR | **4.3** | 3.1 | 38.7 | **6.9** | 6.1 | 13.1 | 13.5 |
| Operating profit, % | **19.0** | 15.9 | | **16.0** | 15.9 | | 17.0 |

The competitive edge of ESL Shipping is based on the company's ability to operate efficiently and reliably in ice regions and to load and unload ships at sea. During the second quarter, the company's vessels have 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 based on long-term customer agreements and established customer relationships. One of the shipping company's two Supramax vessels has also been engaged in North Atlantic operations. Weather conditions have been favorable for the operations.

The general market prices for dry bulk cargo remained stable in the vessel categories operated by the shipping company, and customs duties or sanctions restricting international free trade did not have any major or long-lasting effect on the cargo market or general demand for transportation during the second quarter.

During the second quarter, the transportation of Russian iron pellets to Central Europe on Supramax vessels continued. Furthermore, an agreement was concluded for deliveries of ore from arctic regions in Canada to Europe by the other Supramax vessel. The agreements are based on the ice-strengthening of the vessels which is unique in their size category, as well as on their ability to handle cargo independently.

ESL Shipping's net sales during the second quarter increased by 16% from the comparative period to EUR 22.6 (19.5) million as a result of increases in transport volumes, vessel capacity and fuel prices. Fuel prices have an impact on the net sales through fuel clauses in cargo agreements.

The operating profit for the second quarter increased by 39% and amounted to EUR 4.3 (3.1) million. Operating profit was record-high for the second quarter.

Successful vessel operations and increased transport volumes contributed to the improvement of profitability. The increase in transport volumes was partly a result of the difficult ice and weather conditions during the first quarter which meant that part of the transport operations were postponed to the second quarter. In the second quarter, ESL Shipping carried significantly more cargo than in the comparative period, in all 3.2 (2.8) million tons.

Transportation volumes in the Nordic steel industry were higher than in the comparative period, and those in other steel industries increased significantly. In the energy industry, transportation volumes of coal decreased from the comparative period, as expected. In the Baltic rim, the demand for sea transportation of wood raw material increased sharply, particularly in the smaller vessel category. The transportation volumes in other customer sectors also increased. Loading and unloading operations for large ocean liners at sea were busy during the second quarter.

Operations in a smaller vessel category, launched by the shipping company last fall, have developed in accordance with the internal goals set. As part of this growth strategy, ESL Shipping has agreed on the acquisition of the Swedish shipping company AtoB@C, as announced in the stock exchange release on June 29, 2018. The enterprise value is EUR 30 million. The final purchase price will be mainly financed by Aspo's existing financing reserves, and approximately EUR 4.2 million will be covered by new shares issued by Aspo Plc. The acquisition will increase the diversity of ESL Shipping's service range and customer base from raw material to industrial product transportation. The Finnish competition authority approved the acquisition on July 27, 2018. The transaction is expected to be completed during August.

AtoB@C is engaged in the shipping business with 30 vessels in size of 4,000-5,000 tons. AtoB@C owns six dry cargo vessels in full, and it has a share of 49% of two vessels. The other 22 vessels are time-chartered. In 2017, AtoB@C's net sales amounted to EUR 79.3 million and its operating profit was EUR 3.2 million. The cargo carried by AtoB@C includes forest industry raw materials and products, steel industry products, fertilizers, recycled materials, biofuels and minerals. The head office of AtoB@C is in Ystad, Sweden.

The acquisition will increase the net sales of ESL Shipping from approximately EUR 80 million to EUR 160 million when calculated using 2017 figures, and the cargo volumes will increase from the current 11–12 million tons to approximately 16–17 million tons. When the acquisition is finalized, the position of ESL Shipping will also strengthen in the smaller vessel category, and its business will be significantly enhanced with the new customers and new product flows to be carried. Once the acquisition is finalized, ESL Shipping will have a total of 50 vessels including newbuildings with a deadweight capacity of 468,000 tons compared to the previous 331,000 tons. Of the vessels, 19 will be wholly-owned, two are minority-owned, one vessel is leased and the rest 28 are time-chartered.

Both the current ESL Shipping and AtoB@C already have a strong presence in the entire North European region. The expanded ESL Shipping will be a more balanced shipping company with more diversified risks, and it will have better possibilities to develop environmentally friendly and efficient transport solutions for its customers' future needs.

The shipping company's project to build the world's first two LNG-fueled dry cargo vessels has proceeded to the sea trial runs. The vessels meet the stringent requirements set regarding hull performance and fuel economy. Finalizing the vessels' technical systems following the experience gained during sea trial runs is taking longer than expected. The vessels are expected to be delivered so that the first vessel would be handed over during August and the second one during August-September instead of the earlier announced first half of the year. The building project is part of the Bothnia Bulk project funded partly by the EU.

The net sales of ESL Shipping in January–June increased by 12% to EUR 43.1 (38.4) million. The operating profit increased by 13% to EUR 6.9 (6.1) million.

**Outlook of ESL Shipping for 2018**

The shipping company's vessel capacity will increase after the acquisition of AtoB@C is finalized and the new vessels are completed and put into operation in the Baltic Sea. The increase in capacity also allows the shipping company to improve its operational efficiency and profitability, during the second half of the year when there has typically been a shortage of vessel capacity. The new LNG-fueled vessels will improve the shipping company's profitability and significantly reduce the environmental load of operations. The shipping company has allocated significant resources to secure the high-quality delivery and taking these vessels into operation.

Economic growth in the shipping company's main market area is expected to continue. However, the measures directed at international free trade and increasing political risks may have an impact on global material flows. Ship fuel prices are much higher than during the year before. However, this mainly has no impact on profitability as a result of fuel clauses in customer agreements.

The shipping company has secured most of the use of its transportation capacity in the Baltic Sea and Northern Europe through long-term agreements. A transport agreement regarding Supramax vessels has been concluded for the arctic region. General demand in the steel industry is good and transport volumes are expected to develop very positively and improve significantly from the previous year. Demand for loading and unloading operations for large ocean liners at sea, a segment important to the shipping company, is expected to remain high.

Transportation volumes in the energy industry are expected to be at a good level and increase towards the end of the year as a result of the growing need for bioenergy transportation during the heating season. Biofuel transportation markets in the Baltic Sea are expected to increase notably in the next few years, and the shipping company is negotiating over related projects, with transportation operations expected to start in late 2018.

In 2018, one vessel will be docked in the third quarter as planned.

Once the acquisition has been finalized, ESL Shipping will present its new structure as part of the Aspo Group and goals in more detail later in 2018.

**LEIPURIN**

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

| | **4-6/2018** | 4-6/2017 | Change,% | **1-6/2018** | 1-6/2017 | Change,% | 1-12/2017 |
|---|---|---|---|---|---|---|---|
| Net sales, MEUR | **31.2** | 30.1 | 3.7 | **61.4** | 59.5 | 3.2 | 122.3 |
| Operating profit, MEUR *) | **0.9** | 0.6 | 50.0 | **1.7** | 1.0 | 70.0 | 3.1 |
| Operating profit, % | **2.9** | 2.0 | | **2.8** | 1.7 | | 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 second quarter, the national economies and the purchasing power of consumers continued to develop positively in Finland and elsewhere in western markets. In eastern markets, the economic situation and private consumption strengthened. In Finland, the consumer price of food continued to increase. In Russia, the rate of inflation remains low and increases in retail volumes continued. The prices of raw materials important to Leipurin showed variation from one raw material group to another. All in all, prices were close to the level of the comparative period.

The market for industrially packed bread continues to decrease in the western markets, whereas the market of in-store bakeries and baking units has continued to increase. In eastern markets, demand for products in the higher price categories remains lower than in the previous years due to the economic situation, but the volume of products in the category is taking an upward turn. 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 this will have a decreasing impact on net sales compared to the previous year until the end of 2018. The trends important to Leipurin and affecting the consumer market, i.e., increasing popularity of eating out of home, eating snacks and consumption of pastries, continued.

The net sales of Leipurin in the second quarter increased from the comparative period by 4% to EUR 31.2 (30.1) million. The machinery operations of Leipurin were the most significant growth factor. Operating profit rate grew by 50% to EUR 0.9 (0.6) million. The operating profit rate for the second quarter was 2.9% (2.0), still short of the target level for profitability. The profitability was improved by the machinery operations and the raw material operations in the eastern markets.

The volumes of bakery raw materials in Russia, Ukraine and other CIS countries increased during the second quarter, and net sales increased in local currencies, but converted into euro net sales decreased by 3% to EUR 7.5 (7.7) million as a result of weakening currency exchange rates. The growth was particularly strong in Ukraine. The operating profit rate was approximately 7% (6). Net sales in the eastern markets, including machinery sales, decreased by approximately 5% to EUR 7.7 (8.1) million. The operating profit rate was approximately 8% (6).

In the western markets, the net sales and operating profit of raw material operations decreased. In Finnish raw material operations, net sales decreased from the comparative period's level, mainly due to the divestment completed at the end of August 2017 where Leipurin sold its meat industry raw material business to MP Maustepalvelut Oy. During the second quarter, the procurement and logistics service operations expanded in Finland with a new significant OOH chain customer. In the Baltic countries, net sales continued to grow. In Poland, the raw material operations developed poorly.

The net sales of machinery operations grew by more than 60% as a result of increased Leipurin's own machine production and boosted sales of principal equipment. During the second quarter, the sales of machinery operations in Finland and the Baltic countries continued at a good level, and the order book for Russia developed positively.

The net sales of Leipurin increased by 3% during January–June to EUR 61.4 (59.5) million. Operating profit increased compared to the corresponding period in the previous year, being EUR 1.7 (1.0) million. Net sales in Russia, Ukraine and other CIS countries fell by 3% to EUR 15.9 (16.4) million. Profitability in this market area improved, and the operating profit rate was approximately 7% (6).

**Outlook of Leipurin for 2018**

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 OOH chains, continues to vary from one customer to the next. The market position of Leipurin is expected to remain strong in the industrial baking sector in Finland, Russia and the Baltic region.

The national economy in Russia is growing, and consumer purchasing power is expected to continue improving. Leipurin will continue to develop the procurement of bakery raw materials in order to be able to better respond to any changes in demand. Leipurin will maintain a high profitability in the region, strengthen its market position, and look for growth in the bread and pastry sectors, as well as in-store bakeries.

The OOH market is a significant area of growth for Leipurin. Leipurin will continue to invest in the OOH market, particularly in Finland and the western markets, where Leipurin is responding, for example, to the growing demand of chain customers, such as cafés and fast food restaurants. As a new service, Leipurin has started developing a Food Service operations where chain customers are provided both with procurement and logistics services. The large logistics volumes of Leipurin, as well as its efficiency and expertise, enable rapid development and expansion of the business. The first significant customer agreements have been concluded in Finland.

In the machinery operations, bakeries are expected to increase their equipment investments in Finland and the Baltic countries. A moderate increase in investments is expected in Russia. The machinery operations will continue to strengthen its sales and agent network in Western Europe and the Middle East.

The expansion of the procurement network for Leipurin's own machine production and the development of manufacturing and installation lead times will continue. The order book is good in the long run for Leipurin's own machine production, but there may be fluctuations in sales between quarters due to project implementation schedules. The increase in Leipurin's own machine production will be driven by increased 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. The business is 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 and China.

| | **4-6/2018** | 4-6/2017 | Change,% | **1-6/2018** | 1-6/2017 | Change,% | 1-12/2017 |
|---|---|---|---|---|---|---|---|
| Net sales, MEUR | **71.7** | 65.7 | 9.1 | **129.4** | 129.3 | 0.1 | 262.2 |
| Operating profit, MEUR *) | **3.6** | 2.4 | 50.0 | **5.8** | 4.7 | 23.4 | 10.8 |
| Operating profit, % | **5.0** | 3.7 | | **4.5** | 3.6 | | 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

Telko's operating environment remained unchanged or improved in some countries during the second quarter. In eastern markets, the general economic situation has been characterized by the transition to the low growth phase, while industrial production continued to experience good growth in western markets. The prices of chemicals sold by Telko increased from the comparative period. The prices of technical plastics increased due to lower availability. The prices of volume plastics were lower than in the comparative period.

In the second quarter, net sales of Telko grew by 9% from the comparative period to an all-time high of EUR 71.7 (65.7) million. The business environment continued to be favorable both in the eastern and western markets. The strong growth of net sales in the second quarter was supported by the exceptionally cold weather in Russia and Ukraine during the first quarter, which among other things resulted in the construction industry spring season beginning later and some sales of raw materials associated with the season being postponed to the second quarter. In addition, the availability problems in certain product categories decreased after the first quarter. Oil price remained relatively high in the second quarter, which also supported the raw material prices.

During the second quarter, Telko's net sales in the eastern markets, i.e., in Russia, Ukraine and other CIS countries totaled EUR 35.3 (30.4) million, representing a growth of 16% from the comparative period. Operating profit improved by 50% from the comparative period, and the operating profit rate exceeded 4%.

Telko's net sales in the western markets totaled EUR 33.9 (33.3) million, representing a growth of 2% from the comparative period.

Net sales of chemicals increased by 12%, and profitability improved from the comparative period. The average prices of chemical raw materials important to Telko remained at the relatively high level of the previous quarter and the comparative period.

Net sales of plastics increased by 7% in spite of the fact that part of the low-margin sales was discontinued in 2017 after the comparative period. The prices of volume plastics were lower than in the comparative period, whereas the prices of technical plastics were higher than in the comparative period. Profitability of plastics improved, mainly due to the improved product range as sales focused particularly on technical plastics.

The operating profit for the second quarter improved by 50% and amounted to EUR 3.6 (2.4) million, a one-quarter record for Telko. The operating profit rate improved to 5.0% (3.7). Among other things, the increase in operating profit was affected by an increase of net sales while costs were kept under control, the improved average margins of products as well as a more profitable product range.

In 2017, Telko established a subsidiary in Iran. The economic sanctions imposed on Iran have increased significantly after the company was established, and as a result, payment transactions from the west have been blocked. The decision to discontinue the operation of the Iranian company was taken during the second quarter due to the fact that the business environment had become too challenging. The discontinuation of operations had no significant impact on Telko's result.

The last registration phase of REACH, EU's chemical regulation, ended in May. Telko has ensured in cooperation with its principals that the raw materials in its product range have been appropriately REACH registered and that the products verifiably have REACH registration.

Telko's net sales in January–June were at the comparative period's level at EUR 129.4 (129.3) million. The growth of net sales was limited by the discontinuation of a few high-volume customer accounts of low profitability in Russia during 2017. The growth was also weakened by the decreased demand in Russia and Ukraine due to exceptionally cold winter weather, as well as the availability problems of raw materials in certain product categories. Operating profit in January–June increased by 23% compared to the comparative period in the previous year and was EUR 5.8 (4.7) million. The operating profit rate improved to 4.5% (3.6).

Telko's net sales from the eastern markets, i.e., Russia, Ukraine, and other CIS countries totaled EUR 59.3 (59.1) million in January–June. Operating profit in the eastern markets improved by 36% from the comparative period, and the operating profit rate was approximately 4%. Telko's net sales in the western markets totaled EUR 65.9 (66.7) million.

After the end of the review period, Telko has acquired the business of the Danish company Square Oil A/S. Square Oil is a service and distribution company dealing in lubricants. Its largest principal is BP Castrol, a company that has been important for Telko even before the transaction. Square Oil concentrates on demanding industrial lubricant customers. Net sales of the business is approximately EUR 3 million, half of which comes from the Norwegian market and the other half from the Danish market. Telko has similar significant long-standing cooperation in industrial lubricants with BP Castrol in Finland, Sweden and Norway. The transaction has no significant impact on Telko's result in 2018.

**Outlook of Telko for 2018**

The favorable demand for Telko's products is expected to continue in 2018. The Russian economy is expected to show moderate growth, and the growth of industrial production is expected to continue. The economy in western markets is expected to continue its strong growth, which will support the increasing production volumes of the industry. The prices of raw materials sold by Telko are expected to remain high, unless there is a significant decrease in oil price.

Telko aims to expand in its market area and improve its relative profitability. Telko can reach the goals by continuing its growth in the current key market areas and by possibly expanding its operations to new geographic areas and by expanding its raw material portfolio.

As part of its expansion strategy, Telko has decided to set up business in Uzbekistan and Romania. Uzbekistan is an emerging market of 30 million inhabitants where the national economy has developed favorably and the national currency has become exchangeable. Telko's extensive product portfolio and its ability to establish new businesses in emerging markets without significant risks provide good prerequisites for growth in Uzbekistan. The work for establishing the subsidiary is expected to be completed during the second half of the year.

Measured in terms of the national economy growth, Romania is one of the fastest growing economies in the EU. Romania's low cost level makes it an attractive country for foreign investments. Telko has decided to start business operations in Romania after its significant customer moved part of its production there. The business operations will begin during the third quarter.

## KAUKO

Kauko is a specialist in demanding mobile knowledge work environments. It supplies the best tools, solutions for improving productivity and services for securing effective use for the needs of 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. Kauko's key market area is Finland.

| | **4-6/2018** | 4-6/2017 | Change,% | **1-6/2018** | 1-6/2017 | Change,% | 1-12/2017 |
|---|---|---|---|---|---|---|---|
| Net sales, MEUR | **7.2** | 8.5 | -15.3 | **14.1** | 15.6 | -9.6 | 38.6 |
| Operating profit, MEUR *) | **-0.4** | 0.1 | -500.0 | **-1.0** | -0.4 | -150.0 | -0.2 |
| Operating profit, % | **-5.6** | 1.2 | | **-7.1** | -2.6 | | -0.5 |

*) 1-6/2017 and 1-12/2017 include a EUR 0.3 million impairment loss of receivables related to previously divested business operations.

Net sales of Kauko decreased by 15% in the second quarter, amounting to EUR 7.2 (8.5) million. The decrease of net sales mainly concerned energy efficiency equipment and healthcare solutions. Kauko's operating result during the second quarter stood at EUR -0.4 (0.1) million. The operating result was weakened by the decrease of net sales, emission allowance fees, and impairment of inventories. During the second quarter, the previous managing director of Kauko was paid the severance pay specified in his contract.

The deliveries of mobile knowledge work solutions for the public sector will concentrate on the second half of the year. The sales agreements on 4K cameras, signed in the first quarter, was realized during the second quarter. The unit providing healthcare solutions continued making a loss as its sales fell significantly short from the comparative period's figures. The application business made a significant loss. The operating profit of mobile knowledge work was good for the part of equipment sales.

The decision was taken to discontinue Kauko's loss-making application business, still at its development stage, during the second quarter, and the related employee-employer co-operation negotiations were conducted during June. As a result, the employment of six employees was terminated in Kauko after the review period. Discontinuation of the unit did not cause significant expenses during the second quarter, and it will reduce Kauko's expenditure from the beginning of the third quarter.

Net sales of energy efficiency equipment decreased from the comparative period. The sales were reduced by the slow turnover of retail inventories and some component problems related to products. However, the customer base of energy efficiency equipment has expanded in all product categories.

Net sales of Kauko in January–June decreased by 10% to EUR 14.1 (15.6) million. Its operating result stood at EUR -1.0 (-0.4) million. Kauko does not meet Aspo's requirements regarding profitability of the business.

**Outlook of Kauko for 2018**

Kauko's profitability is expected to improve from the first half of the year as a result of the already implemented and planned actions for improving profitability.

The net sales and profitability of equipment sales for mobile knowledge work are expected to continue improving. In the market of rugged computers, sales of laptops are expected to remain unchanged or decrease and those of tablets to increase. Kauko provides the healthcare sector with various mobile IT based solutions to improve the efficiency of care and work of the nursing staff. The company intends to improve the profitability of solution business for the healthcare sector.

Determined actions will be taken at Kauko for improving profitability and for further expanding the rugged computer hardware sales of already good profitability. Hansel, the procurement organization for the public sector, continues to include Kauko's rugged computers in its range of models following a public tendering process.

## 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.

| | **4-6/2018** | 4-6/2017 | Change,% | **1-6/2018** | 1-6/2017 | Change,% | 1-12/2017 |
|---|---|---|---|---|---|---|---|
| Net sales, MEUR | **0.0** | 0.0 | 0.0 | **0.0** | 0.0 | 0.0 | 0.0 |
| Operating profit, MEUR | **-1.3** | -1.1 | -18.2 | **-2.6** | -1.9 | -36.8 | -4.1 |

The operating result of other operations during the second quarter stood at EUR -1.3 (-1.1) million. The increased use of external services and lower rental income weakened the operating result. The cost level of Aspo's other operations is not expected to differ significantly from the previous year's level.

## FINANCING

The Group's cash and cash equivalents totaled EUR 18.5 million (12/2017: EUR 19.9 million). The consolidated balance sheet included a total of EUR 146.3 million in interest-bearing liabilities (12/2017: EUR 136.6 million). The average interest rate of interest-bearing liabilities was 1.6% at the end of the review period (12/2017: 1.8%). Non-interest-bearing liabilities totaled EUR 78.1 million (12/2017: EUR 72.2 million).

Aspo Group's gearing was 118.6% (12/2017: 103.9%) and its equity ratio was 32.7% (12/2017: 35.6%). At the end of the second quarter of 2017, gearing was 113.7% and equity ratio was 32.9%. In the second quarter, equity was decreased by dividend of EUR 13.2 million, of which EUR 6.4 million was paid. During the second half of 2018, the capital structure of the Aspo Group will be impacted both by the shipping company's investment in two dry bulk carriers and by the acquisition of the Swedish shipping company AtoB@C.

The Group's net cash from operating activities in January–June decreased from the comparative period to EUR -1.2 (3.5) million. During the review period, the change in working capital stood at EUR -14.3 (-9.4) million. Working capital was mainly tied in the growth of Telko's business. Net cash from investing activities totaled EUR -1.5 (-11.2) million. The Group's free cash flow was EUR -2.7 (-7.7) 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 27 million of Aspo's EUR 80 million commercial paper program were in use. In 2018, a total of approximately EUR 16 million in financing agreements will fall due.

On May 27, 2016, Aspo issued a hybrid bond of EUR 25 million. The fixed coupon rate of the bond is 6.75% per annum. The bond has no specified maturity date, but the company may exercise an early redemption option after four years of its issuance date.

Aspo has hedged its interest rate risk by means of interest rate swaps. Their fair value on June 30, 2018 was EUR -0.3 (-0.5) million. The financial instruments are on level 2 of the fair value hierarchy.

Aspo Group has hedged its currency-denominated cash flows associated with the acquisition of new vessels using currency forward agreements, to which hedge accounting is applied. The nominal value of these currency forward agreements was EUR 26.1 million, and their fair value was EUR 0.1 (-0.7) million on June 30, 2018. The financial instruments are on level 2 of the fair value hierarchy.

## INVESTMENTS

The Group's investments during the second quarter of 2018 stood at EUR 1.0 (4.7) million. The investments mainly consisted of ESL Shipping's advance payments and capitalized repair costs of vessels. Investments during the comparative period mainly consisted of advance payments of ESL Shipping's vessel investments.

### Investments by segment, acquisitions excluded

| | **4-6/2018 MEUR** | 4-6/2017 MEUR | Change % | **1-6/2018 MEUR** | 1-6/2017 MEUR | Change % | 1-12/2017 MEUR |
|---|---|---|---|---|---|---|---|
| ESL Shipping | **0.7** | 4.6 | -84.8 | **1.1** | 11.2 | -90.2 | 16.8 |
| Leipurin | **0.2** | 0.1 | 100.0 | **0.2** | 0.2 | 0.0 | 0.5 |
| Telko | **0.1** | 0.0 | - | **0.3** | 0.3 | 0.0 | 0.5 |
| Kauko | **0.0** | 0.0 | - | **0.0** | 0.1 | -100.0 | 0.1 |
| Other operations | **0.0** | 0.0 | - | **0.0** | 0.0 | - | 0.1 |
| Total | **1.0** | 4.7 | -78.7 | **1.6** | 11.8 | -86.4 | 18.0 |

## PERSONNEL

### Personnel by segment, period-end

| | **6/2018** | 6/2017 | Change, % | 12/2017 |
|---|---|---|---|---|
| ESL Shipping | **237** | 236 | 0.4 | 235 |
| Leipurin | **321** | 323 | -0.6 | 315 |
| Telko | **292** | 286 | 2.1 | 288 |
| Kauko | **44** | 47 | -6.4 | 46 |
| Other operations | **25** | 25 | 0.0 | 25 |
| Total | **919** | 917 | 0.2 | 909 |

At the end of the review period, Aspo Group had 919 (917) employees.

**Rewarding**

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

## 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.

## RISKS AND RISK MANAGEMENT

The economic outlook has improved in all Aspo's market areas, and the growth of economy and industrial production has reduced financial risks associated with Aspo's market areas. Political risks have increased, but they are not expected to have any impact on Aspo's business operations in the short term. Furthermore, Aspo's business operations have not been affected by the import duties imposed by the USA and China that restrict free trade in general. Setbacks related to free trade agreements have so far not had any noticeable impact on Aspo's businesses.

The word economy is now growing in all markets, as the financial crisis has passed. Growth in the eurozone is expected to exceed 2.5 percent, and growth is also rapid in other western market areas. In Russia, the growth of GDP and the inflation are at the expected levels, while private consumption and investments have increased. The general cargo prices in sea transports have varied throughout the first half of the year, but have mainly been rising towards the end of the period.

Financial risks in all of Aspo's businesses have decreased as a result of the improved and stabilized market development. However, any unexpected changes in international politics, or rapid changes in exchange rates or commodities markets, may have an impact on the demand and competitiveness of the products of Aspo's businesses. The subdued demand for investment goods which earlier limited the growth in both the eastern and western markets has now started growing. Investments have increased in Russia, even though most of them are still targeted at the energy sector. Private consumption has also gone up in Russia, but imports have not grown at the previous years' rate. There have been no structural changes in the economy, and economic growth is expected to remain at the previous year's level.

### Strategic risks

Russia's imports and exports of goods have increased, but the growth of imports has slowed down. The Russian economy has stabilized and inflation has decelerated. Deteriorated consumption demand in the long term has affected all trade, but the increase in nominal wages and the improved confidence of consumers towards the economy have increased consumption. In Ukraine, the economic situation has stabilized. The consumer and producer prices are at a moderate level and have not significantly changed after the fluctuations early in the year. Production volumes are up from the previous year, and imports and exports are increasing, albeit at a more moderate rate than in the previous year. No signs of decrease were visible any more in the financing market or payments traffic in Russia and Ukraine. The companies are now more willing to make investments.

The promotion of local production will continue to increase the volume of raw materials and items produced in Russia in industrial production, despite the decrease in quality. This may reduce the position of imported raw materials in the value chain and lower the margin level, but an increase in import volumes may add to the demand of foreign raw materials and, correspondingly, reduce related risks for Aspo.

Political risks have increased globally, which may have a rapid impact on Aspo's operating environment and reduce free trade in the 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, although some have been recently implemented. The situation may continue unchanged, but, as the economic and political pressure alleviates, it may change completely and rapidly.

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 coal in energy production have increased, which will reduce coal transportation volumes in the future. Correspondingly, the transportation volumes of replacement energy products will increase. Due to this change, it is difficult to estimate future transportation volumes. The extended low level of international freight indices and the global increase in the number of vessels, particularly in large size categories, have increased uncertainty over the long-term profitability of shipping companies. Nevertheless, there are signs of a reasonable increase in freight indices and of a decrease in the number of operating vessels in the long term.

Strategic risks may be caused by deterioration of global economics, the political atmosphere, protectionism and the outlook and production choices of industrial customers. Decisions 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 of ownership, or for other reasons. These changes may have negative consequences on operations as the need for transportation decreases, but they can also be seen as significant opportunities. As a result of low cargo prices in international shipping, competition over cargoes may also become fiercer in the Baltic Sea. Mild, ice-free winters may also increase competition. In order to improve its competitive position, ESL Shipping is building new, low-emission vessels with better fuel economy for this region and customer base. These will also be able to operate in ice conditions. ESL Shipping is also in the process of carrying out an acquisition that will significantly improve its competitiveness.

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

Rapid changes in economic structures may cause risks due to changes in the customer or principal structure or technologies, and due to unused opportunities, that require a quick response. Disruptive changes may be very rapid. Aspo’s strategic risks are evened out by the distribution of business operations over four segments, its engagement in business operations in a broad geographical area, and its ability to react quickly to changing situations.

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

**Operational risks**

Economic uncertainty in Aspo’s operating environment decreased during the review period. However, operational risks remained unchanged. These include risks related to supply chains, goods and services, and persons. The threat of various external misuse has also increased in the Group 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 is disturbing commercial activities and, if the situation continues, the growth of Aspo’s business operations may slow down. Consumer behavior and confidence are also reflected in risks associated with B-to-B customers and their risk levels. The growth opportunities presented by emerging markets are encouraging interest among competitors in starting or expanding business operations in these areas. The challenging emerging markets and their escalated situations have also caused competitors to withdraw from these markets, which has created new potential for Aspo's businesses and increased their market shares.

Hedging against exchange rate changes is not possible in all conditions and, especially at all times. Changes in exchange rates may lower the results and equity on the balance sheet as a result of translation differences. Then again, changes in exchange rates may also strengthen the result and balance sheet. As changes in credit loss risks are diversified across businesses and customers, Aspo’s businesses have not been subjected to any significant credit losses related to their customers, even though credit loss risks have increased. Principal risks have materialized through unreceived commission returns.

Sales margins may be reduced and financial claims related to deliveries may emerge if Aspo’s products are not suited for the customers’ production processes or don’t have the right technical properties. Operative risks have also been increased by computer-related crime, malware and the increased number of fraud attempts. If realized, these risks may mean financial losses for Aspo. Aspo has appropriate information technology security and internal training arrangements, but individual cases may occur due to the decentralized structure of operations.

The quantity and probability of the Group’s loss risks are regularly assessed. 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 audit, and risk management systems. The Audit Committee monitors the risk management process and carries out necessary measures to prevent strategic risks in particular. In accordance with the internal control principles approved by the Board of Directors, risk management is part of Aspo’s internal control, and its task is to ensure the implementation of the Group’s strategy, development of financial results, shareholder value, dividend payment ability, and continuity in business operations. The operational management of the businesses is responsible for risk management. The management is responsible for specifying sufficient measures and their implementation, and for monitoring and ensuring that the measures are implemented as part of day-to-day management of operations. Risk management is managed by Aspo's CFO, who reports to the Group CEO.

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

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

## SHARE CAPITAL AND SHARES

Aspo Plc's share capital on June 30, 2018 was EUR 17,691,729.57 and the total number of shares was 30,975,524 of which the company held 299,961 shares; that is, 1.0% of the share capital. Aspo Plc has one share series. Each share entitles the shareholder to one vote at the shareholders' meeting. Aspo's share is quoted on Nasdaq Helsinki Oy's Mid Cap segment under industrial products and services.

During January–June 2018, a total of 891,011 Aspo Plc shares with a market value of EUR 8.5 million were traded on Nasdaq Helsinki, in other words, 2.9% of the shares changed hands. During January–June, the share price reached a high of EUR 10.15 and a low of EUR 8.60. The average price was EUR 9.56 and the closing price at end of June was EUR 9.18. At the end of the review period, the market value excluding treasury shares was EUR 281.6 million.

The number of Aspo Plc shareholders was 9,192 at end of the review period. A total of 1,710,457 shares, or 5.5% of the share capital, were nominee registered or held by non-domestic shareholders.

## DECISIONS AT THE SHAREHOLDERS' MEETING

### Dividend

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

The dividend will be paid in two installments. The payment date for the first installment of EUR 0.21 per share was April 19, 2018.

The second installment of EUR 0.22 per share will be paid in November 2018 to shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd on the record date. At its meeting to be held on October 25, 2018, the Board of Directors will decide on the record and payment dates of the second instalment, in accordance with the rules of the Finnish book-entry securities system. According to the current system, the dividend record date would be October 29, 2018 and the payment date would be November 5, 2018.

### 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.

The Authorized Public Accountant firm Ernst & Young Oy was elected as company auditor. Ernst & Young Oy has announced that Toni Halonen, APA, will act as the auditor in charge.

**Board authorizations**

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

The Annual Shareholders’ Meeting on April 10, 2018 authorized the Board of Directors to decide on the acquisition of no more than 500,000 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.

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

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

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

The Annual Shareholders’ Meeting on April 10, 2018 authorized the Board of Directors to decide on a share issue of new shares against payment. The authorization includes the right of the Board of Directors to decide on all of the other terms and conditions of the conveyance and thus also includes the right to decide on a directed share issue, in deviation from the shareholders’ pre-emptive right, if a compelling financial reason exists for the company to do so. The total number of new shares to be offered for subscription may not exceed 1,500,000. The authorization is valid until the Annual Shareholders’ Meeting in 2019 but not more than 18 months from the approval at the Shareholders’ Meeting.

**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.

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

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

In spring 2017, Kauko took legal action in civil court against two individuals who worked in leading positions in the mobile knowledge work unit that provides IT solutions for the healthcare sector due to breaches of the non-solicitation and non-compete clauses. 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. The decision has no effect on the result of Aspo Group.

Helsinki August 14, 2018

ASPO PLC
Board of Directors

**ASPO GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

| | 4-6/2018 MEUR | % | 4-6/2017 MEUR | % |
|---|---|---|---|---|
| Net sales | 132.7 | 100.0 | 123.8 | 100.0 |
| Other operating income | 1.4 | 1.1 | 0.7 | 0.6 |
| Materials and services | -97.6 | -73.5 | -91.6 | -74.0 |
| Employee benefit expenses | -11.3 | -8.5 | -10.6 | -8.6 |
| Depreciation, amortization and impairment losses | -2.6 | -2.0 | -3.0 | -2.4 |
| Other operating expenses | -15.5 | -11.7 | -14.2 | -11.5 |
| Operating profit | 7.1 | 5.4 | 5.1 | 4.1 |
| Financial income and expenses | -1.0 | -0.8 | -0.7 | -0.6 |
| Profit before taxes | 6.1 | 4.6 | 4.4 | 3.6 |
| Income taxes | -0.7 | -0.5 | -0.3 | -0.2 |
| Profit for the period | 5.4 | 4.1 | 4.1 | 3.3 |
| Other comprehensive income | | | | |
| Items that may be reclassified to profit or loss in subsequent periods: | | | | |
| Translation differences | 0.1 | | -2.7 | |
| Cash flow hedges | 1.7 | | -1.9 | |
| Income tax on other comprehensive income | -0.1 | | 0.1 | |
| Other comprehensive income for the period, net of taxes | 1.7 | | -4.5 | |
| Total comprehensive income | 7.1 | | -0.4 | |
| Profit attributable to shareholders | 5.4 | | 4.1 | |
| Total comprehensive income attributable to shareholders | 7.1 | | -0.4 | |
| Earnings per share, EUR | 0.17 | | 0.08 | |
| Diluted earnings per share, EUR | 0.17 | | 0.08 | |

| | 1-6/2018 MEUR | % | 1-6/2017 MEUR | % | 1-12/2017 MEUR | % |
|---|---|---|---|---|---|---|
| Net sales | 248.0 | 100.0 | 242.8 | 100.0 | 502.4 | 100.0 |
| Other operating income | 2.0 | 0.8 | 1.0 | 0.4 | 2.0 | 0.4 |
| Materials and services | -181.4 | -73.1 | -179.7 | -74.0 | -370.5 | -73.7 |
| Employee benefit expenses | -21.8 | -8.8 | -20.9 | -8.6 | -41.6 | -8.3 |
| Depreciation, amortization and impairment losses | -5.5 | -2.2 | -6.0 | -2.5 | -11.9 | -2.4 |
| Other operating expenses | -30.5 | -12.3 | -27.7 | -11.4 | -57.3 | -11.4 |
| Operating profit | 10.8 | 4.4 | 9.5 | 3.9 | 23.1 | 4.6 |
| Financial income and expenses | -2.2 | -0.9 | -0.9 | -0.4 | -2.0 | -0.4 |
| Profit before taxes | 8.6 | 3.5 | 8.6 | 3.5 | 21.1 | 4.2 |
| Income taxes | -1.2 | -0.5 | -0.6 | -0.2 | -1.7 | -0.3 |
| Profit for the period | 7.4 | 3.0 | 8.0 | 3.3 | 19.4 | 3.9 |
| Other comprehensive income | | | | | | |
| Items that may be reclassified to profit or loss in subsequent periods: | | | | | | |
| Translation differences | -0.1 | | -1.4 | | -3.0 | |
| Cash flow hedges | 2.6 | | -2.5 | | -3.7 | |
| Income tax on other comprehensive income | -0.1 | | 0.1 | | 0.2 | |
| Other comprehensive income for the period, net of taxes | 2.4 | | -3.8 | | -6.5 | |
| Total comprehensive income | 9.8 | | 4.2 | | 12.9 | |
| Profit attributable to shareholders | 7.4 | | 8.0 | | 19.4 | |
| Total comprehensive income attributable to shareholders | 9.8 | | 4.2 | | 12.9 | |
| Earnings per share, EUR | 0.22 | | 0.21 | | 0.56 | |
| Diluted earnings per share, EUR | 0.22 | | 0.21 | | 0.56 | |

**ASPO GROUP CONSOLIDATED BALANCE SHEET**

| | 6/2018 MEUR | 6/2017 MEUR | Change % | 12/2017 MEUR |
|---|---|---|---|---|
| Assets | | | | |
| Intangible assets | 7.3 | 8.7 | -16.1 | 8.0 |
| Goodwill | 42.0 | 42.0 | 0.0 | 42.0 |
| Tangible assets | 116.6 | 119.4 | -2.3 | 119.9 |
| Other non-current assets | 3.6 | 3.9 | -7.7 | 4.0 |
| Total non-current assets | 169.5 | 174.0 | -2.6 | 173.9 |
| Inventories | 67.3 | 62.2 | 8.2 | 60.9 |
| Accounts receivable and other receivables | 77.0 | 68.2 | 12.9 | 66.4 |
| Cash and cash equivalents | 18.5 | 18.4 | 0.5 | 19.9 |
| Total current assets | 162.8 | 148.8 | 9.4 | 147.2 |
| Assets classified as held for sale | | 0.9 | | |
| Total assets | 332.3 | 323.7 | 2.7 | 321.1 |
| Equity and liabilities | | | | |
| Share capital | 17.7 | 17.7 | 0.0 | 17.7 |
| Other equity | 90.2 | 86.6 | 4.2 | 94.6 |
| Total equity | 107.9 | 104.3 | 3.5 | 112.3 |
| Loans and overdraft facilities | 105.0 | 125.8 | -16.5 | 109.5 |
| Other liabilities | 3.4 | 4.5 | -24.4 | 3.8 |
| Total non-current liabilities | 108.4 | 130.3 | -16.8 | 113.3 |
| Loans and overdraft facilities | 41.3 | 11.2 | 268.8 | 27.1 |
| Accounts payable and other liabilities | 74.7 | 77.9 | -4.1 | 68.4 |
| Total current liabilities | 116.0 | 89.1 | 30.2 | 95.5 |
| Total equity and liabilities | 332.3 | 323.7 | 2.7 | 321.1 |

## 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 | | | | | | | 7.4 | 7.4 |
| Translation differences | | | | | | -0.1 | | -0.1 |
| Cash flow hedges* | | | 2.5 | | | | | 2.5 |
| Total comprehensive income | | | 2.5 | | | -0.1 | 7.4 | 9.8 |
| Transactions with owners: | | | | | | | | |
| Dividend payment | | | | | | | -13.2 | -13.2 |
| Interest on hybrid instrument | | | | | | | -0.8 | -0.8 |
| Share-based incentive plan | | | | | 0.4 | | -1.2 | -0.8 |
| Total transactions with owners | | | | | 0.4 | | -15.2 | -14.8 |
| Equity June 30, 2018 | 17.7 | 4.3 | 0.0 | 37.0 | -1.7 | -21.7 | 72.3 | 107.9 |
| | | | | | | | | |
| 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 | | | | | | | 8,0 | 8,0 |
| Translation differences | | | | | | -1,4 | | -1,4 |
| Cash flow hedges* | | | -2.4 | | | | | -2.4 |
| Total comprehensive income | | | -2.4 | | | -1.4 | 8.0 | 4.2 |
| Transactions with owners: | | | | | | | | |
| Dividend payment | | | | | | | -12.9 | -12.9 |
| Interest on hybrid instrument | | | | | | | -1.8 | -1.8 |
| Share-based incentive plan | | | | | 0.2 | | 0.1 | 0.3 |
| Total transactions with owners | | | | | 0.2 | | -14.6 | -14.4 |
| Equity June 30, 2017 | 17.7 | 4.3 | -1.4 | 37.0 | -2.1 | -20.0 | 68.8 | 104.3 |

*net of taxes

**ASPO GROUP CONSOLIDATED CASH FLOW STATEMENT**

| | 1-6/2018 MEUR | 1-6/2017 MEUR | 1-12/2017 MEUR |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Operating profit | 10.8 | 9.5 | 23.1 |
| Adjustments to operating profit | 4.8 | 7.2 | 13.6 |
| Change in working capital | -14.3 | -9.4 | -12.6 |
| Interest paid | -1.7 | -3.2 | -5.1 |
| Interest received | 0.3 | 0.6 | 1.0 |
| Income taxes paid | -1.1 | -1.2 | -2.6 |
| Net cash from operating activities | -1.2 | 3.5 | 17.4 |
| | | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Investments in tangible and intagible assets | -1.0 | -2.1 | -4.0 |
| Advance payments on vessels | -0.6 | -9.4 | -13.7 |
| Proceeds from sale of tangible assets | 0.1 | 0.1 | 0.3 |
| Proceeds from sale of other non-current assets | | 0.2 | 0.2 |
| Sale of business operations | | | 0.6 |
| Net cash from investing activities | -1.5 | -11.2 | -16.6 |
| | | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Change in current loans | 24.2 | 2.4 | 3.7 |
| Proceeds from non-current loans | | 15.6 | 15.6 |
| Repayments of non-current loans | -14.6 | -6.2 | -7.8 |
| Hybrid instrument, interests | -1.7 | -1.7 | -1.7 |
| Dividends distributed | -6.4 | -6.4 | -12.9 |
| Net cash from financing activities | 1.5 | 3.7 | -3.1 |
| | | | |
| Change in cash and cash equivalents | -1.2 | -4.0 | -2.3 |
| Cash and cash equivalents January 1 | 19.9 | 22.6 | 22.6 |
| Translation differences | -0.2 | -0.2 | -0.4 |
| Cash and cash equivalents at period-end | 18.5 | 18.4 | 19.9 |

## ASPO GROUP DISAGGREGATION OF NET SALES

### Net sales by market area

| | 4-6/2018 | 4-6/2017 | 1-6/2018 | 1-6/2017 | 1-12/2017 |
|---|---|---|---|---|---|
| **ESL Shipping** | MEUR | MEUR | MEUR | MEUR | MEUR |
| Finland | 8.0 | 7.2 | 15.0 | 14.5 | 29.1 |
| Scandinavia | 5.5 | 3.8 | 9.4 | 8.2 | 15.8 |
| Baltic countries | 1.2 | 1.0 | 4.0 | 2.0 | 5.5 |
| Russia, Ukraine + other CIS countries | 3.2 | 1.6 | 3.6 | 3.9 | 6.3 |
| Other countries | 4.7 | 5.9 | 11.1 | 9.8 | 22.6 |
| Total | 22.6 | 19.5 | 43.1 | 38.4 | 79.3 |
| | | | | | |
| **Leipurin** | | | | | |
| Finland | 12.0 | 12.4 | 24.1 | 25.0 | 48.2 |
| Scandinavia | 0.0 | 0.1 | 0.1 | 0.5 | 0.8 |
| Baltic countries | 10.0 | 7.5 | 18.3 | 14.4 | 32.1 |
| Russia, Ukraine + other CIS countries | 7.7 | 8.1 | 15.9 | 16.4 | 35.0 |
| Other countries | 1.5 | 2.0 | 3.0 | 3.2 | 6.2 |
| Total | 31.2 | 30.1 | 61.4 | 59.5 | 122.3 |
| | | | | | |
| **Telko** | | | | | |
| Finland | 12.6 | 12.6 | 25.8 | 26.2 | 52.4 |
| Scandinavia | 8.8 | 9.2 | 16.5 | 17.4 | 33.9 |
| Baltic countries | 5.4 | 5.3 | 10.2 | 10.1 | 20.7 |
| Russia, Ukraine + other CIS countries | 35.3 | 30.4 | 59.3 | 59.1 | 123.6 |
| Other countries | 9.6 | 8.2 | 17.6 | 16.5 | 31.6 |
| Total | 71.7 | 65.7 | 129.4 | 129.3 | 262.2 |
| | | | | | |
| **Kauko** | | | | | |
| Finland | 7.0 | 8.3 | 12.5 | 15.0 | 31.1 |
| Scandinavia | 0.0 | 0.0 | 0.1 | 0.0 | 0.1 |
| Baltic countries | 0.2 | 0.2 | 0.2 | 0.3 | 0.5 |
| Russia, Ukraine + other CIS countries | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other countries | 0.0 | 0.0 | 1.3 | 0.3 | 6.9 |
| Total | 7.2 | 8.5 | 14.1 | 15.6 | 38.6 |
| | | | | | |
| **Total** | | | | | |
| Finland | 39.6 | 40.5 | 77.4 | 80.7 | 160.8 |
| Scandinavia | 14.3 | 13.1 | 26.1 | 26.1 | 50.6 |
| Baltic countries | 16.8 | 14.0 | 32.7 | 26.8 | 58.8 |
| Russia, Ukraine + other CIS countries | 46.2 | 40.1 | 78.8 | 79.4 | 164.9 |
| Other countries | 15.8 | 16.1 | 33.0 | 29.8 | 67.3 |
| Total | 132.7 | 123.8 | 248.0 | 242.8 | 502.4 |

**Net sales by timing of recognition**

| | 4-6/2018 MEUR | 4-6/2017 MEUR | 1-6/2018 MEUR | 1-6/2017 MEUR | 1-12/2017 MEUR |
|---|---|---|---|---|---|
| **ESL Shipping** | | | | | |
| Over time | 22.6 | 19.5 | 43.1 | 38.4 | 79.3 |
| Total | 22.6 | 19.5 | 43.1 | 38.4 | 79.3 |
| | | | | | |
| **Leipurin** | | | | | |
| At a point of time | 29.0 | 28.3 | 56.2 | 56.6 | 114.7 |
| Over time | 2.2 | 1.8 | 5.2 | 2.9 | 7.6 |
| Total | 31.2 | 30.1 | 61.4 | 59.5 | 122.3 |
| | | | | | |
| **Telko** | | | | | |
| At a point of time | 71.5 | 65.5 | 129.0 | 128.9 | 261.3 |
| Over time | 0.2 | 0.2 | 0.4 | 0.4 | 0.9 |
| Total | 71.7 | 65.7 | 129.4 | 129.3 | 262.2 |
| | | | | | |
| **Kauko** | | | | | |
| At a point of time | 7.1 | 8.5 | 13.9 | 15.6 | 38.4 |
| Over time | 0.1 | 0.0 | 0.2 | 0.0 | 0.2 |
| Total | 7.2 | 8.5 | 14.1 | 15.6 | 38.6 |
| | | | | | |
| **Total** | | | | | |
| At a point of time | 107.6 | 102.3 | 199.1 | 201.1 | 414.4 |
| Over time | 25.1 | 21.5 | 48.9 | 41.7 | 88.0 |
| Total | 132.7 | 123.8 | 248.0 | 242.8 | 502.4 |

**Net sales by product category**

| | 4-6/2018 MEUR | 4-6/2017 MEUR | 1-6/2018 MEUR | 1-6/2017 MEUR | 1-12/2017 MEUR |
|---|---|---|---|---|---|
| ESL Shipping total | 22.6 | 19.5 | 43.1 | 38.4 | 79.3 |
| | | | | | |
| Raw materials | 24.4 | 26.0 | 49.0 | 50.8 | 103.3 |
| Machinery | 6.8 | 4.1 | 12.4 | 8.7 | 19.0 |
| Leipurin total | 31.2 | 30.1 | 61.4 | 59.5 | 122.3 |
| | | | | | |
| Plastics | 39.6 | 37.0 | 73.0 | 74.8 | 150.7 |
| Chemicals | 32.1 | 28.7 | 56.4 | 54.5 | 111.5 |
| Telko total | 71.7 | 65.7 | 129.4 | 129.3 | 262.2 |
| | | | | | |
| Mobile knowledge work | 4.3 | 5.0 | 7.4 | 8.9 | 17.6 |
| Energy-efficiency equipment | 2.9 | 3.5 | 5.4 | 6.7 | 14.5 |
| Other | 0.0 | 0.0 | 1.3 | 0.0 | 6.5 |
| Kauko total | 7.2 | 8.5 | 14.1 | 15.6 | 38.6 |
| | | | | | |
| **Total** | 132.7 | 123.8 | 248.0 | 242.8 | 502.4 |

**ASPO GROUP ASSETS AND LIABILITIES BY SEGMENT**

Segments' assets, MEUR

| | 6/2018 | 6/2017 | 12/2017 |
|---|---|---|---|
| ESL Shipping | 133.8 | 128.6 | 132.9 |
| Leipurin | 57.0 | 61.2 | 63.5 |
| Telko | 96.3 | 87.9 | 76.4 |
| Kauko | 22.0 | 22.4 | 23.6 |
| Unallocated items | 23.2 | 23.6 | 24.7 |
| Total | 332.3 | 323.7 | 321.1 |

Segments' liabilities, MEUR

| | 6/2018 | 6/2017 | 12/2017 |
|---|---|---|---|
| ESL Shipping | 10.6 | 9.7 | 11.0 |
| Leipurin | 12.9 | 14.6 | 17.9 |
| Telko | 36.7 | 37.8 | 29.7 |
| Kauko | 5.4 | 7.4 | 6.6 |
| Unallocated items | 158.8 | 149.9 | 143.6 |
| Total | 224.4 | 219.4 | 208.8 |

**ACCOUNTING PRINCIPLES**

Aspo Plc’s half year financial report 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 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). Because 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 allowedby the standard. The impact of the changes resulting from the standard on the opening balance sheet and the figures of the quarter 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. In 2017, Aspo launched a project to prepare for the adoption of the standard. The expected impact of the adoption of the standard is explained in more detail in notes to the financial statements (page 49 of the Financial Statements and Responsibility Report 2017). As a provisional estimate, Aspo will adopt the new standard by using a simplified transition method, starting from January 1, 2019. As the project proceeds, Aspo will specify its estimate of the impact of the standard.

## SEGMENT REPORTING

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

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

## PRESS AND ANALYST CONFERENCE

A press and analyst conference will be arranged today, Tuesday August 14, 2018 at 14.00 at Hotel Kämp’s Akseli Gallen-Kallela conference room, Pohjoisesplanadi 29, 00100 Helsinki.

## FINANCIAL INFORMATION IN 2018

In 2018, Aspo Plc will publish the following Report:
- Interim Report for January-September on Thursday, October 25, 2018.

Helsinki August 14, 2018

ASPO PLC

| | |
|---|---|
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| CEO | CFO |

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