ASPO PLC INTERIM REPORT October 25,2018 at 10:00 a.m.

ASPO GROUP INTERIM REPORT, JANUARY 1 TO SEPTEMBER 30, 2018

Aspo Q3: Operating profit increased to EUR 7.2 (7.1) million including acquisition related transaction costs of EUR 0.9 million
(Figures from the corresponding period in 2017 are presented in brackets.)

January–September 2018

- Aspo's net sales increased and was EUR 384.3 (370.0) million.
- Operating profit increased and was EUR 18.0 (16.6) million.
- Profit for the period stood at EUR 13.4 (13.9) million.
- Earnings per share were EUR 0.40 (0.40).
- The operating profit of ESL Shipping was EUR 10.9 (9.4) million, Leipurin EUR 2.5 (2.4) million, Telko EUR 8.7 (7.8) million and Kauko EUR -0.3 (-0.2) million.
- Net cash from operating activities increased and was EUR 7.6 (5.7) million.

July–September 2018

- Aspo's net sales increased by 7.2% to EUR 136.3 (127.2) million.
- Operating profit improved and was EUR 7.2 (7.1) million.
- Profit for the quarter stood at EUR 6.0 (5.9) million.
- Earnings per share decreased by 5.3% and were EUR 0.18 (0.19).
- The operating profit of ESL Shipping increased to EUR 4.0 (3.3) million. The operating profit of Telko decreased to EUR 2.9 (3.1) million. The operating profit of Leipurin decreased to EUR 0.8 (1.4) million. The operating profit of Kauko increased to EUR 0.7 (0.2) million.

- ESL Shipping completed the acquisition of AtoB@C, a Swedish shipping company, on 31 August 2018. Transaction costs arising from the acquisition reduced ESL Shipping's operating profit by EUR 0.9 million. The acquisition is expected to have a positive impact on ESL Shipping's profitability, starting from the fourth quarter.

- As part of the acquisition consideration for the AtoB@C shipping company, Aspo issued 444,255 new shares through a share issue directed to the seller. After the registration of the new shares, Aspo now has a total of 31,419,779 shares.

- ESL Shipping received two new LNG-fueled vessels of 25,600 dwt at the Jinling shipyard in Nanjing, China. The delivery of the vessels and their transfer to the Baltic Sea have not yet had any impact on the profitability level during the third quarter. The full profit potential of these new vessels will be available starting from the first quarter of 2019 due to the transfer of vessels to the Baltic Sea.

- The devaluation of local currencies in the market area of Russia, Ukraine and other CIS countries during the third quarter decelerated the increase in the net sales and profitability of Telko and Leipurin. However, euro-denominated net sales in the eastern market area increased by 6%, and profitability improved in the market area.

Payment of dividends

- The first installment of the EUR 0.43 dividend decided by the Annual Shareholders' Meeting, EUR 0.21 per share, was paid in April. The second installment, EUR 0.22 per share, will be paid on November 5, 2018.

Aspo's guidance for 2018 remains unchanged.

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

KEY FIGURES

	7-9/ 2018	7-9/ 2017	Change, %	**1-9/ 2018**	1-9/ 2017	Change, %	1-12/ 2017
Net sales, MEUR	**136.3**	127.2	7.2	**384.3**	370.0	3.9	502.4
Operating profit, MEUR	**7.2**	7.1	1.4	**18.0**	16.6	8.4	23.1
Operating profit, %	**5.3**	5.6		**4.7**	4.5		4.6
Profit before taxes, MEUR	**6.3**	6.4	-1.6	**14.9**	15.0	-0.7	21.1
Profit for the period, MEUR	**6.0**	5.9	1.7	**13.4**	13.9	-3.6	19.4
Earnings per share, EUR	**0.18**	0.19	-5.3	**0.40**	0.40	0.0	0.56
Net cash from operating activities, MEUR	**8.8**	2.2	300.0	**7.6**	5.7	33.3	17.4
Equity per share, EUR				**3.75**	3.54		3.67
Return on equity, % (ROE)				**15.6**	16.7		17.1
Equity ratio, %				**29.3**	33.6		35.6
Gearing, %				**155.2**	109.7		103.9
ESL Shipping, operating profit, MEUR	**4.0**	3.3	21.2	**10.9**	9.4	16.0	13.5
Leipurin, operating profit, MEUR	**0.8**	1.4	-42.9	**2.5**	2.4	4.2	3.1
Telko, operating profit, MEUR	**2.9**	3.1	-6.5	**8.7**	7.8	11.5	10.8
Kauko, operating profit, MEUR	**0.7**	0.2	250.0	**-0.3**	-0.2	-50.0	-0.2

General outlook for 2018

General political uncertainty in the markets has remained unchanged. 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 the development of the Russian economy. The global economy is expected to continue its growth. General political risks are still relatively high. 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:

“Aspo’s strong profit-making trend continued during the third quarter. The operating profit increased, even though the transaction costs of EUR 0.9 million related to the acquisition of AtoB@C weighed it down.

The shipping company’s new vessel investments were completed through the delivery of ms Viikki and ms Haaga during the third quarter. The new vessels navigated from Japan to the Baltic Sea via the Northern Sea Route. The vessels have also proven their mettle in challenging arctic conditions. As a result of the delivery of the new environmentally friendly LNG-fueled vessels and the completed acquisition, ESL Shipping and AtoB@C together are the largest shipping company in the Baltic Sea region with their 50 vessels. The shipping company’s net sales are expected almost to double. Through the acquisition of AtoB@C, ESL Shipping developed from a shipping company which owns its vessels into a shipping company which also operates effectively chartered and manned vessels. The shipping operations serve new customer sectors, such as the forest industry, the transportation of bioenergy for the energy industry and the transportation of industrial products.

The shipping company’s net sales and operating profit increased during the third quarter. The business acquisition and the new vessels have not yet improved profitability. Telko’s net sales and operating profit remained nearly unchanged, while Leipurin’s net sales and operating profit decreased. The devaluation of the local currencies in the eastern markets decelerated the increase of Telko and Leipurin. Despite the fluctuation in the value of the currencies, the profitability of Telko and Leipurin improved in eastern markets. Kauko’s operating profit improved as a result of activities carried out during the second quarter to improve operational efficiency and the busy sales season for energy-efficiency equipment which usually takes place during the third quarter. The efficiency of Kauko’s operations will be improved even further.

As a result of the investments, acquisitions and efficiency measures carried out, Aspo’s profit potential has improved. According to my estimates, ESL Shipping will improve its results starting from the fourth quarter, even though the impact of the new vessel investments and the completed acquisition will not be fully reflected in profits before 2019.

Aspo’s capital structure weakened during the third quarter above the long-term target due to the delivery of the new vessels and the completion of the acquisition. Being a conglomerate, Aspo’s gearing may be high at times. Aspo’s cash flow and debt servicing capacity are estimated to be even stronger than before.

Aspo will announce more news of its goals and the strategies, development stages and financial targets of its businesses at its capital markets day on November 21, 2018.”

ASPO GROUP

NET SALES

Net sales by segment

	7-9/2018 MEUR	7-9/2017 MEUR	Change %	**1-9/2018 MEUR**	1-9/2017 MEUR	Change %	1-12/2017 MEUR
ESL Shipping	**30.6**	18.3	67.2	**73.7**	56.7	30.0	79.3
Leipurin	**28.0**	29.9	-6.4	**89.4**	89.4	0.0	122.3
Telko	**67.3**	67.3	0.0	**196.7**	196.6	0.1	262.2
Kauko	**10.4**	11.7	-11.1	**24.5**	27.3	-10.3	38.6
Other operations	**0.0**	0.0	-	**0.0**	0.0	-	0.0
Total	**136.3**	127.2	7.2	**384.3**	370.0	3.9	502.4

There is no considerable inter-segment net sales.

Net sales by market area

	7-9/2018 MEUR	7-9/2017 MEUR	Change %	**1-9/2018 MEUR**	1-9/2017 MEUR	Change %	1-12/2017 MEUR
Finland	**44.6**	39.4	13.2	**122.0**	120.1	1.6	160.8
Scandinavia	**15.8**	11.2	41.1	**41.9**	37.3	12.3	50.6
Baltic countries	**13.1**	15.3	-14.4	**45.8**	42.1	8.8	58.8
Russia, Ukraine + other CIS countries	**45.6**	43.2	5.6	**124.4**	122.6	1.5	164.9
Other countries	**17.2**	18.1	-5.0	**50.2**	47.9	4.8	67.3
Total	**136.3**	127.2	7.2	**384.3**	370.0	3.9	502.4

Of the market areas for Aspo's businesses, Scandinavia experienced strong growth at 41%, Finland at 13%, as well as the market area of Russia, CIS countries and Ukraine, where growth was more than 5%. Net sales from Aspo's biggest market area of Russia, CIS countries and Ukraine totaled EUR 45.6 (43.2) million. The increase in net sales in Scandinavia and Finland can be explained by the increase in transportation volumes in these regions resulting from the acquisition by ESL Shipping.

EARNINGS

Operating profit by segment

	7-9/2018 MEUR	7-9/2017 MEUR	Change %	**1-9/2018 MEUR**	1-9/2017 MEUR	Change %	1-12/2017 MEUR
ESL Shipping	**4.0**	3.3	21.2	**10.9**	9.4	16.0	13.5
Leipurin	**0.8**	1.4	-42.9	**2.5**	2.4	4.2	3.1
Telko	**2.9**	3.1	-6.5	**8.7**	7.8	11.5	10.8
Kauko	**0.7**	0.2	250.0	**-0.3**	-0.2	-50.0	-0.2
Other operations	**-1.2**	-0.9	-33.3	**-3.8**	-2.8	-35.7	-4.1
Total	**7.2**	7.1	1.4	**18.0**	16.6	8.4	23.1

Earnings per share

In January–September 2018 earnings per share were EUR 0.40 (0.40). Equity per share was EUR 3.75 (3.54).

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–September 2018 was 4.7% (4.5), return on equity was 15.6% (16.7), and gearing was 155.2% (109.7).

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 eastern markets, 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's businesses. Exchange rates are expected to continue to fluctuate heavily. Economic growth in the EU, and particularly in Finland, is at a good level, 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 good economic cycle will continue, even though there is a risk of rapid changes.

In Finland, political strikes may have a negative impact on the operations of customer companies and transportation chains during the rest of the fall.

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'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 shipping company's fleet consisted of 50 vessels with a total capacity of 468,000 dwt. Of the vessels, 19 are wholly-owned, two are minority-owned, one is leased and the remaining 28 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.

	7-9/2018	7-9/2017	Change,%	**1-9/2018**	1-9/2017	Change,%	1-12/2017
Net sales, MEUR	**30.6**	18.3	67.2	**73.7**	56.7	30.0	79.3
Operating profit, MEUR *)	**4.0**	3.3	21.2	**10.9**	9.4	16.0	13.5
Operating profit, %	**13.1**	18.0		**14.8**	16.6		17.0

*) Operating profit for 7–9/2018 includes EUR 0.9 million in acquisition related transaction costs.

The general market prices of dry bulk cargo remained stable throughout the summer season, and customs duties or sanctions restricting international free trade did not have any significant impact on the cargo market or general demand for transportation during the third quarter.

In the third quarter the shipping company's vessels mainly operated in contract based 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. Operations from the Canadian arctic region to Europe were continued as in previous years. Weather conditions have mainly been favorable for operations.

ESL Shipping's net sales during the third quarter increased significantly as a result of higher transportation volumes, the new vessels completed in September and the increase in the vessel capacity through the acquisition of AtoB@C. In addition, rising fuel prices also had an impact on the increase in net sales through fuel clauses included in agreements. Net sales grew by 67% from the comparative period and stood at EUR 30.6 (18.3) million. The impact of the acquisition completed at the end of August on the increase in net sales was approximately EUR 7 million.

Operating profit for the third quarter increased by 21% to EUR 4.0 (3.3) million. The operating profit rate for the period was 13.1% (18.0). The operating profit includes EUR 0.9 million in transaction costs related to the acquisition.

Profitability improved partly due to successful vessel operations and transportation volumes that were higher than during the comparative period. In the third quarter, ESL Shipping carried significantly more cargo than in the comparative period, 3.4 (2.8) million tons in total.

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, the transportation volumes of coal decreased slightly from the comparative period. In the Baltic Sea region, demand for the transportation of wood raw material at sea increased sharply, particularly in the smaller vessel category. Transportation volumes in other customer sectors also increased. Loading and unloading operations for large ocean liners at sea were busy during the third quarter, particularly in the Bothnian Bay. Two vessels were docked during the third quarter.

As part of this growth strategy, ESL Shipping acquired the Swedish shipping company AtoB@C, as announced in the stock exchange release on June 29. The Finnish Competition and Consumer Authority approved the acquisition on July 27, 2018, and it was completed on August 31, 2018. The figures of AtoB@C are included in ESL Shipping's figures starting from the beginning of September 2018.

AtoB@C is engaged in the shipping business with a fleet of 30 vessels of 4,000–5,000 dwt. It wholly owns six dry bulk cargo vessels and a share of 49% of two vessels. The remaining 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. AtoB@C's head office is located in Ystad, Sweden.

Through the acquisition, ESL Shipping also 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.

ESL Shipping, together with AtoB@C, has a strong presence in the entire Northern 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.

At the end of August and at the beginning of September, the world's first two ice-strengthened dry bulk carriers fueled by liquefied natural gas, ms Viikki and ms Haaga, were delivered to the shipping company at the Jinling shipyard in Nanjing, China. The vessels fulfil the high goals set for them, for example, in terms of quality, fuel economy and eco-friendliness. The new 160-meter vessels of 25,600 dwt produce over 50% lower carbon dioxide emissions that the previous vessel generation.

The vessels will sail from Japan 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. The use of the Northern Sea Route reduces emissions by more than 40%, compared to the route travelling via the Panama Canal.

This vessel building project is part of the Bothnia Bulk project, partly funded by the EU. Its goal is to modernize the sea route between Luleå, Oxelösund and Raahe to be more eco-friendly.

Net sales of ESL Shipping in January–September increased by 30% to EUR 73.7 (56.7) million. The operating profit increased by 16% to EUR 10.9 (9.4) million.

Outlook of ESL Shipping for 2018

The shipping company's vessel capacity increased significantly during the third quarter as a result of the AtoB@C transaction and the completion of the two newbuildings. The new vessels will operate in the Baltic Sea starting from the fourth quarter. This increase in capacity enables the company to improve its operational efficiency and profitability during the fourth quarter, when there is typically 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.

Economic growth is expected to continue in the shipping company's main market areas. In Finland, political strikes may have a negative impact on the operations of customer companies and transportation chains during the rest of the autumn. 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 minor 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 contracts. The general estimates of contractual partners regarding transportation volumes are highly satisfactory in the most important customer segments, even though demand in the UK market is uncertain due to the political situation. General demand in the steel industry is high and its 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. Demand for raw material and product transportation in the forest industry, an important sector for the shipping company's smaller vessel category, is expected to remain high for the rest of the year.

Transportation demand in the energy industry is expected to be at a good level and the volumes are expected to 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 coming years, and the shipping company has already agreed upon a new project, with transportation operations starting in late 2018.

At the end of 2018, two vessels of the smaller category will be docked as planned, and the docking of some time-chartered vessels will have an impact on the available vessel capacity. The content of the time-chartering portfolio will be reviewed, if necessary, in accordance with any changes in demand. To secure the proper and efficient use of the vessel capacity, operations and sales resources will be strengthened during the fall in the shipping company's key locations.

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.

	7-9/2018	7-9/2017	Change,%	**1-9/2018**	1-9/2017	Change,%	1-12/2017
Net sales, MEUR	**28.0**	29.9	-6.4	**89.4**	89.4	0.0	122.3
Operating profit, MEUR *)	**0.8**	1.4	-42.9	**2.5**	2.4	4.2	3.1
Operating profit, %	**2.9**	4.7		**2.8**	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 third quarter, the national economies and the purchasing power of consumers continued to develop positively in Finland and elsewhere in western markets. In the eastern markets, national economies and private consumption continued to increase. The consumer price of food increased in Finland. 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, and the market prices of seasonal products increased during the third quarter.

The market of industrial bread continues to decrease in the west, whereas the market of in-store bakeries and baking units has continued to increase. In eastern markets, demand for products in the higher price categories remains lower than in the previous years due to the 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 until the end of 2018. The trends important to Leipurin and affecting the consumer market, increasing popularity of eating out of home, eating snacks and consumption of pastries, continued.

The net sales of Leipurin in the third quarter decreased from the comparative period by 6% to EUR 28.0 (29.9) million. The decrease in the net sales from the comparative period level was mainly due to the divestment completed at the end of August 2017, where Leipurin sold its meat industry raw material operations to MP Maustepalvelut Oy. Operating profit decreased by 43% to EUR 0.8 (1.4) million. The sales gains of EUR 0.4 million from the sale of the meat industry raw material operations had a significant impact on the decrease in the operating profit. The operating profit rate for the third quarter was 2.9% (4.7), which is not satisfactory. Raw material operations in the eastern markets maintained their profitability level, despite the decrease in the value of the Russian ruble during the third quarter.

The volumes of bakery raw materials in Russia, Ukraine and other CIS countries increased during the third quarter, and net sales increased by 3% to EUR 7.6 (7.4) million, regardless of the weakening exchange rates. The decrease in exchange rates had a negative impact on Leipurin's competitiveness over prices in the eastern markets. Growth remained at a good level in Ukraine. The operating profit rate in the market area was approximately 8% (8). Net sales in the eastern markets, including machinery sales, increased by 4% to EUR 8.6 (8.3) million. The operating profit rate was approximately 7% (7).

In the western markets, the net sales and operating profit of raw material operations decreased. Net sales of raw material operations in Finland decreased from the level of the comparative period. Foodservice operations continued to grow in Finland from the comparative period as a result of the procurement and logistics services provided to a new significant chain customer. Foodservice operations make up a small but growing portion of net sales.

Net sales of machinery operations decreased by 20% and their operating profit was clearly lower than in the comparative period. In the long-term the order book is good for Leipurin's own machine production, but there may be fluctuations in deliveries between quarters due to installation schedules.

Leipurin's net sales in January–September were at the comparative period's level at EUR 89.4 (89.4) million. The operating profit increased, compared to the corresponding period in the previous year, being EUR 2.5 (2.4) million. Net sales from Russia, Ukraine and other CIS countries totaled EUR 24.5 (24.7) million. Profitability in this market area improved slightly, 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 foodservice chains, continues to vary from one customer to another. For example, many bakeries in Finland announced that their operations will discontinue during 2018. 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.

In Russia, the national economy and the purchasing power of consumers are growing, while international sanctions and their possible increase have added the uncertainties regarding the development of the Russian economy. 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 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 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. The first significant customer agreements have been signed in Finland.

In terms of 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. Leipurin's machinery operations will continue to strengthen the sales and agent network outside the company's home markets. The expansion of the procurement network for the Leipurin's own machine production and the development of manufacturing and installation lead times will continue. The order book is good regarding long-term orders for own machine production, but there may be fluctuations in sales between quarters due to project installation 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 and China.

	7-9/2018	7-9/2017	Change,%	**1-9/2018**	1-9/2017	Change,%	1-12/2017
Net sales, MEUR	**67.3**	67.3	0.0	**196.7**	196.6	0.1	262.2
Operating profit, MEUR *)	**2.9**	3.1	-6.5	**8.7**	7.8	11.5	10.8
Operating profit, %	**4.3**	4.6		**4.4**	4.0		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

The exchange rates of local currencies in the eastern markets decreased, while, otherwise, Telko's operating environment mainly remained unchanged during the third quarter. Economic growth continued in Europe and globally. As a result of economic growth in the USA, the consumption of raw materials remained high. In Russia, economic growth has been fairly low due to financial sanctions.

Telko's net sales in July–September remained at the level of the comparative period, being EUR 67.3 (67.3) million. The prices of chemicals and plastics have remained stable at a good level. The rising price of oil has supported the prices of raw materials. Increases in Telko's sales have been limited, in particular, by problems in the availability of plastic raw materials. These availability problems are related to the good global economic cycle, as a result of which the raw material manufacturing capacity of Telko's certain main partners is largely used in full. Principals have been forced to allocate their production volumes to different market areas and customers and, due to the problems with the availability of raw materials, Telko has lost net sales. The net sales of chemical operations for the third quarter increased by 5% to EUR 29.9 (28.4) million. The net sales of plastic operations decreased by 4% to EUR 37.4 (38.9) million. Plastic operations accounted for 56% and chemical operations made up 44% of Telko's net sales during the third quarter. Telko's operating profit in July–September fell to EUR 2.9 (3.1) million. The operating profit rate was 4.3% (4.6%).

Telko's net sales in the eastern markets, i.e. Russia, Ukraine and other CIS countries, increased by 4% to EUR 34.8 (33.5) million during the third quarter. The eastern markets made up 52% of Telko's net sales. The operating profit rate in this market area was approximately 4%.

During the third quarter, 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 net sales are approximately EUR 3 million, half of which comes from the Danish market and the other half from the Norwegian market. The acquisition is not expected to have any significant impact on Telko's net sales and results in 2018. However, the acquisition increased Telko's goodwill by EUR 0.3 million to EUR 5.3 million. At the end of the third quarter, Telko launched business operations in Romania where it has a warehouse that serves local customers. The aim is to transfer these operations to a subsidiary to be established in Romania.

Telko's net sales in January–September remained at the level of the comparative period, being EUR 196.7 (196.6) million. Operating profit in January–September was EUR 8.7 (7.8) million. The operating profit rate was 4.4% (4.0). Net sales in the eastern markets increased by 2% from the comparative period and stood at EUR 94.1 (92.6) million, while the operating profit rate was approximately 4%.

Outlook of Telko for 2018

The general economic situation in Telko's market areas is expected to remain mainly unchanged in the near future. Obstacles to free trade may have an impact on customer companies. In the western markets, demand for raw materials sold by Telko is expected to remain high in the near future. Economic growth in the eastern markets is expected to continue. The price of oil has risen throughout the year 2018 as a result of strong global demand. The prices of raw materials sold by Telko are expected to remain at the currently good level during the rest of the year.

Telko expects that its subsidiary in Uzbekistan will be established and start its operations during the fourth quarter of the year. Uzbekistan is a rapidly emerging market of roughly 30 million people which Telko estimates to have a significant long-term business potential.

In Russia, Telko will continue to strengthen its regional organizations. According to its strategy, Telko will invest in special chemicals and the life science segment in the eastern 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.

	7-9/2018	7-9/2017	Change,%	**1-9/2018**	1-9/2017	Change,%	1-12/2017
Net sales, MEUR	**10.4**	11.7	-11.1	**24.5**	27.3	-10.3	38.6
Operating profit, MEUR *)	**0.7**	0.2	250.0	**-0.3**	-0.2	-50.0	-0.2
Operating profit, %	**6.7**	1.7		**-1.2**	-0.7		-0.5

*) 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 decreased by 11% during the third quarter, amounting to EUR 10.4 (11.7) million. The comparative period included project deliveries of discontinued business operations in China.

Kauko's operating profit increased significantly during the third quarter to EUR 0.7 (0.2) million. Net sales of mobile knowledge work increased as a result of deliveries of rugged computers to public sector customers, among others. In the summer, Kauko was selected, through Hansel's bidding process, as the supplier of rugged computers for the public sector for an agreement period of two years.

The sale of IT solutions for the healthcare sector fell behind the comparative period, as new products are still waiting for their launch. The unit's operating result showed a loss, while being better than in previous quarters. The unit's main market areas are Finland and Germany.

Net sales of energy efficiency equipment increased from the comparative period. The unusually hot summer in Finland increased the sale of equipment during the third quarter.

The loss-making application business was discontinued during the second quarter, which decreased costs.

Kauko's net sales in January–September decreased by 10% to EUR 24.5 (27.3) million. The operating result was EUR -0.3 (-0.2) million. The previous year'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 of Kauko for 2018

Kauko will continue determined actions to improve its profitability.

The net sales and profitability of equipment sales for mobile knowledge work are expected to improve. In the market of rugged computers, sales of laptops are expected to remain unchanged or decrease and those of rugged tablets to increase. Kauko provides the healthcare sector with various mobile IT solutions to improve the efficiency of treatments and work of the nursing staff. The company aims to improve the profitability of the operations providing solutions for the healthcare sector.

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.

	7-9/2018	7-9/2017	Change,%	**1-9/2018**	1-9/2017	Change,%	1-12/2017
Net sales, MEUR	**0.0**	0.0	0.0	**0.0**	0.0	0.0	0.0
Operating profit, MEUR	**-1.2**	-0.9	-33.3	**-3.8**	-2.8	-35.7	-4.1

The operating result of other operations during the third quarter stood at EUR -1.2 (-0.9) million. The increased use of external services and lower rental income weakened the operating result.

FINANCING

The Group's cash and cash equivalents totaled EUR 17.3 million (12/2017: EUR 19.9 million). The consolidated balance sheet included a total of EUR 198.1 million in interest-bearing liabilities (12/2017: EUR 136.6 million). The average rate of interest-bearing liabilities was 1.5% at the end of the review period (12/2017: 1.8%). Non-interest-bearing liabilities totaled EUR 88.9 million (12/2017: EUR 72.2 million).

Aspo Group's gearing was 155.2% (12/2017: 103.9%) and its equity ratio was 29.3% (12/2017: 35.6%). At the end of the third quarter of 2017, gearing was 109.7% and the equity ratio was 33.6%. During the third quarter, both ESL Shipping’s investment in two new dry bulk cargo vessels and the acquisition of the shipping company AtoB@C had a significant impact on Aspo Group’s capital structure. These notable investments for the future 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 strengthened 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–September increased from the comparative period to EUR 7.6 (5.7) million. During the review period, the change in working capital was EUR -14.6 (-16.3) million. Cash flow from investing activities totaled EUR -50.3 (-13.7) million. The Group’s free cash flow was EUR -42.7 (-8.0) 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. Of the revolving credit facilities, EUR 10 million were in use at the end of the review period. EUR 37 million of Aspo’s EUR 80 million commercial paper program were in use.

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 September 30, 2018 was EUR -0.2 (-0.5) million. The financial instruments are on level 2 of the fair value hierarchy.

INVESTMENTS

The Group's investments during the third quarter of 2018 stood at EUR 37.8 (3.1) million. 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

	7-9/2018 MEUR	7-9/2017 MEUR	Change %	**1-9/2018 MEUR**	1-9/2017 MEUR	Change %	1-12/2017 MEUR
ESL Shipping	**37.4**	3.0	1146.7	**38.5**	14.2	171.1	16.8
Leipurin	**0.2**	0.0	-	**0.4**	0.2	100.0	0.5
Telko	**0.1**	0.1	0.0	**0.4**	0.4	0.0	0.5
Kauko	**0.0**	0.0	-	**0.0**	0.1	-100.0	0.1
Other operations	**0.1**	0.0	-	**0.1**	0.0	-	0.1
Total	**37.8**	3.1	1119.4	**39.4**	14.9	164.4	18.0

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

PERSONNEL

Personnel by segment, period-end

	9/2018	9/2017	Change,%	12/2017
ESL Shipping	**274**	237	15,6	235
Leipurin	**330**	317	4,1	315
Telko	**301**	286	5,2	288
Kauko	**35**	46	-23,9	46
Other operations	**24**	25	-4,0	25
Total	**964**	911	5,8	909

At the end of the review period, Aspo Group had 964 (911) 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 plan 2015–2017

In year 2018 in accordance with the rules of incentive plans a total of 3,525 treasury shares, originally granted on the basis of share-based incentive plans during 2016 and 2017, were returned to Aspo during August-September 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.

RISKS AND RISK MANAGEMENT

The economic outlook is positive in all Aspo's market areas, and the increase in the economic situation and industrial production has reduced financial risks associated with Aspo's market areas. Increases in political risks are not expected to have any impact on Aspo's business operations in the short term. Aspo's business operations have not been affected by the import duties imposed by the USA and China that restrict free trade in general. 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, albeit slower than at the beginning of the year. In the Eurozone, development has slowed down which is considered to be 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 have fluctuated throughout this year. After a decline at the end of the review period, the prices started to increase once again.

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 businesses. 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 import volumes have increased slowly. There have been no structural changes in the economy, and 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, and inflation has decelerated. However, growth remains slow. Deteriorated consumption demand in the long term has affected trade in general, but the increase in nominal wages and the improved confidence of consumers towards the economy have 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 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 can be seen in the financial markets or payments in Russia and Ukraine, while these still involve risks. 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 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 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. ESL Shipping is receiving 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 company also completed a business 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. 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, which could significantly change the prevailing operating conditions.

Operational risks

Economic uncertainty in Aspo's operating environment stabilized during the third quarter. 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 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 B2B 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 and, especially, 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 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, and provisions are made for them in accordance with IFRS 9.

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.

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 theatres of war.

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 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 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 control. 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 on financial risks can be found in the notes to the financial statements.

SHARE CAPITAL AND SHARES

Aspo Plc's share capital on September 30, 2018 was EUR 17,691,729.57 and the total number of shares was 31,419,779 of which the company held 303,486 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–September 2018, a total of 1,302,220 Aspo Plc shares with a market value of EUR 12.5 million were traded on Nasdaq Helsinki, in other words, 4.1% of the shares changed hands. During January–September, the share price reached a high of EUR 10.80 and a low of EUR 8.60. The average price was EUR 9.62 and the closing price at end of September was EUR 10.30. At the end of the review period, the market value excluding treasury shares was EUR 320.5 million.

The number of Aspo Plc shareholders was 9,346 at end of the review period. A total of 1,345,147 shares, or 4.3% 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 on November 5, 2018 to shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd on the record date October 29, 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.

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.

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 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 October 25, 2018

ASPO PLC
Board of Directors

ASPO GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	7-9/2018 MEUR	%	7-9/2017 MEUR	%
Net sales	136.3	100.0	127.2	100.0
Other operating income	0.9	0.7	0.7	0.6
Materials and services	-96.4	-70.7	-94.9	-74.6
Employee benefit expenses	-10.1	-7.4	-9.9	-7.8
Depreciation, amortization and impairment losses	-2.9	-2.1	-3.0	-2.4
Other operating expenses	-20.6	-15.1	-13.0	-10.2
Operating profit	7.2	5.3	7.1	5.6
Financial income and expenses	-0.9	-0.7	-0.7	-0.6
Profit before taxes	6.3	4.6	6.4	5.0
Income taxes	-0.3	-0.2	-0.5	-0.4
Profit for the period	6.0	4.4	5.9	4.6
Other comprehensive income				
Items that may be reclassified to profit or loss in subsequent periods:				
Translation differences	-1.5		-0.7	
Cash flow hedges	0.0		-0.8	
Income tax on other comprehensive income	0.0		0.0	
Other comprehensive income for the period, net of taxes	-1.5		-1.5	
Total comprehensive income	4.5		4.4	
Profit attributable to shareholders	6.0		5.9	
Total comprehensive income attributable to shareholders	4.5		4.4	
Earnings per share, EUR	0.18		0.19	
Diluted earnings per share, EUR	0.18		0.19	

	1-9/2018 MEUR	%	1-9/2017 MEUR	%	1-12/2017 MEUR	%
Net sales	384.3	100.0	370.0	100.0	502.4	100.0
Other operating income	2.9	0.8	1.7	0.5	2.0	0.4
Materials and services	-277.8	-72.3	-274.6	-74.2	-370.5	-73.7
Employee benefit expenses	-31.9	-8.3	-30.8	-8.3	-41.6	-8.3
Depreciation, amortization and impairment losses	-8.4	-2.2	-9.0	-2.4	-11.9	-2.4
Other operating expenses	-51.1	-13.3	-40.7	-11.0	-57.3	-11.4
Operating profit	18.0	4.7	16.6	4.5	23.1	4.6
Financial income and expenses	-3.1	-0.8	-1.6	-0.4	-2.0	-0.4
Profit before taxes	14.9	3.9	15.0	4.1	21.1	4.2
Income taxes	-1.5	-0.4	-1.1	-0.3	-1.7	-0.3
Profit for the period	13.4	3.5	13.9	3.8	19.4	3.9
Other comprehensive income						
Items that may be reclassified to profit or loss in subsequent periods:						
Translation differences	-1.6		-2.1		-3.0	
Cash flow hedges	2.6		-3.3		-3.7	
Income tax on other comprehensive income	-0.1		0.1		0.2	
Other comprehensive income for the period, net of taxes	0.9		-5.3		-6.5	
Total comprehensive income	14.3		8.6		12.9	
Profit attributable to shareholders	13.4		13.9		19.4	
Total comprehensive income attributable to shareholders	14.3		8.6		12.9	
Earnings per share, EUR	0.40		0.40		0.56	
Diluted earnings per share, EUR	0.40		0.40		0.56	

ASPO GROUP CONSOLIDATED BALANCE SHEET

	9/2018 MEUR	9/2017 MEUR	Change %	12/2017 MEUR
Assets				
Intangible assets	9.0	8.3	8.4	8.0
Goodwill	47.0	42.0	11.9	42.0
Tangible assets	175.5	119.7	46.6	119.9
Investments accounted for using the equity method	0.8		-	
Other non-current assets	3.4	4.4	-22.7	4.0
Total non-current assets	235.7	174.4	35.1	173.9
Inventories	68.6	66.5	3.2	60.9
Accounts receivable and other receivables	82.0	67.6	21.3	66.4
Cash and cash equivalents	17.3	19.7	-12.2	19.9
Total current assets	167.9	153.8	9.2	147.2
Total assets	403.6	328.2	23.0	321.1
Equity and liabilities				
Share capital	17.7	17.7	0.0	17.7
Other equity	98.9	90.7	9.0	94.6
Total equity	116.6	108.4	7.6	112.3
Loans and overdraft facilities	141.3	114.6	23.3	109.5
Other liabilities	7.5	4.3	74.4	3.8
Total non-current liabilities	148.8	118.9	25.1	113.3
Loans and overdraft facilities	56.8	24.0	136.7	27.1
Accounts payable and other liabilities	81.4	76.9	5.9	68.4
Total current liabilities	138.2	100.9	37.0	95.5
Total equity and liabilities	403.6	328.2	23.0	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							13.4	13.4
Translation differences						-1.6		-1.6
Cash flow hedges*			2.5					2.5
Total comprehensive income			2.5			-1.6	13.4	14.3
Transactions with owners:								
Dividend payment							-13.2	-13.2
Interest on hybrid instrument							-1.3	-1.3
Share-based incentive plan					0.4		-0.9	-0.5
Share issue				4.4				4.4
Total transactions with owners				4.4	0.4		-15.4	-10.6
Equity September 30, 2018	17.7	4.3	0.0	41.4	-1.7	-23.2	78.1	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							13.9	13.9
Translation differences						-2.1		-2.1
Cash flow hedges*			-3.2					-3.2
Total comprehensive income			-3.2			-2.1	13.9	8.6
Transactions with owners:								
Dividend payment							-12.9	-12.9
Interest on hybrid instrument							-2.2	-2.2
Share-based incentive plan					0.2		0.2	0.4
Total transactions with owners					0.2		-14.9	-14.7
Equity September 30, 2017	17.7	4.3	-2.2	37.0	-2.1	-20.7	74.4	108.4

*net of taxes

ASPO GROUP CONSOLIDATED CASH FLOW STATEMENT

	1-9/2018 MEUR	1-9/2017 MEUR	1-12/2017 MEUR
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit	18.0	16.6	23.1
Adjustments to operating profit	7.9	10.6	13.6
Change in working capital	-14.6	-16.3	-12.6
Interest paid	-2.6	-4.3	-5.1
Interest received	0.5	0.8	1.0
Income taxes paid	-1.6	-1.7	-2.6
Net cash from operating activities	7.6	5.7	17.4
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in tangible and intagible assets	-39.3	-3.1	-4.0
Advance payments on vessels		-11.4	-13.7
Proceeds from sale of tangible assets	0.3	0.2	0.3
Proceeds from sale of other non-current assets		0.2	0.2
Acquisition of businesses, net of cash	-11.4		
Divestment of businesses, net of cash	0.1	0.4	0.6
Net cash from investing activities	-50.3	-13.7	-16.6
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in current loans	45.3	5.2	3.7
Proceeds from non-current loans	28.0	15.6	15.6
Repayments of non-current loans	-24.7	-7.2	-7.8
Hybrid instrument, interests	-1.7	-1.7	-1.7
Dividends distributed	-6.4	-6.4	-12.9
Net cash from financing activities	40.5	5.5	-3.1
Change in cash and cash equivalents	-2.2	-2.5	-2.3
Cash and cash equivalents January 1	19.9	22.6	22.6
Translation differences	-0.4	-0.4	-0.4
Cash and cash equivalents at period-end	17.3	19.7	19.9

ASPO GROUP DISAGGREGATION OF NET SALES

Net sales by market area

	7-9/2018	7-9/2017	1-9/2018	1-9/2017	1-12/2017
ESL Shipping	MEUR	MEUR	MEUR	MEUR	MEUR
Finland	12.0	5.8	27.0	20.3	29.1
Scandinavia	7.7	2.8	17.1	11.0	15.8
Baltic countries	0.9	1.8	4.9	3.8	5.5
Russia, Ukraine + other CIS countries	2.2	1.4	5.8	5.3	6.3
Other countries	7.8	6.5	18.9	16.3	22.6
Total	30.6	18.3	73.7	56.7	79.3
Leipurin					
Finland	10.3	11.6	34.4	36.6	48.2
Scandinavia	0.2	0.2	0.3	0.7	0.8
Baltic countries	7.1	8.3	25.4	22.7	32.1
Russia, Ukraine + other CIS countries	8.6	8.3	24.5	24.7	35.0
Other countries	1.8	1.5	4.8	4.7	6.2
Total	28.0	29.9	89.4	89.4	122.3
Telko					
Finland	12.0	13.2	37.8	39.4	52.4
Scandinavia	7.9	8.2	24.4	25.6	33.9
Baltic countries	5.1	5.2	15.3	15.3	20.7
Russia, Ukraine + other CIS countries	34.8	33.5	94.1	92.6	123.6
Other countries	7.5	7.2	25.1	23.7	31.6
Total	67.3	67.3	196.7	196.6	262.2
Kauko					
Finland	10.3	8.8	22.8	23.8	31.1
Scandinavia	0.0	0.0	0.1	0.0	0.1
Baltic countries	0.0	0.0	0.2	0.3	0.5
Russia, Ukraine + other CIS countries	0.0	0.0	0.0	0.0	0.0
Other countries	0.1	2.9	1.4	3.2	6.9
Total	10.4	11.7	24.5	27.3	38.6
Total					
Finland	44.6	39.4	122.0	120.1	160.8
Scandinavia	15.8	11.2	41.9	37.3	50.6
Baltic countries	13.1	15.3	45.8	42.1	58.8
Russia, Ukraine + other CIS countries	45.6	43.2	124.4	122.6	164.9
Other countries	17.2	18.1	50.2	47.9	67.3
Total	136.3	127.2	384.3	370.0	502.4

Net sales by timing of recognition

	7-9/2018	7-9/2017	1-9/2018	1-9/2017	1-12/2017
ESL Shipping	MEUR	MEUR	MEUR	MEUR	MEUR
Over time	30.6	18.3	73.7	56.7	79.3
Total	30.6	18.3	73.7	56.7	79.3
Leipurin					
At a point of time	26.0	27.8	82.2	84.4	114.7
Over time	2.0	2.1	7.2	5.0	7.6
Total	28.0	29.9	89.4	89.4	122.3
Telko					
At a point of time	67.2	67.0	196.2	195.9	261.3
Over time	0.1	0.3	0.5	0.7	0.9
Total	67.3	67.3	196.7	196.6	262.2
Kauko					
At a point of time	10.4	11.6	24.3	27.2	38.4
Over time	0.0	0.1	0.2	0.1	0.2
Total	10.4	11.7	24.5	27.3	38.6
Total					
At a point of time	103.6	106.4	302.7	307.5	414.4
Over time	32.7	20.8	81.6	62.5	88.0
Total	136.3	127.2	384.3	370.0	502.4

Net sales by product category

	7-9/2018	7-9/2017	1-9/2018	1-9/2017	1-12/2017
	MEUR	MEUR	MEUR	MEUR	MEUR
ESL Shipping total	30.6	18.3	73.7	56.7	79.3
Raw materials	24.5	25.5	73.5	76.3	103.3
Machinery	3.5	4.4	15.9	13.1	19.0
Leipurin total	28.0	29.9	89.4	89.4	122.3
Plastics	37.4	38.9	110.4	113.7	150.7
Chemicals	29.9	28.4	86.3	82.9	111.5
Telko total	67.3	67.3	196.7	196.6	262.2
Mobile knowledge work	4.4	4.1	11.8	13.0	17.6
Energy-efficiency equipment	6.0	4.8	11.4	11.5	14.5
Other	0.0	2.8	1.3	2.8	6.5
Kauko total	10.4	11.7	24.5	27.3	38.6
Total	136.3	127.2	384.3	370.0	502.4

ASPO GROUP ASSETS AND LIABILITIES BY SEGMENT

Segments' assets, MEUR	9/2018	9/2017	12/2017
ESL Shipping	206.6	128.9	132.9
Leipurin	57.4	60.7	63.5
Telko	93.8	87.7	76.4
Kauko	22.7	25.8	23.6
Unallocated items	23.1	25.1	24.7
Total	403.6	328.2	321.1

Segments' liabilities, MEUR	9/2018	9/2017	12/2017
ESL Shipping	17.4	10.1	11.0
Leipurin	14.6	15.0	17.9
Telko	32.7	33.3	29.7
Kauko	6.9	9.3	6.6
Unallocated items	215.5	152.1	143.6
Total	287.1	219.8	208.8

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 through a transaction completed on August 31, 2018. The preliminary purchase price is EUR 24.4 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 six dry bulk carriers and charter other vessels. On the acquisition date, there were 22 chartered vessels. The transaction included two holdings of 49% in limited partnerships, both of which own one vessel.

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 preliminary 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 preliminary goodwill of EUR 4.7 million arising from the acquisition is based on a higher operational competitiveness and synergies related to sourcing and more comprehensive organization.

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	18.0
Contingent consideration, unpaid	2.0
Paid in shares of Aspo Plc	4.4
Total consideration	**24.4**

Recognized amounts of identifiable assets acquired and liabilities assumed	**Fair value** MEUR
Intangible assets (customer relationships)	1.8
Tangible assets and investments	24.8
Inventories	1.3
Accounts receivable and other receivables	7.5
Cash and cash equivalents	6.9
Total assets	**42.3**
Loans and overdraft facilities	12.8
Accounts payable and other liabilities	5.5
Deferred tax liabilities	4.3
Total liabilities	**22.6**
Net assets acquired	**19.7**
Goodwill	**4.7**
Total	**24.4**

Transaction costs of EUR 0.9 million related to the acquisition 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 interim 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 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 allowedby 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. 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. Aspo will specify its estimate of the impact of the standard in the Financial Statements 2018.

SEGMENT REPORTING

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

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

PRESS AND ANALYST CONFERENCE

A press and analyst conference will be arranged today, Thursday, October 25, 2018 at 14.00 at Hotel Kämp's Akseli Gallen-Kallela conference room, Pohjoisesplanadi 29, 00100 Helsinki.

Helsinki October 25, 2018

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.