ASPO PLC INTERIM REPORT MAY 8, 2019 at 10:00 a.m.

# ASPO GROUP INTERIM REPORT, JANUARY 1 TO MARCH 31, 2019

**Aspo Q1: Operating profit improved by 32%, net sales by 23%**
(Figures from the corresponding period in 2018 are presented in brackets.)

**January–March 2019**

- Aspo's net sales increased and were EUR 141.5 (115.3) million.
- Operating profit increased and was EUR 4.9 (3.7) million.
- Profit for the period increased and stood at EUR 3.5 (2.0) million.
- Earnings per share increased to EUR 0.10 (0.05).
- The operating profit of ESL Shipping was EUR 3.2 (2.6) million, Leipurin EUR 0.5 (0.8) million and Telko EUR 2.4 (1.6) million.
- Net cash from operating activities was EUR 1.9 (-1.2) million.

Aspo has changed its segment reporting so that Kauko is reported as part of Telko segment starting from January 1, 2019. The adoption of IFRS 16 Leases standard also has an impact on the comparability of Aspo's key figures and financial statement calculations. As a result of the adoption, gearing increased by approximately 30 percentage points and net cash from operating activities by approximately EUR 3.8 million in the first quarter.

**Aspo's guidance for 2019**

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

**General outlook for 2019**

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

## KEY FIGURES

| | 1-3/2019 | 1-3/2018 | Change,% | 1-12/2018 |
|---|---|---|---|---|
| Net sales, MEUR | **141.5** | 115.3 | 22.7 | 540.9 |
| Operating profit, MEUR *) | **4.9** | 3.7 | 32.4 | 20.6 |
| Operating profit, % | **3.5** | 3.2 | | 3.8 |
| Profit before taxes, MEUR | **3.9** | 2.5 | 56.0 | 16.4 |
| Profit for the period, MEUR | **3.5** | 2.0 | 75.0 | 14.2 |
| | | | | |
| Earnings per share, EUR **) | **0.10** | 0.05 | 100.0 | 0.42 |
| Net cash from operating activities, MEUR | **1.9** | -1.2 | 258.3 | 20.3 |
| | | | | |
| Equity per share, EUR | **3.91** | 3.74 | | 3.75 |
| Return on equity, % (ROE) | **11.7** | 7.0 | | 12.4 |
| Equity ratio, % | **28.3** | 36.6 | | 29.5 |
| Gearing, % | **181.1** | 103.3 | | 154.4 |
| | | | | |
| ESL Shipping, operating profit, MEUR | **3.2** | 2.6 | 23.1 | 15.1 |
| Leipurin, operating profit, MEUR | **0.5** | 0.8 | -37.5 | 3.3 |
| Telko, operating profit, MEUR *) | **2.4** | 1.6 | 50.0 | 7.4 |

Aspo has changed its segment reporting so that Kauko is reported as part of Telko segment starting from January 1, 2019.
*) Figures for 1-12/2018 include an impairment loss of EUR 4.8 million recognized on Kauko's goodwill in December 2018.
**) Figures for 1-12/2018 include an impairment loss recognized on Kauko's goodwill which reduced earnings per share approximately EUR 0.16.

## AKI OJANEN, CEO OF ASPO GROUP COMMENTS ON THE FIRST QUARTER:

"We took a huge leap in terms of our net sales and operating profit. Aspo's net sales increased considerably during the first quarter to EUR 142 (115) million, while operating profit improved even more in relative terms, reaching a new record at EUR 4.9 (3.7) million. The results of the significant investments and the acquisition completed in 2018 can now be seen in part. Aspo is now more balanced. Finland currently makes up clearly the largest market area where net sales increased by nearly 30%. In Scandinavia, net sales went up by as much as 64%. I am also satisfied with our continued organic growth in eastern markets where our euro-denominated net sales increased by 16% from the comparative period.

ESL Shipping, in particular, increased its operating profit. The shipping company has already achieved a high operating profit in previous years. Now, its growth was driven by higher transportation volumes and the earnings of the acquired Swedish shipping company AtoB@C. The new LNG-fueled vessels were disappointments: their cranes remained inoperable throughout the first quarter, and the vessels were unable to operate as planned. At the end of the review period, Cargotec MacGregor, the crane manufacturer, announced that it had mainly returned the cranes operational.

In addition to the shipping company, Telko also improved its operating profit. The operating profit of Leipurin decreased due to cyclical machine operations.

Aspo's operations or risk profile did not change as a result of the adoption of the IFRS 16 standard at the beginning of 2019. The new standard presented changes to accounting principles, due to which for example the remaining rental installments of leased vessels were recognized in the balance sheet as an item increasing interest-bearing liabilities. The changes in accounting principles make it slightly more difficult to interpret certain parts of this interim report, and we have attempted to clarify any such sections and comment on them to improve their comparability.

Aspo stands at the threshold of growth. I am satisfied that our net sales and operating profit once again improved significantly. Despite any potential decreases in the economic trend, we expect 2019 to be a year of strong growth on our way towards our goals set for 2020.”

## ASPO GROUP

## NET SALES

### Net sales by segment

| | **1-3/2019 MEUR** | 1-3/2018 MEUR | Change % | 1-12/2018 MEUR |
|---|---|---|---|---|
| ESL Shipping | **43.7** | 20.5 | 113.2 | 120.1 |
| Leipurin | **25.9** | 30.2 | -14.2 | 121.0 |
| Telko | **71.9** | 64.6 | 11.3 | 299.8 |
| Other operations | **0.0** | 0.0 | - | 0.0 |
| Total | **141.5** | 115.3 | 22.7 | 540.9 |

There is no considerable inter-segment net sales.

### Net sales by market area

| | **1-3/2019 MEUR** | 1-3/2018 MEUR | Change % | 1-12/2018 MEUR |
|---|---|---|---|---|
| Finland | **48.9** | 37.8 | 29.4 | 175.7 |
| Scandinavia | **19.3** | 11.8 | 63.6 | 62.0 |
| Baltic countries | **13.8** | 15.9 | -13.2 | 60.6 |
| Russia, other CIS countries + Ukraine | **37.9** | 32.6 | 16.3 | 171.9 |
| Other countries | **21.6** | 17.2 | 25.6 | 70.7 |
| Total | **141.5** | 115.3 | 22.7 | 540.9 |

ESL Shipping’s acquisition of AtoB@C in 2018 increased net sales, particularly in Scandinavia and Finland. Finland has become Aspo’s largest market area. The organic growth of 16% in the market area of Russia, other CIS countries and Ukraine came from Telko and Leipurin business operations.

## EARNINGS

### Operating profit by segment

| | **1-3/2019 MEUR** | 1-3/2018 MEUR | Change % | 1-12/2018 MEUR |
|---|---|---|---|---|
| ESL Shipping | **3.2** | 2.6 | 23.1 | 15.1 |
| Leipurin | **0.5** | 0.8 | -37.5 | 3.3 |
| Telko *) | **2.4** | 1.6 | 50.0 | 7.4 |
| Other operations | **-1.2** | -1.3 | 7.7 | -5.2 |
| Total *) | **4.9** | 3.7 | 32.4 | 20.6 |

Aspo has changed its segment reporting so that Kauko is reported as part of Telko starting from January 1, 2019.
*) Figures for 1-12/2018 include an impairment loss of EUR 4.8 million recognized on Kauko’s goodwill in December.

The adoption of IFRS 16 Leases standard improved the Group's operating profit in the first quarter, as the for example the share of interest previously recognized in leasing expenses is now recognized in financial expenses. The annual impact on operating profit is estimated to be approximately EUR 0.8 million.

### Earnings per share

Earnings per share were EUR 0.10 (0.05) during the period. Equity per share was EUR 3.91 (3.74).

### Financial targets

Aspo's objective is to reach an average return on equity of over 20%, gearing of up to 130% and an operating profit of 7% with the current structure by 2020. Following the adoption of the IFRS 16 standard, Aspo changed its financial target for gearing ratio to up to 130% in April 29, 2019. Aspo's former financial target for gearing was up to 100%.

The operating profit rate for the financial year was 3.5% (3.2), return on equity was 11.7% (7.0), and gearing was 181.1% (103.3).

## OUTLOOK FOR 2019

Global economic growth is expected to slow down. Economies in Russia and eastern markets will continue their moderate growth, while political risks and international sanctions imposed on Russia have maintained risk level in the market area, making it harder to predict the future development. The risk of increasing obstacles to international free trade has remained and negative development may also be rapid, which may affect the operating prerequisites of Aspo's principals, customer companies or Aspo's businesses. Exchange rates are expected to continue to fluctuate heavily. Economic growth in the EU, and particularly in Finland, remains at a good level, while growth in Finnish export volumes has decelerated. The increase in industrial production is expected to slow down in the main market areas of Aspo's businesses in Northern Europe. Economic conditions will continue favorable in Aspo's businesses, even though there is always the risk of rapid changes.

The prices of production raw materials important to Aspo decreased during the first quarter. In general, the prices are expected to remain low in 2019. Dry bulk freight rates in sea transportation that are important to ESL Shipping dropped steeply in January–February and, despite a slight increase in price levels, they are expected to remain lower than during the comparative year.

## 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 49 vessels with a total capacity of 464,000 dwt. Of the vessels, 22 are wholly-owned (71% of tonnage), two are minority-owned (2%), one is leased (4%) and the remaining 24 are time-chartered (23%). ESL Shipping's competitive edge is based on its ability to secure product and raw material transportation for the industries and energy production all year around, even in difficult weather conditions. The shipping company loads and unloads large ocean liners at sea as a special service.

| | **1-3/2019** | 1-3/2018 | Change,% | 1-12/2018 |
|---|---|---|---|---|
| Net sales, MEUR | **43.7** | 20.5 | 113.2 | 120.1 |
| Operating profit, MEUR *) | **3.2** | 2.6 | 23.1 | 15.1 |
| Operating profit, % | **7.3** | 12.7 | | 12.6 |

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

During the first quarter, the shipping company's vessels mainly operated in contract traffic in the Baltic Sea and in Northern Europe, and also performed loading and unloading operations at sea. Transportation operations in the Baltic Sea and the North Sea are mainly based on long-term customer agreements and established customer relationships. Prevailing weather conditions have mainly been typical considering the time of the year. Occasional high winds have made operations more difficult in the Gulf of Bothnia. The area covered by ice in the Baltic Sea was smaller than on average.

General international freight rates of dry bulk cargo dropped steeply from the beginning of January until the middle of February, being at an unusually low level. In March, the market freight rates started to rise, while being clearly lower at the end of the review period than in the previous year. These changes in general dry bulk freight rates did not fully reflect in the Baltic Sea, mainly due to the winter and ice conditions.

ESL Shipping's net sales in the first quarter increased significantly as a result of the vessel capacity brought by the AtoB@C acquisition, the deployment of the two new LNG-fueled vessels and higher transportation volumes. Net sales for the review period increased by 113% from the comparative period and stood at EUR 43.7 (20.5) million. The impact of the acquisition on the increase in net sales was EUR 19.9 million. The cargo volume carried by ESL Shipping during the first quarter amounted to 3.6 (2.5) million tons.

ESL Shipping's operating profit for the first quarter was EUR 3.2 (2.6) million. The operating profit is usually the lowest of the year during the first quarter due to ice conditions. Problems with the cranes of the new LNG-fueled vessels reduced the operating profit, while the earnings of AtoB@C increased it. The operating profit rate for the period was 7.3% (12.7) which is low considering the long-term target.

Transportation volumes in the steel industry fell from the comparative period. During the first quarter, one of the blast furnaces of a main customer was inoperable due to a malfunction. This reduced the delivery volumes of all raw materials and weakened the balance of raw material transportation, but it also increased the volumes of raw material transportation for the steel industry using the shipping company's smaller vessels.

Due to changes in international raw material markets, the transition shipping volumes of Russian iron pellets via Finnish ports were practically non-existent during the review period. These transportation volumes important for the shipping company's Supramax vessels were replaced by shipping iron ore and coal in Europe. Demand for loading and unloading operations for large ocean liners at sea was lower during the first quarter than in the comparative period. This mainly resulted from the aforementioned change in the transition shipping volumes of Russian iron pellets.

In the energy industry, the transportation volumes of coal, particularly to markets other than Finland, increased from the comparative period. The transportation volumes of biofuel increased significantly from the comparative period. In the forest industry, transportation volumes mainly increased as expected during the first quarter. Transportation volumes in other customer sectors increased, in particular, as a result of new product groups and customers brought by the acquisition.

The price of regular ship fuel increased during the first quarter. Instead, the market price of liquefied natural gas decreased towards the end of the first quarter. This is mainly attributable to typical seasonal variation in gas prices, but also to higher supply in Northern Europe. Fuel prices mainly have an impact on net sales through fuel clauses included in agreements.

During the review period, profitability decreased as a result of extensive and serious problems in the conventional mechanics of the cranes of the two LNG-fueled vessels, which are subject to warranty. These resulted in significant loss of income and additional costs for the shipping company. This problem concerned all the cranes of both vessels. The vessels were unable to operate as planned during the first quarter, and it was necessary to identify other transportation options with a lower profitability during their repairs. At the end of the review period, Cargotec MacGregor, the crane manufacturer, announced that it had mainly finished the warranty repairs.

During the first quarter, ESL Shipping also entered its other LNG-fueled vessel in the Finnish vessel register and transferred it to operate under the Finnish flag. This arrangement was possible by entering into an agreement with maritime trade unions. The agreement secures the emergency supply of transportation and career advancement for marine personnel and enables a transfer to mixed crews through natural employee turnover on ESL Shipping's all vessels. The arrangement is expected to improve the shipping company's competitiveness starting from the second quarter.

The shipping company's action plan, following the acquisition of AtoB@C, to obtain synergy benefits and reach the targeted profitability level proceeded as planned during the review period. The shipping company strengthened its resources in operations and sales and harmonized its operating practices during the first quarter in order to ensure a good and efficient use of its vessel capacity.

**Outlook for ESL Shipping for 2019**

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

Economic growth is expected to slow down in the shipping company's main market areas. Actions directed at international free trade, an increase in political risks and decelerating economic growth in China will have an impact on global flows of goods. The vessel capacity in the vessel categories operated by the shipping company will increase slowly, and the availability of leased high-quality vessels may be limited, particularly in the smaller vessel category. Uncertainties associated with the development of the cargo markets are expected to have the most significant impact on the performance of the shipping company's largest Supramax vessels in 2019.

Most of the use of the shipping company's transportation capacity has been secured in the Baltic Sea and Northern Europe through long-term agreements. The current forecasts of general transportation volumes of contractual partners are satisfactory in the key customer segments, even though there are uncertainties in demand due to the political situation and increased economic uncertainty.

General demand in the steel industry remains high, and transportation volumes are expected to develop positively and improve significantly regarding both raw materials and intermediate and final products starting from the second quarter. Demand for loading and unloading operations for large ocean liners at sea, a segment important to the shipping company, is expected to increase slightly to the normal level starting from the second quarter. Furthermore, demand for raw material and product transportation in the forest industry, an important sector for the shipping company's smaller vessel category, is expected to continue high.

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

In 2019, three vessels of the larger category will be docked as planned during the second quarter and one smaller vessel during the third quarter. The capacity of one of the two pusher systems will be adapted temporarily during the second quarter due to seasonal fluctuations. In addition, the docking of time-chartered vessels will affect the available vessel capacity. The content of the time-chartering portfolio will be reviewed, if necessary, in accordance with any changes in the focus areas of customer demand.

ESL Shipping will improve the efficiency of its operations by deploying a new ERP system. The new system covers all vessel operations and combines cargo operations in Finland and Sweden into a single data system.

In August 2019, the shipping company has an option to acquire the ownership of m/s Alppila. The end of the lease agreement signed in 2011 and the transfer of ownership would improve the profitability of the shipping company.

ESL Shipping aims at net sales of EUR 200 million and an operating profit rate of 12-15% in 2020.

**LEIPURIN**

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

| | **1-3/2019** | 1-3/2018 | Change,% | 1-12/2018 |
|---|---|---|---|---|
| Net sales, MEUR | **25.9** | 30.2 | -14.2 | 121.0 |
| Operating profit, MEUR | **0.5** | 0.8 | -37.5 | 3.3 |
| Operating profit, % | **1.9** | 2.6 | | 2.7 |

During the first quarter, consumer confidence was lower than during the comparative period in Leipurin's main market areas. The consumer price of food increased in Finland, and the rate of inflation accelerated in Russia from the comparative period. The prices of raw materials important to Leipurin showed variation from one raw material group to the next, and the market prices of seasonal products of the year 2018 were higher than in the comparative period.

The market for industrially packed bread continues to decrease in the west, whereas the market of in-store bakeries and baking units has continued to increase. This presents challenges in the operations of industrial and artisanal bakeries. The market of in-store bakeries is also growing in Russia, and Leipurin has gained a good market position in this sector. The trends that are important to Leipurin and affect the consumer market, i.e. increasing popularity of out-of-home eating, eating snacks and the consumption of pastries, continued.

The net sales of Leipurin in the first quarter decreased from the comparative period to EUR 25.9 (30.2) million. This decrease was mainly attributable to high cyclicality that is typical in machine operations and the timing of project deliveries and, with regard to raw material sales, to Easter being in the second quarter in 2019.

Operating profit decreased to EUR 0.5 (0.8) million. The operating profit fell short of the target mainly due to loss-producing machine operations which remained clearly behind the positive operating profit in the comparative period. Operations in Ukraine improved profitability. The operating profit rate during the first quarter was 1.9% (2.6).

Net sales of bakery raw materials in eastern markets decreased in the first quarter by 8% to EUR 7.0 (7.7) million. The ruble-denominated net sales of raw material operations in Russia decreased by 2% due, for example, to Easter being fairly late this year. The operating profit rate in the market area of Russia, other CIS countries and Ukraine was approximately 7% (7). Net sales in the eastern markets, including machinery sales, increased by approximately 2% to EUR 8.3 (8.2) million, and the operating profit rate was approximately 6% (7).

In western markets, the total net sales of bakery raw material and foodservice operations was lower than in the comparative period mainly due to the discontinued raw material operations in Poland. Operating profit was also lower than in the comparative period. In Finland, the total net sales of bakery raw material and foodservice operations fell slightly short of the comparative period's level mainly due to bakery customers who discontinued their operations. The net sales of foodservice operations increased in Finland from the comparative period especially as a result of the procurement and logistics services of a new significant chain customer which started in April 2018. Foodservice operations accounted for 13% of the net sales of raw material sales in Finland.

The net sales of machinery operations fell by approximately 50% due to the timing of project deliveries in Leipurin’s own machine production and the timing of deliveries of principal equipment.

**Outlook for Leipurin for 2019**

The market situation is expected to remain challenging in Leipurin’s key markets. The development of Leipurin’s main customer categories, i.e., bakeries and foodservice chains, continues to vary from one customer to the next. For example, several bakeries in Finland announced in 2018 that they will discontinue their operations or units. This reduces the net sales of Leipurin’s operations in Finland in 2019. The market position of Leipurin is expected to remain strong in the industrial baking sector in Finland, Russia and the Baltic region. The operating profit of Leipurin is expected to increase in 2019. Due to the cyclicality of machine operations, the operating profit is only expected to improve during the second half of the year.

In Russia, consumer confidence has decreased, while international sanctions and their possible increase have added to the uncertainties regarding the development of the Russian economy. The development of local production has intensified competition over prices in eastern markets. Leipurin will continue to develop the procurement of bakery raw materials in the area in order to better respond to any changes in demand. Leipurin will maintain its high profitability in the region, strengthen its market position, and look for growth in the bread and pastry sectors, as well as in-store bakeries.

The foodservice market is a significant area of growth for Leipurin. Leipurin will continue to invest in the foodservice market, particularly in Finland and more extensively in the western markets, where Leipurin is responding, for example, to the growing demand of cafeteria chains and bakery cafés. The development of Leipurin’s foodservice range aims to create new business models and services that help Leipurin and its customers to succeed in the growing foodservice market.

In terms of machinery operations, bakeries are expected to maintain their current equipment investment level in Finland and the Baltic countries. A moderate increase in investments is expected in Russia. The expansion of the procurement network for Leipurin’s own machine production and the development of manufacturing and installation lead times will continue. In machinery operations, the high fluctuation in net sales and profitability will continue due to the nature of the operations. At the end of the review period, orders focused on the latter half of 2019. The order book in Leipurin’s own machine production is at a low level for the first half of the year. The increase in the Leipurin’s own machine production requires increased industrial investments in Leipurin’s home markets and elsewhere in Europe.

Leipurin aims at an operating profit of EUR 7 million and an operating profit rate of 5% in 2022.

**TELKO**

Telko is a leading expert and supplier of plastic raw materials and industrial chemicals. Kauko, which is reported as part of Telko segment, is a specialist in demanding mobile knowledge work environments. Telko's operations are based on representing the best international principals and on the expertise of the personnel. Telko has subsidiaries in Finland, the Baltic countries, Scandinavia, Poland, Russia, Belarus, Ukraine, Kazakhstan, Azerbaijan, China, Uzbekistan and Germany. Operations were also started in Romania.

| | **1-3/2019** | 1-3/2018 | Change,% | 1-12/2018 |
|---|---|---|---|---|
| Net sales, MEUR | **71.9** | 64.6 | 11.3 | 299.8 |
| Operating profit, MEUR *) | **2.4** | 1.6 | 50.0 | 7.4 |
| Operating profit, % | **3.3** | 2.5 | | 2.5 |

Aspo has changed its segment reporting so that Kauko is reported as part of Telko segment starting from January 1, 2019.
*) Figures for 1-12/2018 include an impairment loss of EUR 4.8 million recognized on Kauko's goodwill in December.

International economic growth slowed down in Telko's market areas. This was reflected in a decrease in the prices of raw materials sold by Telko, which was rapid at times. Demand for industrial raw materials continued fairly high in the market area. Moderate economic growth in eastern markets continued, and demand has been high.

The prices of plastic raw materials in volume plastics continued to decrease in the first quarter, most likely being the lowest at the end of the review period. The prices of volume plastics were 5–6% lower in the first quarter than during the final quarter of 2018 and 7–10% lower than during the first quarter of 2018. Prices were also low when examined in the long term. The development of the prices of technical plastics varied from one product group to the next and primarily, the prices continued to decrease from the final quarter of last year. The prices of chemicals sold by Telko fell as the economic conditions worsened. The average prices of chemicals fell by roughly 10% from the previous quarter, being 3% lower than during the first quarter of 2018. The changed market situation also reflected in the availability of raw materials, and the problem with the availability of raw materials in 2018, which was significant at times, has removed.

In the first quarter, the net sales of Telko segment increased by 11% to EUR 71.9 (64.6) million and the operating profit increased by 50% to EUR 2.4 (1.6) million.

In the first quarter, the net sales in Telko's operations increased by 14% to EUR 65.8 (57.7) million. The sales volume increase was higher than the increase in net sales, given that the price level of the products sold was lower than in the comparative period. Net sales in eastern markets increased by 22% to EUR 29.2 (24.0) million. In western markets, net sales increased by 9%. Telko's operations also grew strongly in Chinese markets. The growth of net sales was limited by the clearly decreased prices of raw materials. Net sales of chemical raw materials increased by 11% to EUR 26.9 (24.3) million, and those of plastic operations increased by 16% to EUR 38.9 (33.4) million.

The operating profit of Telko's operations grew by 5% to EUR 2.3 (2.2) million. Operating profit rate did not develop as targeted, as it decreased to 3.6% (3.8). In eastern markets, Telko's operating profit rate is still below 5%. The main reason for the decrease in profitability was the steep decline in raw material prices, which particularly impacts the sales margins from stored raw materials.

The impact of Kauko, reported as part of the Telko segment, on net sales was EUR 6.1 (6.9) million, while operating profit was EUR 0.0 (-0.6) million. The restructuring in Kauko, announced in December, has proceeded as planned, and the company will focus on the sale of rugged computers and AV products, as well as on the development and sale of computer solutions directed at the healthcare sector. On April 1, 2019, Juha Rytkönen was appointed managing director of Kauko. He has previously been in charge of Kauko’s marketing and operations directed to the healthcare sector.

**Outlook for Telko for 2019**

The general economic situation and industrial production in western markets, one of Telko’s main market areas, are expected to remain unchanged or decrease. Demand for Telko’s products is expected to remain at the current level or decrease slightly. Telko expects the availability of its products to remain high. The prices of volume plastics are expected to increase from the low level in the first quarter, and the prices of chemicals are expected to remain stable.

Demand in eastern markets, an area important to Telko, is expected to remain unchanged or develop positively. Russian markets are expected to develop steadily. Operations in Ukraine are significant for Telko, and political and financial problems in the country may have an impact on demand in the area.

Telko’s growth is based not only on an increase in general demand, but also on strategic growth measures and expansion in the markets. One of Telko’s strategic growth projects comprises investing in alternative environmentally friendly plastic raw materials following the principles of sustainable development. Industries that use plastic raw materials are seeking options for conventional raw materials in western markets in order to find eco-friendlier solutions. This can be seen in the increased interest in Telko’s green products among customers. In their research and development activities, the largest raw material producers are investing heavily in alternative raw materials or new products, in which some oil-based raw materials are replaced, for example, by bio-based or biodegradable materials. Telko has continued its investments in the marketing and procurement of new greener options. The significance of these operations is expected to increase especially in western markets, while customers in eastern markets are also interested, for example, in raw materials suitable for the production of biodegradable plastic bags or solvent-free paints.

The impact of a hard Brexit on Telko has been assessed, and Telko has made preparations for it. Telko does not have any significant imports from the UK. The polyolefin capacity in the UK is estimated to be 2.5 million tons, some of which is exported to Central Europe. Brexit is expected to raise general price levels at least temporarily.

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

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

The net sales and profitability of Kauko’s total solutions for mobile knowledge work are expected to improve. In the market of rugged computers, sales of laptops are expected to decrease further and those of tablets and other smaller handheld computers to increase. Kauko expects the strategic changes in operations targeted at the healthcare sector to improve profitability.

## 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.

| | **1-3/2019** | 1-3/2018 | Change,% | 1-12/2018 |
|---|---|---|---|---|
| Net sales, MEUR | **0.0** | 0.0 | 0.0 | 0.0 |
| Operating profit, MEUR | **-1.2** | -1.3 | 7.7 | -5.2 |

The operating result of other operations was EUR -1.2 (-1.3) million during the first quarter. The cost structure of other operations lightened from the comparative period and the end of last year after Aspo disposed of vacant facilities that decreased the operating result. A decrease in the total rental level of facilities and a lower need for external services have also reduced costs.

## FINANCING

The Group’s cash and cash equivalents stood at EUR 13.2 million (12/2018: EUR 19.3 million) at the end of the first quarter. The consolidated balance sheet included a total of EUR 233.7 million in interest-bearing liabilities (12/2018: EUR 199.4 million). Interest-bearing liabilities on the consolidated balance sheet increased by EUR 35 million compared with the 2018 financial statements as a result of the adoption of IRFS 16 – Leases. The average interest rate of interest-bearing liabilities, excluding lease liabilities, was 1.6% at the end of the review period (12/2018: 1.6%). Non-interest-bearing liabilities totaled EUR 79.4 million (12/2018: EUR 83.7 million).

Aspo Group’s gearing was 181.1% (12/2018: 154.4%) and its equity ratio was 28.3% (12/2018: 29.5%). As a result of the adoption of the IFRS 16 standard, gearing increased by approximately 30 percentage points and the equity ratio decreased by one percentage point compared to the 2018 financial statements. At the end of the first quarter in 2018, gearing was 103.3% and the equity ratio was 36.6%. Compared to the first quarter of 2018, gearing increased as a result of investments in new vessels and the acquisition completed during the second half of the year.

The Group’s net cash from operating activities was EUR 1.9 (-1.2) million in the review period. Without the impact of IFRS 16, net cash from operating activities would have been EUR -1.9 million. During the review period, the change in working capital was EUR -7.9 (-6.0) million. In particular, Telko’s working capital increased. Cash flow from investing activities totaled EUR -3.0 (-0.4) million. The Group’s free cash flow was EUR -1.1 (-1.6) 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 19 million of Aspo’s EUR 80 million commercial paper program were in use. In 2019, a total of approximately EUR 35 million in financing agreements will fall due. In addition, ESL Shipping has an option to acquire m/s Alppila in August 2019 in accordance with the terms and conditions of a lease agreement signed in 2011.

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

Aspo has hedged its interest rate risk by means of interest rate swaps. Their fair value on March 31, 2019 was EUR -0.2 million (12/2018: EUR -0.2 million). The financial instruments are on level 2 of the fair value hierarchy.

## INVESTMENTS

The Group’s investments during the first quarter totaled EUR 0.6 (0.6) million. Investments consisted of maintenance investments.

### Investments by segment, acquisitions excluded

| | **1-3/2019 MEUR** | 1-3/2018 MEUR | Change % | 1-12/2018 MEUR |
|---|---|---|---|---|
| ESL Shipping | **0.3** | 0.4 | -25.0 | 41.9 |
| Leipurin | **0.1** | 0.0 | - | 0.5 |
| Telko | **0.1** | 0.2 | -50.0 | 0.7 |
| Other operations | **0.1** | 0.0 | - | 0.1 |
| Total | **0.6** | 0.6 | 0.0 | 43.2 |

## PERSONNEL

### Personnel by segment, period-end

| | **3/2019** | 1-3/2018 | Change % | 12/2018 |
|---|---|---|---|---|
| ESL Shipping | **277** | 235 | 17.9 | 276 |
| Leipurin | **317** | 322 | -1.6 | 323 |
| Telko | **348** | 322 | 8.1 | 334 |
| Other operations | **26** | 26 | 0.0 | 25 |
| Total | **968** | 905 | 7.0 | 958 |

At the end of the review period, Aspo Group had 968 (905) employees. ESL Shipping’s personnel increased as a result of the acquisition of AtoB@C.

### 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 2019 will be based on the Group's earnings per share (EPS).

The share-based incentive plan is directed to 17 people, including the members of the Group Executive Committee, during the earnings period 2019. The rewards to be paid on the basis of the share-based incentive plan 2018–2020 correspond to the value of a maximum total of 500,000 Aspo Plc shares including also the proportion to be paid in cash.

The reward from the earnings period 2018 was based on the Group's earnings per share (EPS). In March 2019, on the basis of the 2018 earnings period, employees included in the plan received 7,711 treasury shares as a share-based reward, as well as cash equaling the value of the shares, at most, in order to pay taxes.

Executive Committee share-based incentive plan 2018–2020

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

The potential reward from the earnings period 2018–2020 will be paid partly in the company´s shares and partly in cash in 2021. The rewards to be paid on the basis 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 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

Economic growth is slowing down in Aspo's market areas. Economic growth and increased industrial production have decreased financial risks associated with Aspo's market areas, but general risks can increase when the economic cycle passes the peak. Political risks have increased, but they are not expected to have any impact on Aspo's business operations in the short term. Import duties imposed by the USA and China, which limit international free trade, have not directly affected Aspo's operations. Aspo does not have any business operations that are or would also be affected directly by Brexit or its implementation, but there may be an indirect impact through the principals or customers of Aspo's businesses.

Following the financial crisis, the global economy has grown simultaneously in all of Aspo's market areas, while its deceleration has continued from the end of the comparative year. In the Eurozone, development has slowed down partly due to growing political tension related to trade. In Russia, the increase in the GDP and industrial production are at the expected levels, inflation has accelerated and exports have increased, but private consumption and investments have increased slowly, while the increase in purchasing power has come to a halt. The general freight rates of vessels fell steeply at the beginning of the review period and remained low until the end of the period.

Financial risks in all of Aspo’s businesses are increasing slightly, even though the markets are relatively stable. 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 for and the competitiveness of the products of Aspo’s businesses. 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. As there have been no structural economic changes, economic growth is expected to remain at the previous year’s level.

**Strategic risks**

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

The Russian economy has stabilized, inflation has accelerated further and growth is slow. Deteriorated consumption demand in the long term has affected trade in general and, after a brief upswing, the increase in purchasing power came to a stop reduced by inflation. In Ukraine, the economic situation is poor. Consumer and production prices have increased and inflation is high. The central bank is forced to keep its reference rate unusually high. No signs of weakening have been seen in the financial markets and payment transactions of Russia, but they involve risks that are reflected, for example, in the Russian banking sector.

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

Economic sanctions, their increase or other obstacles arising from the economic or political situation in Russia may, in part, reduce transportation volumes originating from Russia and the demand for unloading services for large ocean liners at sea. Protectionist actions may decrease sea transportation in the Russian arctic if Russia sets stricter regulations on internal transportation, for example, regarding the transport of energy products. In Finland and the rest of Europe, social pressures to reduce the use of fossil energy sources in energy production have increased, which will reduce 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.

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

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

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

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

**Operational risks**

Economic uncertainty in Aspo’s operating environment increased during the review period from the comparative period. As a result, operational risks have also increased. These include risks related to supply chains, goods and services, and persons. The threat of different kind of misuse from outside the Group has also increased further as a result of the development of electronic media.

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

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

Hedging against exchange rate changes is not possible in all conditions or, in particular, at all times. Changes in exchange rates may reduce profit and equity on the balance sheet as a result of translation differences. Then again, changes in exchange rates may also strengthen results and the balance sheet. As changes in credit loss risks are diversified across businesses and customers, Aspo’s businesses have not been subjected to any significant credit losses related to their customers, even though credit loss risks have increased, and provisions are made for them in accordance with principles of IFRS 9 standard.

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

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

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

### Internal control and risk management

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

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

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

## SHARE CAPITAL AND SHARES

Aspo Plc's share capital on March 31, 2019 was EUR 17,691,729.57 and the total number of shares was 31,419,779 of which the company held 296,650 shares; that is, 0.9% 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–March 2019, a total of 404,985 Aspo Plc shares with a market value of EUR 3.5 million were traded on Nasdaq Helsinki, in other words, 1.3% of the shares changed hands. During January–March, the share price reached a high of EUR 9.20 and a low of EUR 7.96. The average price was EUR 8.62 and the closing price at end of March was EUR 8.78. At the end of the review period, the market value excluding treasury shares was EUR 273.3 million.

The number of Aspo Plc shareholders was 9,612 at end of the review period. A total of 1,249,247 shares, or 4.0% 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 9, 2019, approved the payment of a dividend totaling EUR 0.44 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 0.22 per share was April 18, 2019.

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

### Board of Directors and the Auditors

Mammu Kaario, Mikael Laine, Gustav Nyberg, Salla Pöyry, Risto Salo and Tatu Vehmas were re-elected to the Board of Directors. 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 decided to establish a Remuneration Committee and appointed Gustav Nyberg as Chairman of the committee, and Risto Salo and Tatu Vehmas as committee members. At the meeting the Board also decided to appoint Mammu Kaario as Chairman of the Audit Committee, and Mikael Laine and Salla Pöyry 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. The remuneration shall be paid to the auditor according to the reasonable accepted invoice.

### Board authorizations

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

The Annual Shareholders' Meeting on April 9, 2019 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 2020 but not more than 18 months from the approval at the Shareholders' Meeting.

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

The Annual Shareholders´ Meeting on April 9, 2019 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 2020 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 9, 2019 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 2020 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. 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. The decision of the Administrative Court issued on April 2, 2019 reduced the amount to EUR 60,000. The decision is not yet legally valid.

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

In spring 2017, Kauko took legal action in civil court against two individuals who worked in leading positions in the mobile knowledge work unit that provides IT solutions for the healthcare sector due to breaches of the non-solicitation and non-compete clauses. On February 2018, the District Court decided the matter for the benefit of the defendants and Kauko appealed against the judgement to the Court of Appeal. In 2018, Kauko dropped its claims against one of the defendants. The Court of Appeal issued its decision on February 8, 2019, and confirmed that the non-compete clause was valid as regards the defendant, and a contractual penalty, plus interest on arrears, was imposed on the defendant for the violation of the clause. In addition, the Court of Appeal confirmed that the clause for the non-use of trade and professional secrets and the non-poaching clause were binding. The Court of Appeal held that these were also violated. The decision is not yet final, and it has no significant impact on Aspo Group's financial results. Kauko has applied for a leave to appeal from the Supreme Court a contractual penalty related to confidentiality as well as unpaid legal expenses.

Helsinki May 8, 2019

ASPO PLC
Board of Directors

**ASPO GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

| | 1-3/2019 MEUR | % | 1-3/2018 MEUR | % | 1-12/2018 MEUR | % |
|---|---|---|---|---|---|---|
| Net sales | 141.5 | 100.0 | 115.3 | 100.0 | 540.9 | 100.0 |
| Other operating income | 0.0 | 0.0 | 0.6 | 0.5 | 4.1 | 0.8 |
| Share of profits accounted for using the equity method | 0.0 | 0.0 | | | | |
| Materials and services | -92.5 | -65.4 | -83.8 | -72.7 | -382.2 | -70.7 |
| Employee benefit expenses | -11.2 | -7.9 | -10.5 | -9.1 | -43.2 | -8.0 |
| Depreciation and impairment losses, right-of-use assets | -3.3 | -2.3 | | | | |
| Depreciation, amortization and impairment losses, other | -3.6 | -2.5 | -2.9 | -2.5 | -16.5 | -3.1 |
| Other operating expenses | -26.0 | -18.4 | -15.0 | -13.0 | -82.4 | -15.2 |
| Operating profit | 4.9 | 3.5 | 3.7 | 3.2 | 20.6 | 3.8 |
| Interest expenses on lease liabilities | -0.2 | -0.1 | | | | |
| Financial income and expenses, other | -0.8 | -0.6 | -1.2 | -1.0 | -4.2 | -0.8 |
| Profit before taxes | 3.9 | 2.8 | 2.5 | 2.2 | 16.4 | 3.0 |
| Income taxes | -0.4 | -0.3 | -0.5 | -0.4 | -2.2 | -0.4 |
| Profit for the period | 3.5 | 2.5 | 2.0 | 1.7 | 14.2 | 2.6 |
| Other comprehensive income | | | | | | |
| Items that may be reclassified to profit or loss in subsequent periods: | | | | | | |
| Translation differences | 2.0 | | -0.2 | | -1.9 | |
| Cash flow hedges | 0.0 | | 0.9 | | 2.5 | |
| Income tax on other comprehensive income | 0.0 | | 0.0 | | -0.1 | |
| Other comprehensive income for the period, net of taxes | 2.0 | | 0.7 | | 0.5 | |
| Total comprehensive income | 5.5 | | 2.7 | | 14.7 | |
| Profit attributable to shareholders | 3.5 | | 2.0 | | 14.2 | |
| Total comprehensive income attributable to shareholders | 5.5 | | 2.7 | | 14.7 | |
| Earnings per share, EUR | 0.10 | | 0.05 | | 0.42 | |
| Diluted earnings per share, EUR | 0.10 | | 0.05 | | 0.42 | |

**ASPO GROUP CONSOLIDATED BALANCE SHEET**

| | 3/2019 MEUR | 3/2018 MEUR | Change % | 12/2018 MEUR |
|---|---|---|---|---|
| Assets | | | | |
| | | | | |
| Intangible assets | 8.0 | 7.6 | 5.3 | 8.9 |
| Goodwill | 43.3 | 42.0 | 3.1 | 43.0 |
| Tangible assets | 172.2 | 117.9 | 46.1 | 175.1 |
| Right-of-use assets | 36.6 | | | |
| Investments accounted for using the equity method | 1.5 | | - | 1.5 |
| Other non-current assets | 2.8 | 3.6 | -22.2 | 2.8 |
| Total non-current assets | 264.4 | 171.1 | 54.5 | 231.3 |
| | | | | |
| Inventories | 71.8 | 64.6 | 11.1 | 71.3 |
| Accounts receivable and other receivables | 85.6 | 68.1 | 25.7 | 77.8 |
| Cash and cash equivalents | 13.2 | 15.6 | -15.4 | 19.3 |
| Total current assets | 170.6 | 148.3 | 15.0 | 168.4 |
| | | | | |
| Total assets | 435.0 | 319.4 | 36.2 | 399.7 |
| | | | | |
| Equity and liabilities | | | | |
| | | | | |
| Share capital | 17.7 | 17.7 | 0.0 | 17.7 |
| Other equity | 104.1 | 97.0 | 7.3 | 98.9 |
| Total equity | 121.8 | 114.7 | 6.2 | 116.6 |
| | | | | |
| Loans and overdraft facilities | 154.4 | 108.7 | 42.0 | 170.9 |
| Non-current lease liabilities | 8.8 | | | |
| Other liabilities | 7.3 | 3.6 | 102.8 | 7.4 |
| Total non-current liabilities | 170.5 | 112.3 | 51.8 | 178.3 |
| | | | | |
| Loans and overdraft facilities | 43.5 | 25.4 | 71.3 | 28.5 |
| Current lease liabilities | 27.1 | | | |
| Accounts payable and other liabilities | 72.1 | 67.0 | 7.6 | 76.3 |
| Total current liabilities | 142.7 | 92.4 | 54.4 | 104.8 |
| | | | | |
| Total equity and liabilities | 435.0 | 319.4 | 36.2 | 399.7 |

**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, 2019 | 17.7 | 4.3 | -0.1 | 41.4 | -1.7 | -23.5 | 78.5 | 116.6 |
| Comprehensive income: | | | | | | | | |
| Profit for the period | | | | | | | 3.5 | 3.5 |
| Translation differences | | | | | | 2.0 | | 2.0 |
| Cash flow hedges* | | | | | | | | 0.0 |
| Total comprehensive income | | | | | | 2.0 | 3.5 | 5.5 |
| Transactions with owners: | | | | | | | | |
| Interest on hybrid instrument | | | | | | | -0.4 | -0.4 |
| Share-based incentive plan | | | | | | | 0.1 | 0.1 |
| Total transactions with owners | | | | | | | -0.3 | -0.3 |
| Equity March 31, 2019 | 17.7 | 4.3 | -0.1 | 41.4 | -1.7 | -21.5 | 81.7 | 121.8 |
| | | | | | | | | |
| Equity January 1, 2018 | 17.7 | 4.3 | -2.5 | 37.0 | -2.1 | -21.6 | 79.5 | 112.3 |
| Comprehensive income: | | | | | | | | |
| Profit for the period | | | | | | | 2.0 | 2.0 |
| Translation differences | | | | | | -0.2 | | -0.2 |
| Cash flow hedges* | | | 0.9 | | | | | 0.9 |
| Total comprehensive income | | | 0.9 | | | -0.2 | 2.0 | 2.7 |
| Transactions with owners: | | | | | | | | |
| Interest on hybrid instrument | | | | | | | -0.4 | -0.4 |
| Share-based incentive plan | | | | | 0.4 | | -0.3 | 0.1 |
| Total transactions with owners | | | | | 0.4 | | -0.7 | -0.3 |
| Equity March 31, 2018 | 17.7 | 4.3 | -1.6 | 37.0 | -1.7 | -21.8 | 80.8 | 114.7 |

*) net of taxes

## ASPO GROUP CONSOLIDATED CASH FLOW STATEMENT

| | 1-3/2019 MEUR | 1-3/2018 MEUR | 1-12/2018 MEUR |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Operating profit *) | 4.9 | 3.7 | 20.6 |
| Adjustments to operating profit | 6.8 | 2.3 | 15.9 |
| Change in working capital | -7.9 | -6.0 | -10.7 |
| Interest paid | -1.1 | -0.9 | -3.7 |
| Interest received | 0.1 | 0.2 | 0.5 |
| Income taxes paid | -0.9 | -0.5 | -2.3 |
| Net cash from operating activities | 1.9 | -1.2 | 20.3 |
| | | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Investments in tangible and intangible assets | -0.6 | -0.2 | -43.1 |
| Advance payments on vessels | | -0.2 | |
| Proceeds from sale of tangible assets | 0.1 | | 0.4 |
| Acquisition of businesses, net of cash | -2.5 | | -12.5 |
| Divestment of businesses, net of cash | | | 0.1 |
| Net cash from investing activities | -3.0 | -0.4 | -55.1 |
| | | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Change in current loans | -0.7 | -1.7 | 17.3 |
| Proceeds from non-current loans | | | 58.0 |
| Repayments of non-current loans | -0.9 | -0.9 | -25.4 |
| Payments of lease liabilities *) | -3.9 | | |
| Hybrid instrument, interests | | | -1.7 |
| Dividends distributed | | | -13.3 |
| Net cash from financing activities | -5.5 | -2.6 | 34.9 |
| | | | |
| Change in cash and cash equivalents | -6.6 | -4.2 | 0.1 |
| Cash and cash equivalents January 1 | 19.3 | 19.9 | 19.9 |
| Translation differences | 0.5 | -0.1 | -0.7 |
| Cash and cash equivalents at period-end | 13.2 | 15.6 | 19.3 |

*) Payments of lease liabilities have been transferred from cash flows from operating activities to cash flows from financing activities as a result of the adoption of IFRS 16.

## ASPO GROUP DISAGGREGATION OF NET SALES

### Net sales by market area

| ESL Shipping | 1-3/2019 MEUR | 1-3/2018 MEUR | 1-12/2018 MEUR |
|---|---|---|---|
| Finland | 20.2 | 7.0 | 48.3 |
| Scandinavia | 10.0 | 3.9 | 28.7 |
| Baltic countries | 1.9 | 2.8 | 6.3 |
| Russia, other CIS countries + Ukraine | 0.4 | 0.4 | 7.1 |
| Other countries | 11.2 | 6.4 | 29.7 |
| Total | 43.7 | 20.5 | 120.1 |
| | | | |
| **Leipurin** | | | |
| Finland | 9.9 | 12.1 | 45.5 |
| Scandinavia | 0.3 | 0.1 | 0.3 |
| Baltic countries | 7.1 | 8.3 | 33.5 |
| Russia, other CIS countries + Ukraine | 8.3 | 8.2 | 36.3 |
| Other countries | 0.3 | 1.5 | 5.4 |
| Total | 25.9 | 30.2 | 121.0 |
| | | | |
| **Telko** | | | |
| Finland | 18.8 | 18.7 | 81.9 |
| Scandinavia | 9.0 | 7.8 | 33.0 |
| Baltic countries | 4.8 | 4.8 | 20.8 |
| Russia, other CIS countries + Ukraine | 29.2 | 24.0 | 128.5 |
| Other countries | 10.1 | 9.3 | 35.6 |
| Total | 71.9 | 64.6 | 299.8 |
| | | | |
| **Total** | | | |
| Finland | 48.9 | 37.8 | 175.7 |
| Scandinavia | 19.3 | 11.8 | 62.0 |
| Baltic countries | 13.8 | 15.9 | 60.6 |
| Russia, other CIS countries + Ukraine | 37.9 | 32.6 | 171.9 |
| Other countries | 21.6 | 17.2 | 70.7 |
| Total | 141.5 | 115.3 | 540.9 |

**Net sales by timing of recognition**

| | 1-3/2019 | 1-3/2018 | 1-12/2018 |
|---|---|---|---|
| **ESL Shipping** | MEUR | MEUR | MEUR |
| Over time | 43.7 | 20.5 | 120.1 |
| Total | 43.7 | 20.5 | 120.1 |
| | | | |
| **Leipurin** | | | |
| At a point of time | 24.9 | 27.2 | 112.7 |
| Over time | 1.0 | 3.0 | 8.3 |
| Total | 25.9 | 30.2 | 121.0 |
| | | | |
| **Telko** | | | |
| At a point of time | 71.7 | 64.3 | 298.9 |
| Over time | 0.2 | 0.3 | 0.9 |
| Total | 71.9 | 64.6 | 299.8 |
| | | | |
| **Total** | | | |
| At a point of time | 96.6 | 91.5 | 411.6 |
| Over time | 44.9 | 23.8 | 129.3 |
| Total | 141.5 | 115.3 | 540.9 |

**Net sales by product category**

| | 1-3/2019 | 1-3/2018 | 1-12/2018 |
|---|---|---|---|
| | MEUR | MEUR | MEUR |
| ESL Shipping total | 43.7 | 20.5 | 120.1 |
| | | | |
| Raw materials | 22.9 | 24.6 | 100.3 |
| Machinery | 3.0 | 5.6 | 20.7 |
| Leipurin total | 25.9 | 30.2 | 121.0 |
| | | | |
| Plastics | 38.9 | 33.4 | 147.7 |
| Chemicals | 26.9 | 24.3 | 118.5 |
| Kauko | 6.1 | 6.9 | 33.6 |
| Telko total | 71.9 | 64.6 | 299.8 |
| | | | |
| **Total** | 141.5 | 115.3 | 540.9 |

## ASPO GROUP ASSETS AND LIABILITIES BY SEGMENT

| Segments' assets, MEUR | 3/2019 | 3/2018 | 12/2018 |
|---|---|---|---|
| ESL Shipping | 231.0 | 130.7 | 206.8 |
| Leipurin | 65.1 | 62.2 | 58.9 |
| Telko | 119.7 | 106.2 | 109.2 |
| Unallocated items | 19.2 | 20.3 | 24.8 |
| Total | 435.0 | 319.4 | 399.7 |

| Segments' liabilities, MEUR | 3/2019 | 3/2018 | 12/2018 |
|---|---|---|---|
| ESL Shipping | 41.0 | 10.0 | 17.3 |
| Leipurin | 20.0 | 16.3 | 14.2 |
| Telko | 41.7 | 37.1 | 41.8 |
| Unallocated items | 210.5 | 141.3 | 209.8 |
| Total | 313.2 | 204.7 | 283.1 |

## ACCOUNTING PRINCIPLES

Aspo Plc's interim report has been prepared in accordance with the principles of IAS 34 *Interim Financial Reporting*. As of January 1, 2019, Aspo applies certain new or amended IFRS standards and IFRIC interpretations as described in the 2018 consolidated financial statements. In other respects, the same accounting principles have been applied as in the consolidated financial statements of December 31, 2018. 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 48 of the Aspo's Year 2018 -publication.

**Adoption of new or amended standards:**

The Group has applied the IFRS 16 – Leases standard starting from January 1, 2019. Under IFRS 16, all leases are recognized on the lessee's balance sheet, and the classification between operating and finance leases according to IAS 17 is no longer valid. In accordance with the new standard, all assets related to lease agreements (right-of-use assets) and future lease payment obligations (lease liabilities) are recognized on the balance sheet. The only exceptions are short-term leases and leases for which the underlying asset is of a low value. The accounting treatment for lessors remains largely in line with IAS 17.

Aspo Group acts mainly as a lessee. The Group has customary business-related leases, such as contracts related to office and warehouse premises, as well as transportation vehicles and cars. Part of the office technology is also leased.

Transition

Aspo chose a simplified method of transition to IFRS 16. Aspo recognized on the opening balance sheet of January 1, 2019 the right-of-use assets which consisted of the lease liabilities, and prepayments related to these leases recognized on the balance sheet at the time of transition.

The liabilities and assets of contracts previously classified as finance leases under IAS 17 were included, at the time of transition on January 1, 2019 in the lease liabilities and right-of-use-assets in accordance with IFRS 16. Financial leases that were subject to exemptions as short-term or low value or related to intangible assets were derecognized and the difference was recognized in equity. The difference recognized in equity was not material.

Aspo applied the following practical expedients in the adoption of IFRS 16:
- Leases with a lease term less than 12 months remaining at the date of transition on January 1, 2019 were accounted for as short-term leases and not recognized on the balance sheet. The selection was made by class of underlying asset, and was applied to all other classes except cars, which were recognized on the balance sheet even if their remaining lease term was less than 12 months at the time of transition.
- The lease liability and the right-of-use-asset were not recognized on the balance sheet in respect of leases relating to low value assets. Aspo uses a threshold of EUR 5,000 for low value assets.
- The leasing expenses of the two above-mentioned practical expedients are recognized in other operating expenses on a straight-line basis over the lease term.
- Lease agreements with reasonably similar characteristics were subject to one predetermined discount rate. The criteria used to determine the discount rate were the class of underlying asset, the geographic location, the currency, the maturity of the risk-free interest rate and the lessee's credit risk premium. At the time of the transition, the weighted average of interest on incremental borrowing was 2.33%.
- In case of leases in which the lease term included extension options or termination options, current knowledge was used in the determination of the lease term.
- The initial direct costs were not included in the right-of-use asset at the time of transition in January 1, 2019.

Management judgements

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

For the contracts with a lease term defined to be valid until further notice, the most significant impact relates to vessels leased. If a vessel is leased for approximately a year, the lease term used to calculate the lease liability is 13 months (ongoing month + the next 12 months). As a significant part of the fleet is leased, it is likely that, at the end of the lease term, the same or a similar vessel will be leased again. In case this does not apply, the agreement will be treated as a fixed-term lease contract. The procedure has been designed to give investors a better understanding of the obligations associated with the lease liability and the significance of the right-of-use asset on the balance sheet.

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

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

Impact of the adoption of IFRS 16

The adoption of the IFRS 16 standard has a significant impact on the balance sheet of Aspo Group and key figures derived from it, as well as the presentation of the consolidated statement of comprehensive income and cash flow statement. The Group's interest-bearing liabilities and non-current assets recognized on the balance sheet according to the standard are significantly higher than when applying IAS 17. With regard to key figures, the adoption has the most significant impact on gearing, which increased by approximately 30 percentage points. Expenses previously recognized as leases in the statement of comprehensive income are reversed, depreciation expense is recognized from right-of-use asset items, and interest included in leases is recognized in financial expenses. In the cash flow statement, the transfer of payments of lease liabilities to cash flows from financing activities increases cash flows from operating activities, while the total cash flows remain unchanged.

The impact of the adoption of IFRS 16 on Aspo Group's opening balance sheet on January 1, 2019 is presented in the table below. The value of the right-of-use asset items recognized on the opening balance sheet was approximately EUR 38.5 million, the value of leases paid in advance was approximately EUR 0.9 million and the amount of lease liabilities was approximately EUR 37.6 million. The expedients permitted by the standard regarding intangible assets and items of a low value, reduced the amount of financial leasing items recognized in accordance with IAS 17 by EUR 1.2 million. Non-current lease liabilities accounted for EUR 10.4 million and current lease liabilities made up EUR 27.2 million of the total lease liabilities on the opening balance sheet.

**Impact of the adoption of IFRS 16 standard on the opening balance sheet**

| | Dec 31, 2018 | Additions of right-of-use assets | Changes resulting from finance leases recognized under IAS 17 *) | Jan 1, 2019 |
|---|---|---|---|---|
| | MEUR | MEUR | MEUR | MEUR |
| Assets | | | | |
| Intangible assets | 8.9 | | -1.2 | 7.7 |
| Goodwill | 43.0 | | | 43.0 |
| Tangible assets | 175.1 | | 0.0 | 175.1 |
| Right-of-use assets | | 38.5 | | 38.5 |
| Investments accounted for using the equity method | 1.5 | | | 1.5 |
| Other non-current assets | 2.8 | | | 2.8 |
| Total non-current assets | 231.3 | 38.5 | -1.2 | 268.6 |
| Inventories | 71.3 | | | 71.3 |
| Accounts receivable and other receivables | 77.8 | -0.9 | | 76.9 |
| Cash and cash equivalents | 19.3 | | | 19.3 |
| Total current assets | 168.4 | -0.9 | | 167.5 |
| Total assets | 399.7 | 37.6 | -1.2 | 436.1 |
| Equity and liabilities | | | | |
| Share capital | 17.7 | | | 17.7 |
| Other equity | 98.9 | | 0.0 | 98.9 |
| Total equity | 116.6 | | 0.0 | 116.6 |
| Loans and overdraft facilities | 170.9 | | -0.7 | 170.2 |
| Non-current lease liabilities | | 10.4 | | 10.4 |
| Other liabilities | 7.4 | | | 7.4 |
| Total non-current liabilities | 178.3 | 10.4 | -0.7 | 188.0 |
| Loans and overdraft facilities | 28.5 | | -0.5 | 28.0 |
| Current lease liabilities | | 27.2 | | 27.2 |
| Accounts payable and other liabilities | 76.3 | | | 76.3 |
| Total current liabilities | 104.8 | 27.2 | -0.5 | 131.5 |
| Total equity and liabilities | 399.7 | 37.6 | -1.2 | 436.1 |

*) Changes to intangible assets and right-of-use items of low value in finance leases under IAS 17 due to adoption of IFRS 16.

During the review period, there were no significant changes in Aspo Group’s lease agreements, and Aspo is not committed to any significant new lease agreements following the review period. ESL Shipping has an option to acquire m/s Alppila in August 2019 which was taken into account when determining the value of the right-of-use asset item. There are no other significant redemption options.

At the end of the review period, the most significant right-of-use asset items were vessels (EUR 24.6 million) and office and warehouse premises (EUR 10.2 million). Depreciation on the right-of-use asset items was EUR 3.3 million, of which depreciation on vessels accounted for EUR 2.4 million and depreciation on office and warehouse premises for EUR 0.7 million. Leases related to the right-of-use asset items were EUR 4.1 million, of which interest made up EUR 0.2 million. The amount of variable leases or the amount of leases related to short-term or low value assets are not significant within Aspo Group. Aspo has no significant lease agreements as a lessor.

**Right-of-use assets by classes**

| | Land and buildings MEUR | Vessels MEUR | Other right-of-use assets MEUR | Total MEUR |
|---|---|---|---|---|
| Opening balance January 1, 2019 | 10.2 | 26.6 | 1.7 | 38.5 |
| Translation differences | 0.1 | | | 0.1 |
| Additions | 0.6 | 0.4 | 0.3 | 1.3 |
| Depreciation | -0.7 | -2.4 | -0.2 | -3.3 |
| Carrying amount March 31, 2019 | 10.2 | 24.6 | 1.8 | 36.6 |

**SEGMENT REPORTING**

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

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

**PRESS AND ANALYST CONFERENCE**

A press and analyst conference will be arranged today, Wednesday, May 8, 2019 at 14.00 at Hotel Kämp's Paavo Nurmi conference room, Pohjoisesplanadi 29, 00100 Helsinki.

**FINANCIAL INFORMATION IN 2019**

In 2019, Aspo Plc will publish the following Reports:
- half year financial report for January-June on Wednesday, August 14, 2019
- interim report for January-September on Tuesday, October 29, 2019.

Helsinki May 8, 2019

ASPO PLC

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