ASPO

2012

ANNUAL REPORT

GROWTH IN THE EAST

Russia, Ukraine and other CIS countries already provide one third of Aspo's net sales.

TOWARDS ARCTIC REGIONS

ESL Shipping's vessels and expertise enable transportation in new Arctic regions.

BETTER MANAGEMENT

Aspo is continuously developing the competence of its personnel and its competence management.

Leading brands in sectors requiring specialist expertise

COMPANY	CUSTOMERS	STRENGTHS
ESL Shipping ESL SHIPPING transports dry bulk cargoes. We provide a year-round supply of raw materials to our customers, even in the most demanding weather conditions.	Our key customers are companies in the steel industry as well as energy producers. Our vital raw material deliveries make us an essential part of our customers' value chains. We also offer other related services, such as cargo handling at sea or in ports.	Our ice-strengthened, self-discharging vessels are designed specifically to operate in demanding Baltic Sea conditions. Our sufficiently large and interchangeable fleet ensures efficient operations and flexible and reliable service for our customers.
LEIPURIN LEIPURIN supplies raw materials and machinery to the food industry and provides services for all stages of customers' production processes, from R&D to boosting operational efficiency.	Our customers include companies in the bakery and other food industries. Leipurin offers raw materials under their own brand, developed through in-house R&D, as well as raw materials and machines from leading international supplier.	Leipurin is one of only a few companies globally that can supply the baking industry with both machinery and raw materials. Our end-to-end service also includes assisting our customers with their R&D. They can, for example, tap our expertise in planning new recipes and developing product characteristics.
TELKO TELKO is an expert in the chemicals and plastic raw materials required in industry. Our services cover procurement, distribution, technical support and the development of production processes.	In plastics, our customers include the packaging industry, electronics and electricity industry and companies manufacturing plastic parts for consumer products. Our chemicals customers include companies in the paint, printing, packaging and chemical industries. We deliver products made by leading international suppliers.	Telko has an extensive product range and robust expertise in the raw materials customers require in their production processes. Our efficient logistics cover global procurements and local warehouses that enable rapid and customized deliveries.
KAUKO MARKKINAT KAUKOMARKKINAT is a specialist in solutions that improve the energy efficiency of buildings and in environmental technology systems.	Building systems customers include construction companies, contractors, housing companies, and retailers. Kaukomarkkinat also supplies industrial machines to the process industry and professional electronics for demanding applications.	Kaukomarkkinat's in-depth understanding of customer needs, extensive network of suppliers, and strong technological expertise combined with the best products of leading-edge suppliers are the basis for our operations.

ASPO'S BUSINESS OPERATIONS ARE CARRIED OUT BY FOUR SUBSIDIARIES OWNED BY THE GROUP. EACH SUBSIDIARY SERVES DEMANDING BUSINESS-TO-BUSINESS CLIENTS, PLAYING A PIVOTAL ROLE IN THEIR VALUE CHAINS. THEY ALL SEEK TO BE THE MARKET LEADER IN THEIR FIELD. SUCCESS ENTAILS ROBUST EXPERTISE AND ENDURING PARTNERSHIPS WITH OUR CUSTOMERS.

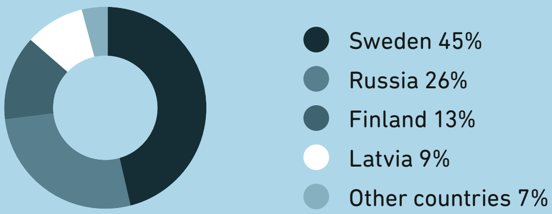
SHARE OF GROUP NET SALES

NET SALES DISTRIBUTION BY COUNTRY

KEY FIGURES

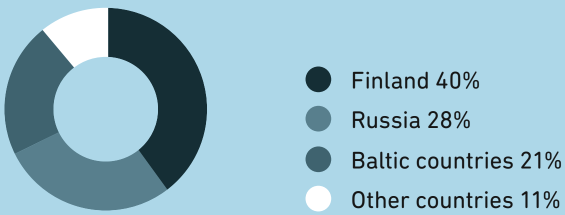
15%

Cargoes by country



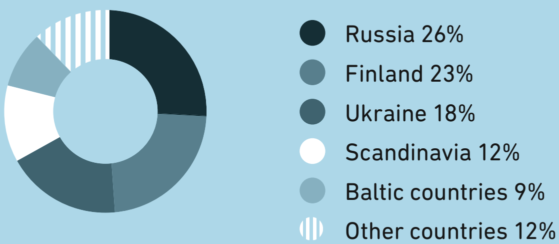
	2012	2011
Net sales, MEUR	**72.3**	93.1
Operating profit, MEUR	**3.7**	10.5
Personnel Dec.31	**219**	211

27%



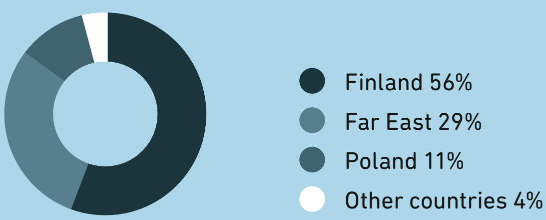
	2012	2011
Net sales, MEUR	**131.1**	128.2
Operating profit, MEUR	**4.0**	5.7
Personnel Dec.31	**281**	275

49%



	2012	2011
Net sales, MEUR	**237.7**	211.6
Operating profit, MEUR	**8.4**	8.6
Personnel Dec.31	**265**	230

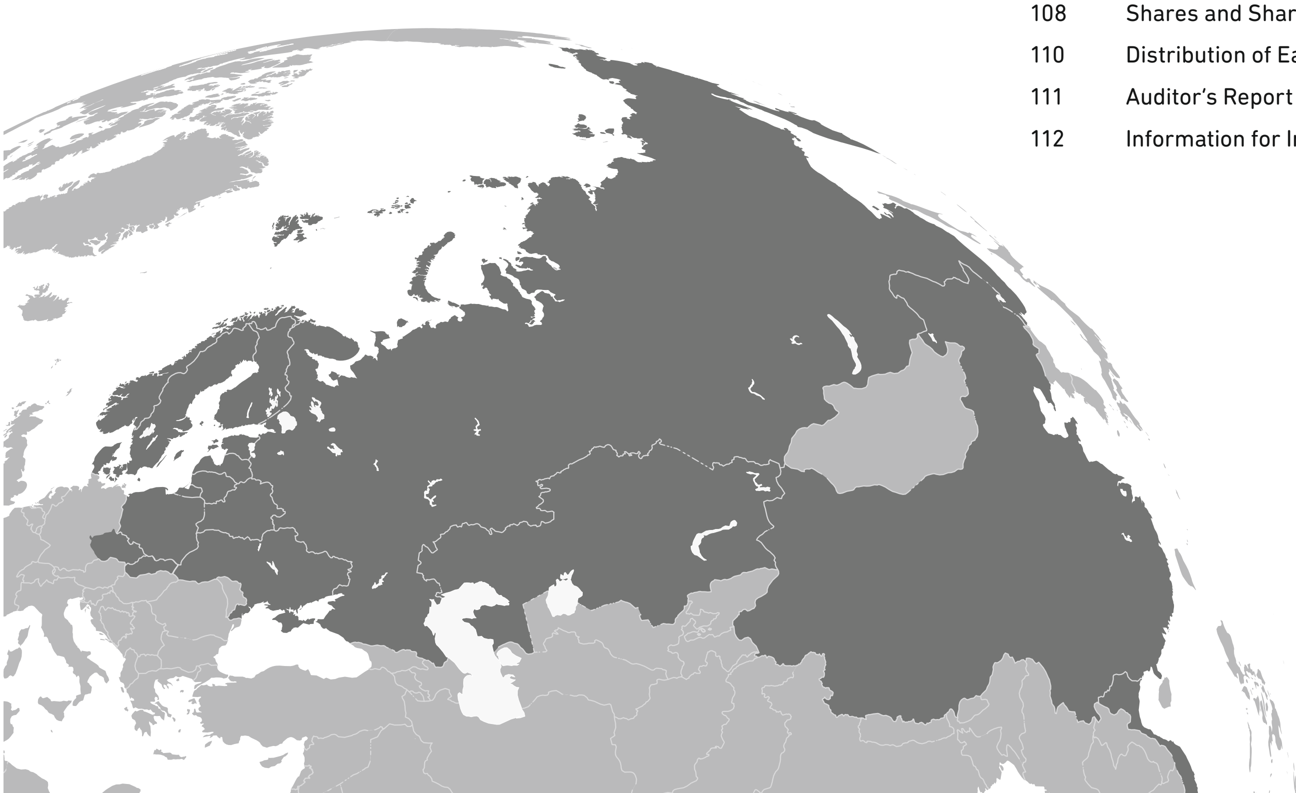
9%



	2012	2011
Net sales, MEUR	**40.5**	43.4
Operating profit, MEUR	**-0.6**	1.4
Personnel Dec.31	**94**	85

Aspo Annual Report 2012

FINANCIAL STATEMENTS

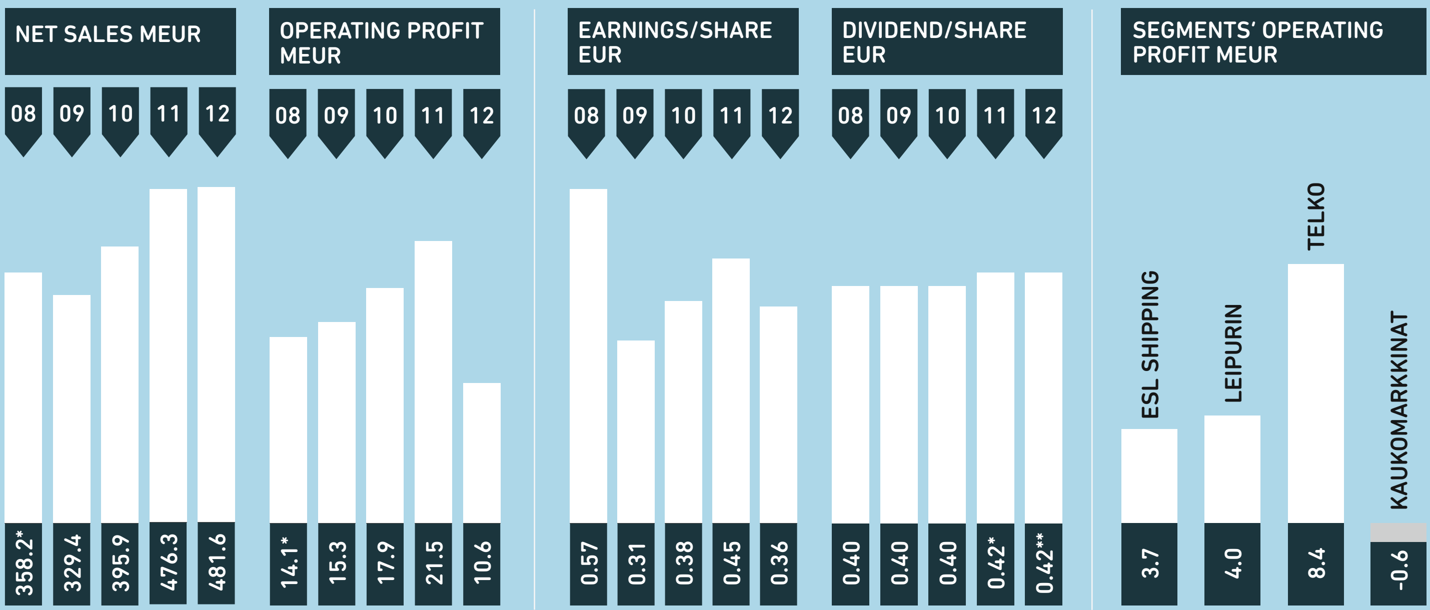


Aspo operates in 17 countries.

Aspo owns and develops the strongest companies in its fields of business

ASPO IS A CONGLOMERATE THAT OWNS AND DEVELOPS THE STRONGEST COMPANIES IN ITS FIELDS OF BUSINESS. OUR SUBSIDIARIES ESL SHIPPING, LEIPURIN, TELKO AND KAUKOMARKKINAT OPERATE UNDER THEIR OWN BRANDS AND PROVIDE VALUE TO THEIR CUSTOMERS. AS A GROUP, ASPO ENSURES THAT THE WHOLE FORMED BY THE SUBSIDIARIES IS MORE THAN THE SUM OF ITS PARTS AND GENERATES VALUE TO ASPO'S SHAREHOLDERS.

WE DEVELOP OUR BUSINESS OPERATIONS AND GROUP STRUCTURE WITH AN EYE ON THE LONG TERM, HARNESSING THE GROUP'S STRONG FINANCIAL STANDING AND INTANGIBLE CAPITAL. ASPO OPERATES IN NORTHERN EUROPE AND EASTERN GROWTH MARKETS.



* CONTINUING OPERATIONS

* CONTINUING OPERATIONS

* REPAYMENT OF CAPITAL
** BOARD'S PROPOSAL

KEY FIGURES	2012	2011
Net sales, MEUR	**481.6**	476.3
Operating profit, MEUR	**10.6**	21.5
Share of net sales, %	**2.2**	4.5
Profit before taxes, MEUR	**7.4**	17.4
Share of net sales, %	**1.5**	3.7
Profit for the period, MEUR	**10.8**	13.3
Earnings/share, EUR	**0.36**	0.45
Diluted earnings/share, EUR	**0.37**	0.45
Equity/share, EUR	**2.95**	3.05
Return on investment, % (ROI)	**5.4**	12.5
Return on equity, % (ROE)	**11.8**	16.4
Equity ratio, %	**29.2**	35.2
Gearing, %	**131.6**	94.1
Personnel, December 31	**871**	814

ASPO'S FINANCIAL TARGETS

- AVERAGE OPERATING PROFIT AS PERCENTAGE OF NET SALES CLOSER TO TEN THAN FIVE.
- AVERAGE RETURN ON INVESTMENT AND EQUITY OF OVER 20%.
- AT LEAST HALF OF THE ANNUAL PROFIT DISTRIBUTED IN DIVIDENDS ON AVERAGE.

Eastern growth markets going strong

In 2012, Russia became as large a market for Aspo as Finland is. Together, Russia, Ukraine and other CIS countries account for one-third of our net sales. This is just the beginning, though, since plenty of opportunities for organic growth in the markets of the East remain.

29%

GROWTH OF NET SALES IN RUSSIA, UKRAINE AND OTHER CIS COUNTRIES

Economic growth is expected to remain relatively strong in most of the 17 countries where Aspo operates. The markets provide us with several causes to be happy. Our strategy, focusing on the Eastern growth markets, has worked for us. We have implemented it effectively.

Our different business areas are strongly present as the national economies of Eastern countries develop. Telko benefits from industry diversification of and production technology development in the growth markets. Leipurin and Kaukomarkkinat benefit from the increase in purchasing power among consumers.

The developments in the Baltic countries, Poland and China were also encouraging. China has rapidly become an important market for us, both with respect to sales and procurement. We procure plenty of different raw materials from China for different markets, particularly for Russia.

The past year was more difficult in the Western markets. At the same time, the challenging market situation and record-low interest rates provided opportunities for investments. The investments made by our subsidiaries were evidenced by the profitability figures, and 2012 was clearly an interim year regarding the financial result. However, we are now significantly stronger than before, thanks to those investments.

The extensive investment program of ESL Shipping was completed when it took delivery of two new large-class Supramax vessels. One of the two vessels started operating in the icy areas of Canada – the goal is to expand the operations of the shipping company to Arctic area transport, an area with a lot of potential.

Leipurin has completed the integration of its corporate acquisition for the machinery business: now the company has one efficient engineering workshop, a broad product range and new technology which is in particular demand in the Eastern markets. Leipurin also moved to new premises late in the year; the modern test bakery there provides better opportunities for product development undertaken jointly with customers.

Telko continued its systematic progress in the Eastern growth markets and increased its number of employees by 15 per cent. The company has plenty of new competence producing added value for customers; this provides opportunities for further growth. Telko's strategic choices have proved to be right: the plastic raw materials requiring technical competence are now more important than ever, and this has also reduced the cyclical nature of the business.

Kaukomarkkinat developed its competence related to energy-efficient property technology packages. The company now has new training and showroom premises where the benefits of these solutions can be better presented to its partners. Kaukomarkkinat also started exporting environmental technology products. In this work, it will receive a lot of help from the Group and our other subsidiaries with a longer track record of business in the Eastern markets.

DIVERSIFIED BUSINESS IS GOOD FOR INNOVATION

The four subsidiaries of Aspo constitute a balanced portfolio in accordance with our strategy, dispersing both the cash flows and geographical risks. In addition, we always have one business in the early stages of its development. We aim to make Kaukomarkkinat an increasingly important part of Aspo. This is exactly the situation we seek by being a conglomerate.

Continuous development and innovation of new business ideas is one of Aspo's characteristic features. As a conglomerate, it is easier for us to invest in new businesses and develop them with a long-term objective. Long-term success is more important to us than individual quarters.

In keeping with its strategy, Aspo also has the capability to make structural changes when required; we can be larger or smaller than we are at present. That is why we are constantly monitoring the success of our subsidiaries in relation to their peers and looking for ways to further speed up the development of businesses.

The development of the Group and its subsidiaries has its practical implementation in the development of personnel. Expansion in new market areas and success in them will largely depend on the right people and on their competencies.

We have invested a lot of resources in HR development and in ensuring that every employee has meaningful and important duties. This work has borne fruit. Quick turnover of personnel is a general problem in growth markets, but we have experienced very little of that. We have succeeded in providing our people with an opportunity to grow with us and advance to positions with more responsibilities.

INVESTMENTS IN INTELLECTUAL CAPITAL

Aspo's subsidiaries represent trade and logistics. Our value lies in people who understand the customers' business and its challenges. Our customer and supplier relations cannot be copied or quickly built from scratch. This intangible capital is our most important competitive factor, and that is why we shall continue to develop it with care.

Increasing the intangible capital requires good management. Last year, Aspo continued to develop its management systems and the personal capabilities of its managers. We concentrated particularly on improving the work of management teams in our subsidiaries. Telko and Leipurin have also organized their operations in line with the customs area comprising Russia, Belarus and Kazakhstan. We see this as the best way to benefit from the rapid growth in the area.

Conglomerates have an exceptionally high number of interfaces with their operating environment. This is a very considerable advantage in a rapidly changing world. The views of different businesses and suppliers and customers in different market areas help to form an up-to-date overall picture.

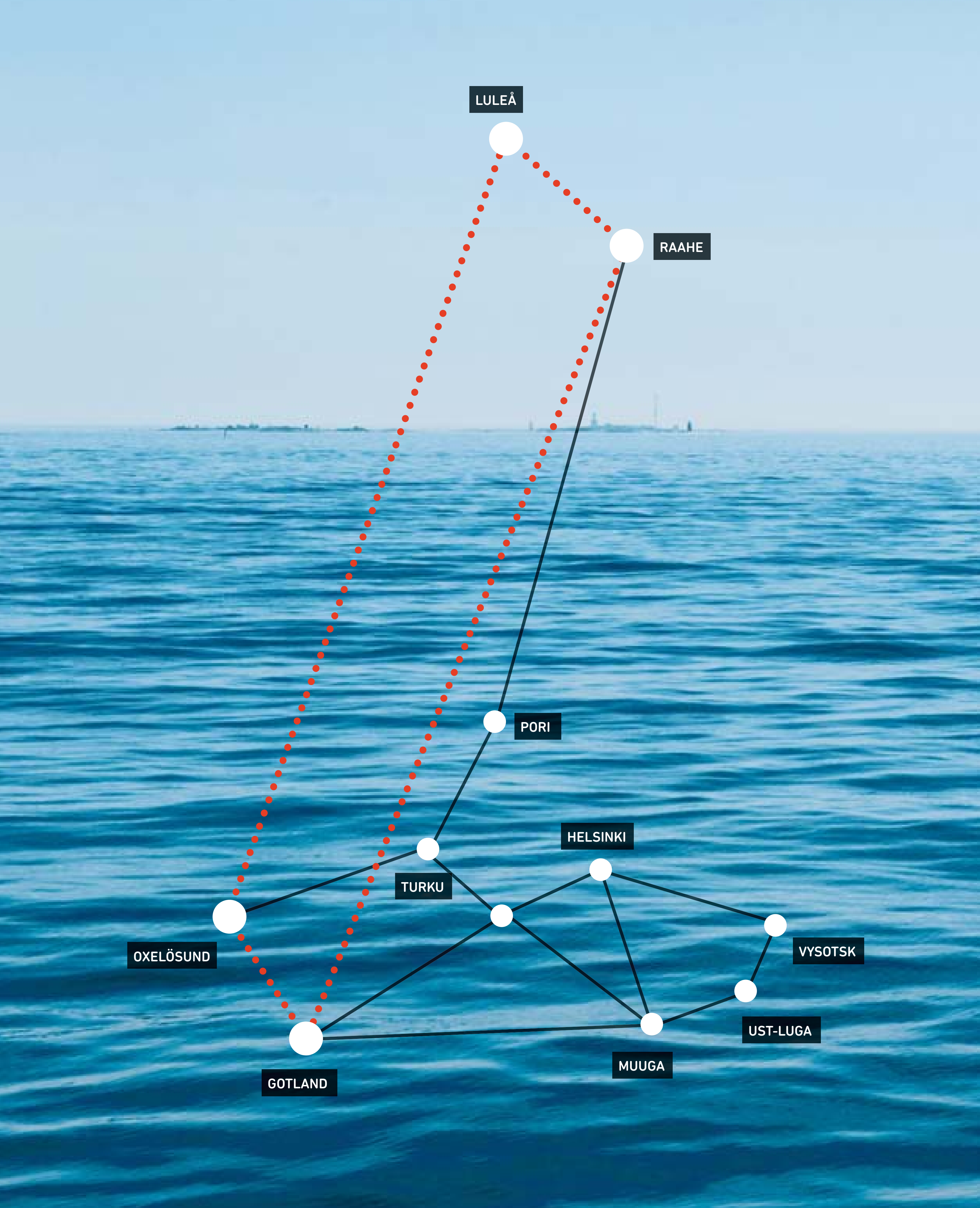
The Boards of our subsidiaries help to crystallize all information obtained from different sources into a functional strategy. The Board members are external experts from outside the Group, whose individual areas of competence are related to the development phase of each company at the time. Aspo's CEO acts as the Chairman of all Boards of Directors; this serves the purpose of utilizing the Group-level synergies.

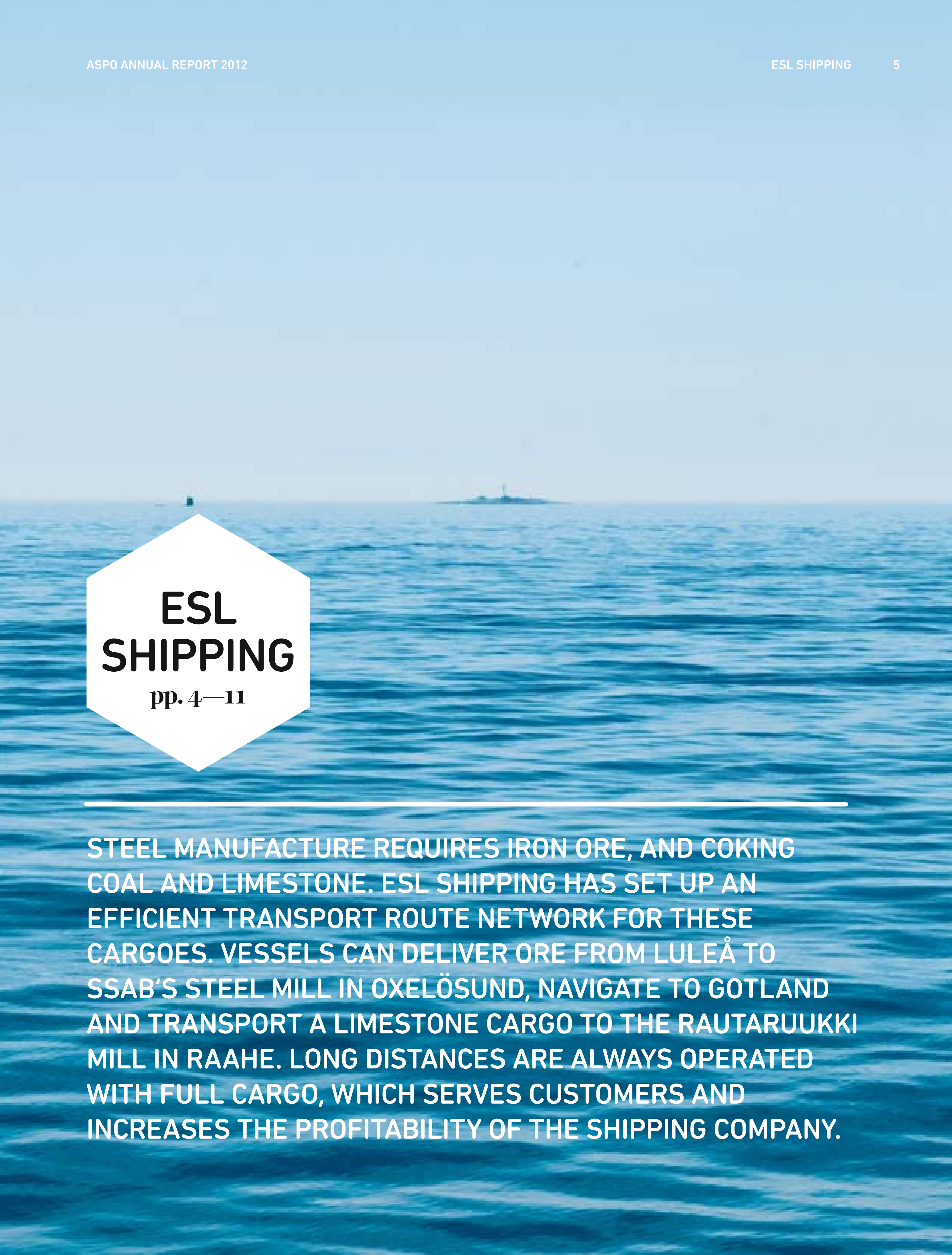
The continuous development of operations is highlighted in management. We are constantly thinking of ways to operate better, more efficiently and with better results. We work systematically, relying on our competence and experience. We have the same optimistic approach regarding the changes in the world: we shall continue to bravely enter new, promising markets.

I wish to extend my thanks for the past year to our personnel, customers, suppliers, owners and numerous stakeholder groups. Aspo's stakeholder relations are characterized by strong mutual trust. It is created by transparency and continuous dialogue. These relationships constitute valuable capital for us, and therefore they are also the theme of this Annual Report. We shall continue to succeed together with you – at all times and in all markets.

Helsinki, February 22, 2013

Aki Ojanen, CEO


LULEÅ
RAAHE
PORI
HELSINKI
TURKU
OXELÖSUND
VYSOTSK
UST-LUGA
MUUGA
GOTLAND



ESL SHIPPING

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STEEL MANUFACTURE REQUIRES IRON ORE, AND COKING COAL AND LIMESTONE. ESL SHIPPING HAS SET UP AN EFFICIENT TRANSPORT ROUTE NETWORK FOR THESE CARGOES. VESSELS CAN DELIVER ORE FROM LULEÅ TO SSAB'S STEEL MILL IN OXELÖSUND, NAVIGATE TO GOTLAND AND TRANSPORT A LIMESTONE CARGO TO THE RAUTARUUKKI MILL IN RAAHE. LONG DISTANCES ARE ALWAYS OPERATED WITH FULL CARGO, WHICH SERVES CUSTOMERS AND INCREASES THE PROFITABILITY OF THE SHIPPING COMPANY.

New possibilities in Arctic regions

The Board of Directors of ESL Shipping sees interesting potential in transportation in northern Arctic regions.

The subsidiary Boards play a central role in Aspo's management system. The most important tasks of the Boards include developing the strategy and sparring with the acting management in central business-related questions.

The Boards of the subsidiaries consist of the best experts within each respective industry. The members of the Board of ESL Shipping have diverse expertise in the company's central strategic areas, such as logistics and winter navigation.

Mikko Niini is the Managing Director of Aker Arctic Technology, a company specialized in ice navigation. **Lasse Rikala** is the Managing Director of Navicon Shipping, before which he acted as the Managing Director of Crystal Pool. **Ulla Tapaninen** is an expert in international logistics with the City of Helsinki and is specialized in marine logistics. She also wrote her doctoral thesis on the subject. She has also worked with Finnlines and has experience in the management of academic research within the industry. CEO **Aki Ojanen** acts as the Chairman of the Board of Directors in all subsidiaries.

"The most important task of the Board of Directors is to develop the company's strategy. We discuss our strategy at each meeting," Aki Ojanen says.

At the end of 2012, the Board of Directors of ESL Shipping paid special attention to the opportunities offered by Arctic regions. The shipping company has vast experience in the demanding ice conditions of the Baltic Sea area. The company aims to utilize this competence and its ice-strengthened vessels in other Arctic regions, such as the Northern Sea Route, and the eastern coast of the United States and Canada.

The discussion is introduced by Mikko Niini who offers an account of the large potential offered by Arctic regions. Niini is one of the most notable experts in the industry and Aker Arctic's leading designers of vessels developed for navigation in Arctic regions.

"In 2012, some 1.4 million tons of cargo passed through the Northern Sea Route. Russia aims to increase the cargo volume up to 20 million tons by 2020," Niini says.

Currently, the Northern Sea Route is open to traffic from July to October–November. It has been estimated that, within a few decades, the route could be open around the year due to global warming. The region also contains numerous natural resources, such as various minerals, that could be transported by ESL Shipping.

IDENTIFYING PARTNERS FOR THE NORTHERN SEA ROUTE

Considering the Northern Sea Route, the shipping company has already signed its first partnership agreement with a Norwegian broker who has a terminal in

The members of the Board of ESL Shipping have extensive expertise in logistics and winter navigation. From the right: Mikko Niini, Ulla Tapaninen, Lasse Rikala and Aki Ojanen.

ESL Shipping's new vessels are perfect for the tight environmental regulations.

Kirkenes but no vessels suitable for dry bulk. Finding the correct partners and contacts is of utmost importance. The Board of Directors reviews various market options from the use of consultants to the recruitment of personnel.

"In the long term, it would be profitable to step forward using our own experts who are familiar with the local market. Acquiring new customer accounts requires a lot of legwork and meetings with potential customers. In this, better results can usually be produced through our own personnel than when using consultants," Lasse Rikala says.

The shipping company's operational management has already reshaped its organization so that more resources are available for sales. At the first stage, it is essential to identify the flow of goods, and then allocate sales resources to the most promising areas.

The Northern Sea Route significantly cuts the distance between Northern Europe and Asia. For example, the Hamburg–Shanghai route is 6,900 nautical miles through the Northern Sea Route, but 11,400 nautical miles through the Suez Canal. However, there is plenty of low-cost capacity available for the southern route in the current freight market.

"Another challenge is that today the Northern Sea Route is open for a few months only. If customers have full-year transportation agreements, it will be difficult to make changes in logistics. We should already find solutions for this problem during sales," Ulla Tapaninen says.

Aki Ojanen summarizes the output of the discussion: "The general intention of the Board of Directors is to find a local expert who is familiar with traffic on the Northern Sea Route, understands the market and is willing to be engaged in sales. In upcoming meetings, we will discuss concrete plans in order to focus and organize sales."

FIRST CONNECTIONS ALREADY ESTABLISHED IN CANADA

The company has already established the first transportation connections in another appealing Arctic region, the eastern coast of the United States and Canada. One of the shipping company's two new Supramax vessels navigates in Canadian ice regions: it transports bauxite and aluminum from Brazil to the steel mill located north of the St. Lawrence Bay. The charterer wished that the cargo is transported using ice-class vessels.

The eastern coast of North America comprises an interesting market area because, starting from 2015, it will be governed by the same sulfur content regulations set by IMO (the International Maritime Organization) as the Baltic Sea. ESL Shipping's new vessels are perfect for the strict environmental regulations. Any modifications required, such as the installation of sulfur washers or the use of diesel, require smaller investments than those required from shipping companies that use older vessels.

Regarding ice navigation, ESL Shipping's main market area will continue to be the Baltic Sea. In North America, it is important to establish a position so that the shipping company finds its way onto the shortlists of companies that require ice-strengthened vessels. Furthermore, the Northern Sea Route is a future market area where operating models are still finding their final form.

Utilizing the opportunities of Arctic regions comprises a significant part of ESL Shipping's strategy. The Board of Directors is also making plans for other growing areas and analyzing any changes in the company's operating environment. As with Aspo Group's other subsidiaries, the members of the Board of Directors of ESL Shipping are available to the acting management of the subsidiaries in questions related to their area of expertise – also outside Board meetings.

"We encourage the management to utilize the Board's expertise. Open discussion benefits both parties. The more connections the Board of Directors has with daily operations, the better it can develop the strategy," Aki Ojanen says.

A reliable partner delivering important raw materials

ESL Shipping transports dry bulk cargoes in the Baltic Sea region, specializing in raw materials for industry. Our vital raw material deliveries make us an essential part of our customers' logistics chain.

Typical customer relationships are long-term and based on mutual trust. The shipping operations were launched in 1949.

ESL Shipping's geared vessels are especially designed to operate in demanding conditions. The ice-strengthened and shallow draft ships are able to enter even the shallowest ports fully laden safely. Bow thrusters and onboard cranes reduce our dependence on tugboats and port cargo handling facilities. Fast and cost-effective port visits are the result.

At the end of 2012, ESL Shipping's fleet comprised 14 vessel units with a combined total tonnage of about 267,000 tons. The shipping company owned 12 of them in full, one in part and one was leased. In 2012, the shipping company received two new 56,000 dwt Supramax vessels.

A detailed presentation of the vessels is available at www.eslshipping.com. ESL Shipping also offers other related services, such as cargo handling at sea or in port.

The shipping company has joined the tonnage tax system.

POSITION IN THE VALUE CHAIN

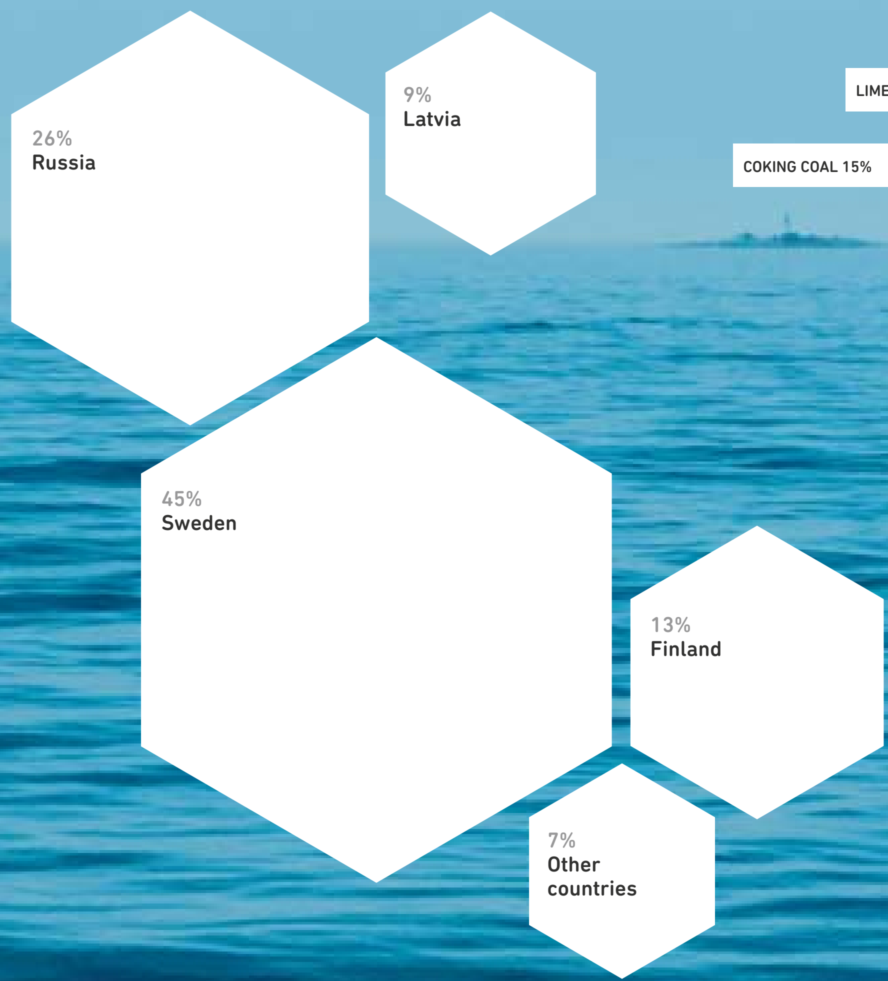
ESL Shipping transports raw materials that industry needs for production purposes. Customer companies in the steel industry, for example, do not have extensive raw material stocks, which means that well-timed and reliable raw material deliveries have a key role for them. This means that ESL Shipping has a pivotal position in the value chain of its customers.

ESL Shipping's key customerships are based on long-term agreements, which make it possible to develop operations and to renew its fleet systematically.

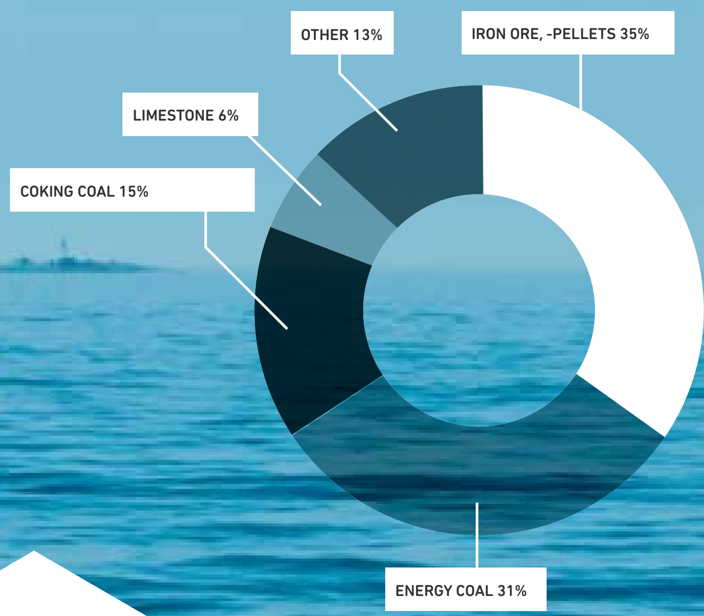
STRATEGY

ESL Shipping's strategy focuses on ensuring a year-round supply of raw materials to industry and the energy sector, even in demanding weather conditions. We are known for reliable,

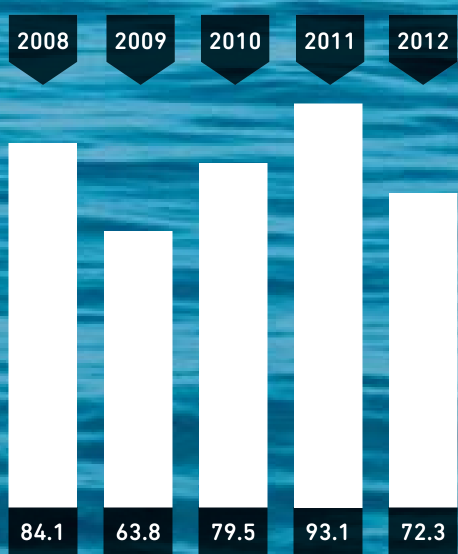
CARGOES BY COUNTRY



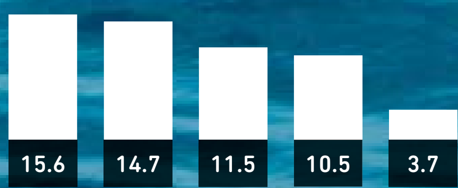
TRANSPORT BY PRODUCT GROUP



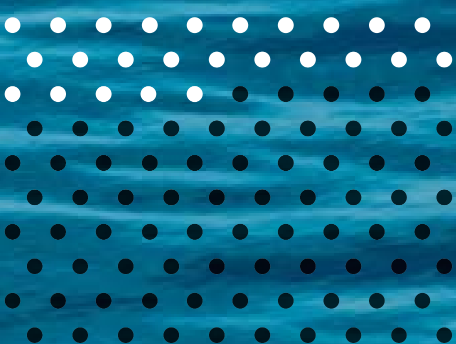
NET SALES MEUR



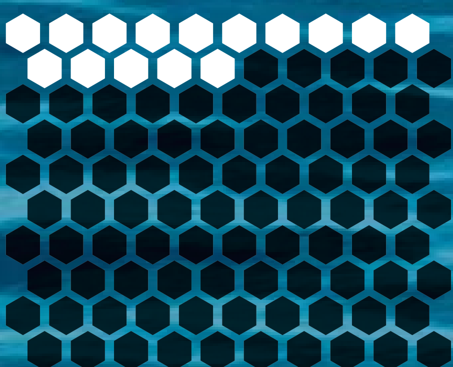
OPERATING PROFIT MEUR



SHARE OF GROUP PERSONNEL 25%



SHARE OF GROUP NET SALES 15%



The new Supramax vessels of 56,000 dwt received in 2012 are highly advanced technically, which is a clear competitive factor in the sensitive Arctic areas.

The shipping company has a large, modern fleet consisting of various sizes of ships.

on-time deliveries and cultivating firm partnerships based on mutual trust.

To provide flexible and reliable service, we have a large, interchangeable fleet. This helps us operate efficiently, enhancing profitability.

Globally speaking, the Baltic Sea is a relatively stable market area: fluctuations in raw material demand are controlled and customer relationships are long-standing. Changes in ocean freight have a delayed and less significant impact on the region. Long-term contracts help us to manage changes in ship fuel prices. If necessary, we also use futures markets to protect ourselves from price risks. Due to these precautions, changes in fuel prices and currency exchange rates do not have a major impact on the company's earnings.

The shipping company owns most of its vessels. This is cost effective and gives latitude for organizing operations: in times of recession, it enables vessel lay-up, which reduces costs.

ESL Shipping flexibly utilizes different forms of ownership. In all cases, the shipping company is itself responsible for vessel operation.

CUSTOMERS AND ADDED VALUE

ESL Shipping's key customers operate in the steel, energy, and chemicals industries. Our main deliveries for the steel industry include iron ore and pellets, coking coal, and limestone. We also supply energy producers with energy coal and the chemicals industry with ilmenite and limestone.

The amount of coal transported by ESL Shipping varies from year to year. Energy coal demand is impacted by factors such as the level of activity in energy-intensive industry and temperature in winter. Our vessels are also suited for transportation of dry biofuel, such as pellets.

Our competitive edge comes from the flexible and efficient services we can provide thanks to our expert staff, close and enduring customer relationships, good reputation, and a sufficiently large and modern fleet of different-sized vessels. Except for one leased vessel, the vessels sail under the Finnish flag. ESL Shipping accounts for 21% of the transportation capacity of the entire Finnish merchant navy.

NEW SUPRAMAX CARRIERS HAVE PROVEN THEIR STRENGTH

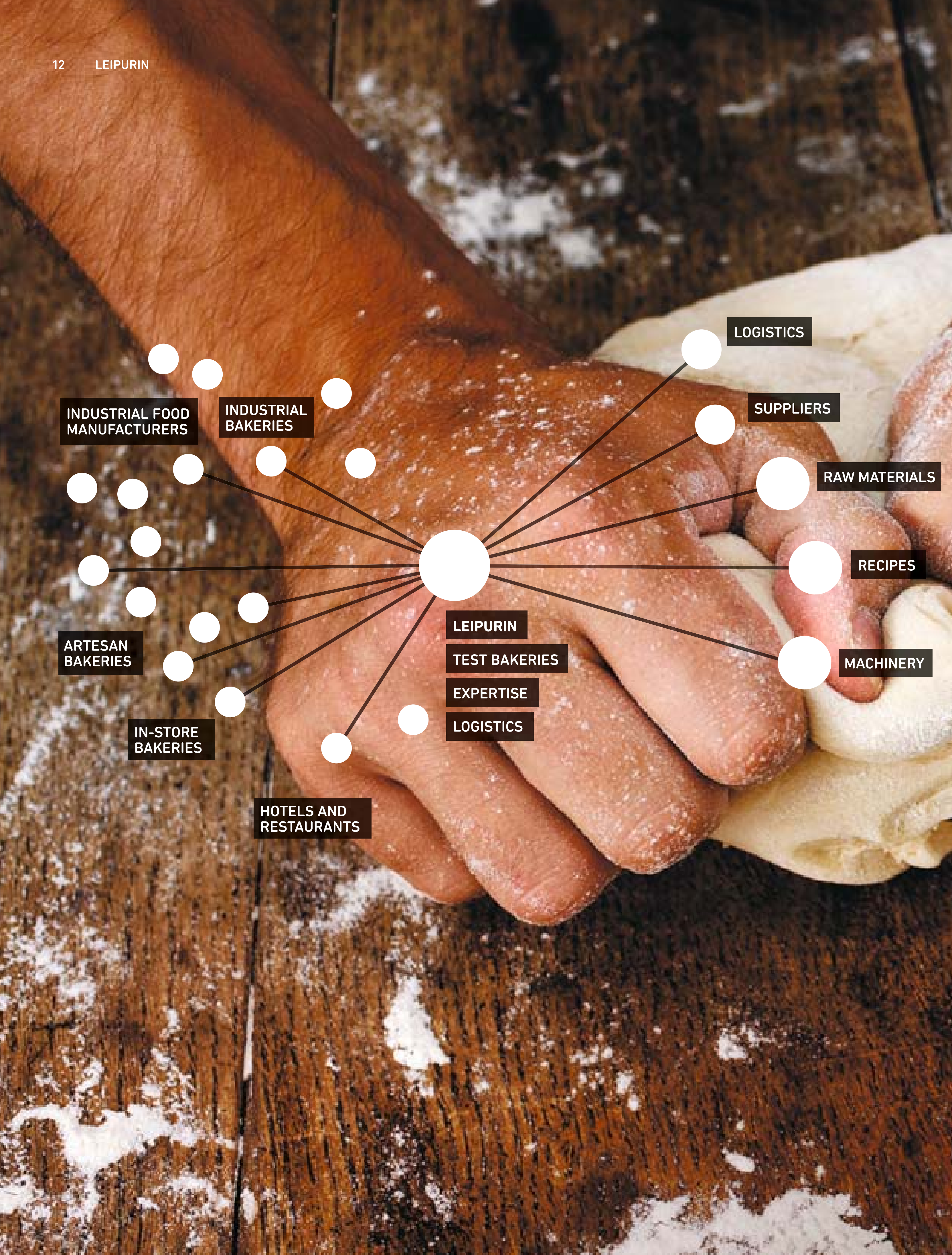
At the beginning of 2012, ESL Shipping received two Supramax vessels of 56,000 dwt – m/s Arkadia and m/s Kumpula. The vessels are interchangeable, which improves reliability, and ensures flexible and efficient operations.

Despite the historically difficult market situation in 2012, the Supramax carriers fulfilled all of their expectations. The vessels were operated efficiently even though Kumpula navigated in the spot market in open water conditions.

Arkadia and Kumpula are the world's only ice-strengthened dry cargo vessels in their class. This provides the shipping company with excellent competitive benefits over transportation in Arctic regions. For example, the demanding conditions in the Northern Sea Route require a modern and technically advanced fleet.

In Arctic areas, environmental aspects are also emphasized. Both Arkadia and Kumpula are equipped with ballast water cleaning systems. What is also significant is our experience: reliable operations in demanding conditions are highly valuable.

One challenge on the Northern Sea Route is that it is open, for now, for a relatively short time – from July to October–November in an average year. However, that period is perfect for ESL Shipping because, at that time, its home market – the Baltic Sea – is open. Therefore, the ice-strengthened vessels could be utilized in demanding conditions around the year.


LOGISTICS
SUPPLIERS
RAW MATERIALS
RECIPES
MACHINERY
INDUSTRIAL FOOD MANUFACTURERS
INDUSTRIAL BAKERIES
ARTESAN BAKERIES
IN-STORE BAKERIES
HOTELS AND RESTAURANTS
LEIPURIN
TEST BAKERIES
EXPERTISE
LOGISTICS

LEIPURIN

pp. 12—19

THE STRATEGY OF LEIPURIN EMPHASIZES END-TO-END SERVICE. THE COMPANY PROVIDES ITS CUSTOMERS WITH RAW MATERIALS, RECIPES, MACHINES, AFTER-SALES SERVICE, AND KNOW-HOW THAT COVERS THE PROCESS AS A WHOLE. END-TO-END CUSTOMER SERVICE PROMOTES SALES OF RAW MATERIALS, MACHINES, AND KNOW-HOW ALIKE.

Customers do R&D with Leipurin

Leipurin collaborates closely with its customers to manufacture products that interest consumers and traders.

In line with its strategy to emphasize end-to-end service, Leipurin has reorganized its operations. Raw material and machinery sales have been joined to form one customer service team.

”For customers, the change means more efficient problem-solving. At the same time, we improve the efficiency of our internal communication and become even more proactive,” says **Matti Väänänen**, Managing Director of Leipurin Ltd.

The 11 test bakeries located in the company’s market areas are concrete examples of end-to-end service. In the latter half of 2012, Leipurin Ltd moved to new premises in Vantaa, including the Finnish test bakery. In January, the Leipomo Salonen bakery from Turku visited the test bakery. Leipurin and the Salonen family company, founded more than a century ago, have been collaborating for decades.

”We have a deep mutual trust. It has developed over the years, with Leipurin actively looking for solutions to our problems. We have received help with business development from them,” says **Juha Salonen**, Managing Director of Leipomo Salonen.

Leipomo Salonen has a major investment program underway. It includes modernization of the pastry line. Therefore, a dynamic team of five from Leipomo Salonen came to the test bakery to explore alternatives for new machinery.

The test bakery’s Sales Director **Aila Kiiskinen** and the bakery consultants **Hannu Ahonen** and **Thomas Silfverberg** are present, as well as machinery sales reps and representatives from the machine manufacturer. They are prepared to answer more detailed technical questions.

NEW IDEAS THROUGH TEST BAKING

The machines to be demonstrated have been particularly designed for the production of sweet and savory filled pastries. The machines represent the latest technology. It is easy to customize the size and form of the pastries and the amount of filling. The bakery consultants tested the baking of many different end products in accordance with Leipomo Salonen’s wishes.

The visitors are impressed by the versatility of the bakery machines.

”Uniform quality and efficiency are important, but that is not enough to stand out from others. The machine investment must also support our product development. Therefore, it is great to be able to test different ingredients and look for ideas and recipes for new products,” Juha Salonen says.

COLLABORATION BASED ON TRUST

Visits to the test bakery are a good example of the close interaction between Leipurin and its customers.

”Customer-specific test baking is always extremely confidential. We discuss our customers’ recipes and demonstrate how our machines suit the production they are planning. Moreover, we can contribute to their product development with our expertise in ingredients and recipes. For our part, we help to solve our customers’ problems,” Aila Kiiskinen explains.

In addition to visits by customers, the test bakeries arrange open and customized training events on new ingredients. Customers can get information and ideas for the development of their own recipes.

Leipurin also forwards customers’ wishes to its suppliers – manufacturers of raw material components and mixes. For example, the wishes can be related to customization of ingredients, such as making lactose-free versions. Such communication further reinforces trust between Leipurin and its customers.

Thus, Leipurin is engaged in continu-

The taste and structure of the results of test baking – filled pastries – are examined by Juha Salonen (right), Leipomo Salonen Oy's Managing Director; Aila Kiiskinen, Leipurin Oy's Sales Director; and Matti Väänänen, Leipurin Oy's Managing Director.

ous dialogue not only with customers but also with suppliers. Leipurin has about 200 suppliers altogether in raw materials and machinery. About half of them are experts in some key area.

”We meet with each one of our suppliers at least once or twice a year. With our key suppliers we communicate practically on a weekly basis, because we always have customer projects going on with all of them,” Väänänen says.

EARLY DETECTOR OF TRENDS

Thanks to its extensive contact network and expertise, Leipurin is always up-to-date with the development of the baking industry. Early identification of trends in the industry is required in order to be able to offer end-to-end solutions to customers.

”Large industrial manufacturers conduct product development. We help them to make the products they have designed. In addition, we provide smaller artesan manufacturers with ideas how to make use of the trends in the industry. For example, we have strongly improved our range of organic ingredients and designed recipes for them,” Väänänen explains.

In addition to organic products, consumers are interested in locally produced food and Clean Label products with as few E-codes as possible. The low-carb boom is now over, and the decrease in bread consumption has stopped in Finland.

In addition to monitoring and forecasting consumer behavior, Leipurin focuses on understanding the special needs of its different customer segments. Industrial manufacturers, artesan bakeries, in-store bakeries at supermarkets, and Horeca bakers have very different operating models and product development programs.

The goal of Leipurin's recent development projects is to offer even better service for this varied customer base.

”In 2012, we had exceptionally many internal projects underway: the integration of a business acquisition, the implementation of a new ERP system, and the move to new premises. They required a lot of the organization's time, but now we are even better equipped for our most important job: the promotion of our customers' success,” Matti Väänänen says.

A service concept that combines raw materials and machinery

Leipurin supplies raw materials and machinery to the food industry and provides services for all stages of its customers' production processes, from R&D to boosting production and operational efficiency.

The Leipurin Group operates in Finland, Russia, Ukraine, Belarus, Kazakhstan, Estonia, Latvia, Lithuania, and Poland. In Russia, the company has offices and warehouses already in 13 cities, covering all economic areas of the country.

POSITION IN THE VALUE CHAIN

Leipurin is positioned between raw material producers and the food industry in the value chain. The company provides bakeries and other food industry with branded products by different raw material producers, as well as raw materials which are based on the company's own product development and recipes, and are marketed under the Leipurin product brand.

In raw materials, the product range comprises both volume products and technical products. Examples of volume products include flour, fat and starches. Volume products involve opportunities for new accounts and large volumes help improve the efficiency of logistics. Examples of technical products include enzyme-based bread enhancements and other mixes which give bread a good appearance, size and structure. Technical products require special expertise and introduce more added value in the entire value chain.

Leipurin supplies machinery and full manufacturing lines for all stages of the production process, from dough making to product packaging. The machinery is either manufactured by Leipurin, or by significant international suppliers. The Leipurin-Vulganus unit in Nastola, Finland specializes in the design and manufacture of machines.

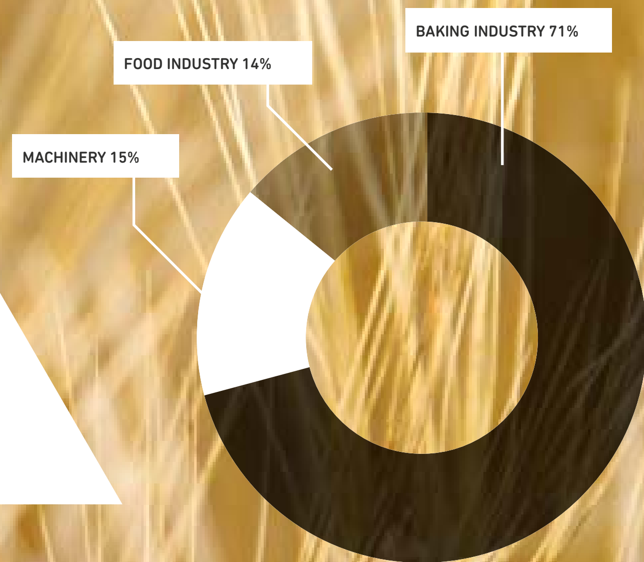
STRATEGY

End-to-end service is the key to the Leipurin Group's competitiveness. Even globally, Leipurin is one of only a few companies that can supply baking industry with both raw maerials and machinery. Expertise in all stages of the production chain gives the company a unique and precise view of market trends throughout the food industry, putting the company in an ideal position to improve its customers' competitiveness and find solutions to their challenges.

For example, Leipurin can improve the cost-effectiveness of its customers and help them get their products onto store shelves. Global procurement and efficient logistics help to maintain customers' raw material costs at a competitive level. Leipurin draws on its expertise

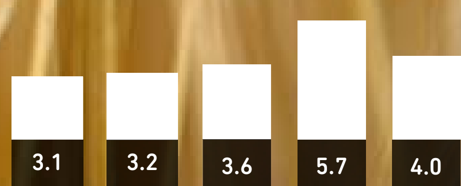
NET SALES DISTRIBUTION BY COUNTRY

NET SALES DISTRIBUTION

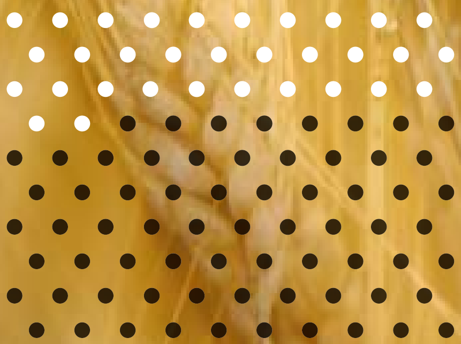


NET SALES MEUR

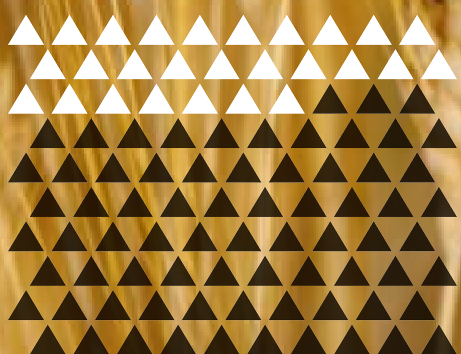
OPERATING PROFIT MEUR



SHARE OF GROUP PERSONNEL 32%



SHARE OF GROUP NET SALES 27%



The know-how related to raw materials, recipes and machinery is concretized by eleven test bakeries located in different market areas. Thomas Silfverberg (left) and Hannu Ahonen work in the Vantaa test bakery.

to assist customers in making even more appealing products that consumers will love.

Leipurin seeks to be a leading local expert and supplier to its customers, and the most desired partner to its own suppliers.

CUSTOMERS AND ADDED VALUE

Leipurin's customers include bakeries, other industrial food manufacturers, in-store bakeries in retail shops, and Horeca (hotels, restaurants, and catering) businesses.

The company supplies raw materials, machinery, and equipment as well as expertise in preparation and R&D.

About 71% of Leipurin's net sales come from raw materials for the baking industry, 14% from raw materials for other food industry sectors, and 15% from machinery.

First-class customer service is the company's competitive advantage in raw material sales. Customers are offered the highest possible quality, safe and competitively priced products, a comprehensive product range, the industry's leading suppliers, and reliable, cost-effective logistics. Raw materials used by bakeries and other food industry sectors have mutual synergy. Many convenience foods, for example, are based on baking, and bakeries have expanded their product ranges to include such products as flavoured dry bread and convenience foods.

Machinery and equipment are delivered for all phases of the baking industry's production process. The company also delivers full manufacturing lines and bake-off units. Leipurin's suppliers are the highest-profile equipment manufacturers in the business. In addition, Leipurin designs and manufactures special machinery, and spiral systems used in the cooling, freezing and leavening processes for the entire food industry. Their advantages include reliability, energy-efficiency and a high level of hygiene. We often collaborate closely with our customers when developing our own machine models.

Expert consulting, R&D, and customer training are core services of Leipurin. New recipes, raw materials, and machinery enhance our customers' competitiveness, as do more universal innovations in production and logistics. This baking know-how becomes new products at eleven test bakeries, which are located in different market areas. For example, test bakeries carry out test baking of new products.

Cooperation between Leipurin and its customers helps in creating products that are appealing to consumers.

MAJOR INVESTMENTS IN BAKERY MACHINERY

In 2012, Leipurin strengthened its bakery machine-related operations. The first step of the integration of the business acquisition concluded in 2011 was completed: bakery machines now have a joint organization, and production is housed in one modern engineering workshop. Now the focus is on the deepening of integration: improvement of the efficiency of the organization and production, and enhancement of the product ranges.

Leipurin is also planning to increase bakery machine servicing and other after-sales services. According to customer surveys, demand for permanent service contracts is continuously increasing.

The strategy of Leipurin emphasizes end-to-end service. The company provides its customers with raw materials, recipes, machines, after-sales services, and knowhow that covers the process as a whole.

End-to-end service promotes sales of raw materials, machines, and know-how alike. Leipurin has won some major machinery deals, because in addition to the delivery of production lines and their start-up, the company can offer its customers more extensive cooperation in the development and manufacture of products that interest consumers and traders.

The end-to-end service concept is being increasingly applied in all the countries where the company is present. In practice, this means that more bakery machinery sales personnel will be recruited, first in Russia and then in the Baltic countries, Ukraine, and the CIS countries.

The joint raw material and machinery sales organization is also a manifestation of end-to-end service. In future, the company will have one customer service team in each country. The team has expertise in raw materials and machinery, as well as after-sales services.

Investors appreciate Aspo's long-term approach

Aspo has an extensive owner base, including insurance companies, foundations and major private investors. Most of the shareholdings are long-term which corresponds with Aspo's steady operations.

One of the duties of **Gustav Nyberg**, the full-time Chairman of the Board of Aspo, is to manage stakeholder relations with the company's major shareholders and investors.

On the day following the publication of the financial statements for 2012, Nyberg met with **Maarit Toivanen-Koivisto**, the CEO of Onvest Oy. She is a major shareholder of Aspo, as is Onvest's investment company Onninen-sijoitus Oy. In 2012, the market value of the company's investments was approximately EUR 72 million.

Onvest's values are long-termism, responsibility and development. Values also guide the company's investments.

"We are a long-term investor. A major part of our capital is invested in Finnish listed companies, because we are familiar with their operations and management. That makes the investment business easier to predict," says Toivanen-Koivisto.

"Many Finnish companies are so international that they also allow geographical diversification. A major part of Aspo's net sales and result also comes from emerging markets. Some of our shareholders appreciate us for that very reason. We provide them with one way of diversifying their investments to interesting Eastern markets," Nyberg says.

There are several different factors behind Onvest's Aspo investment.

"Aspo has a strong balance sheet, stable ownership and a steady dividend policy. It is also important that Aspo is a company with multiple fields of operation, and it has therefore already diversified its own risks," Toivanen-Koivisto says.

OWNERSHIP WITH A FACE IS ATTRACTIVE

Aspo and Onvest have a lot in common. Both have a long history, owners with a face, multi-industry operations and solid experience of the Eastern markets. Earlier, when Aspo was engaged in the steel business, it also had mutual business with Onninen.

"We have certain similarities, which is why we have a better understanding of Aspo and its operations. That is why the investment decision was also easy."

"Ownership with a face is a good thing, but it is even more important that the company abides by the principles of listed companies and takes all shareholders equally into account. This has worked well with Aspo," Toivanen-Koivisto commends.

According to Nyberg, the Board is primarily responsible for ensuring that all shareholders are treated equally. The matter materializes when the distribution of dividends is discussed, for example.

"Aspo has a very long-term dividend policy. Our total amount of dividends has either grown or remained at the previous year's level for 13 successive years now."

COMMITTED OWNERSHIP BASE IS THE GOAL

Aspo has persistently striven to create a steady ownership base.

"Long-term investors are important to us. When Aspo de-merged in 1999, we had 891 shareholders. We then started our systematic efforts to increase the number of owners and to attract major, committed owners, such as foundations and investment companies. Now we have 6,500 owners and a steady ownership base."

Persistence and the steady development of the investment often go hand in hand. Nyberg believes that a steady increase in value is exactly what the majority of Aspo's shareholders expect, rather than quick profits.

"Conglomerates are often slightly undervalued. From time to time, we are visited by analysts who argue that the sum total of our parts exceeds the present value of the company. That comes as no news to us. However, we are not in the business of extracting the value of the company in the short term; instead, our duty is to secure the long-term development of the Group."

"I fully support that. It is important for us that the actions of our investment objects are predictable. It is easier to trust a company that works with a long perspective rather than just thinking of the next few quarters," Toivanen-Koivisto says.

Ship investments are practical evidence of the long-term perspective.

"Ship investments involve a time span of some 30 years. Therefore, the Board of Aspo makes resolutions concerning a time when none of the Board members are involved in the company's operations any more. That helps visualize the perspective of our operations and also provides a practical example of the values that our business is based on," Nyberg says.

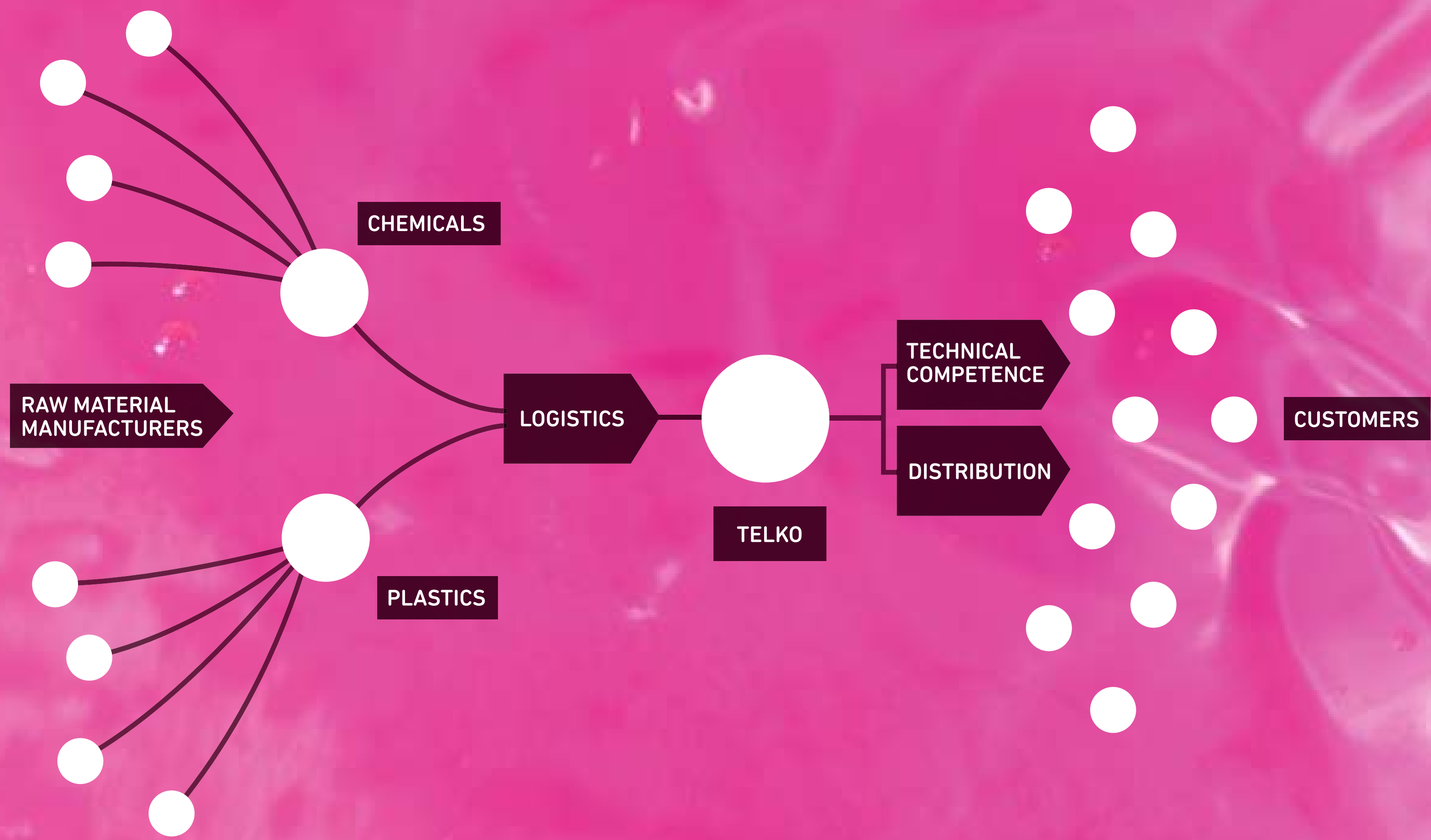
PREDICTABILITY OF OPERATIONS IS INCREASINGLY IMPORTANT

Onninen-sijoitus has its own investment team assisted by external advisors. They analyze the structure of and changes in the investment portfolio. The return targets are specified for the entire investment business, not for individual shares.

"I personally want to understand how those companies that I invest in operate. I consider the predictability and reliability of operations important. Aspo is a financially solid company that has the possibility to expand organically or through acquisitions, thus further increasing the value of the company," Toivanen-Koivisto says.

Toivanen-Koivisto also commends Aspo for the boardroom work of the Group and its subsidiaries.

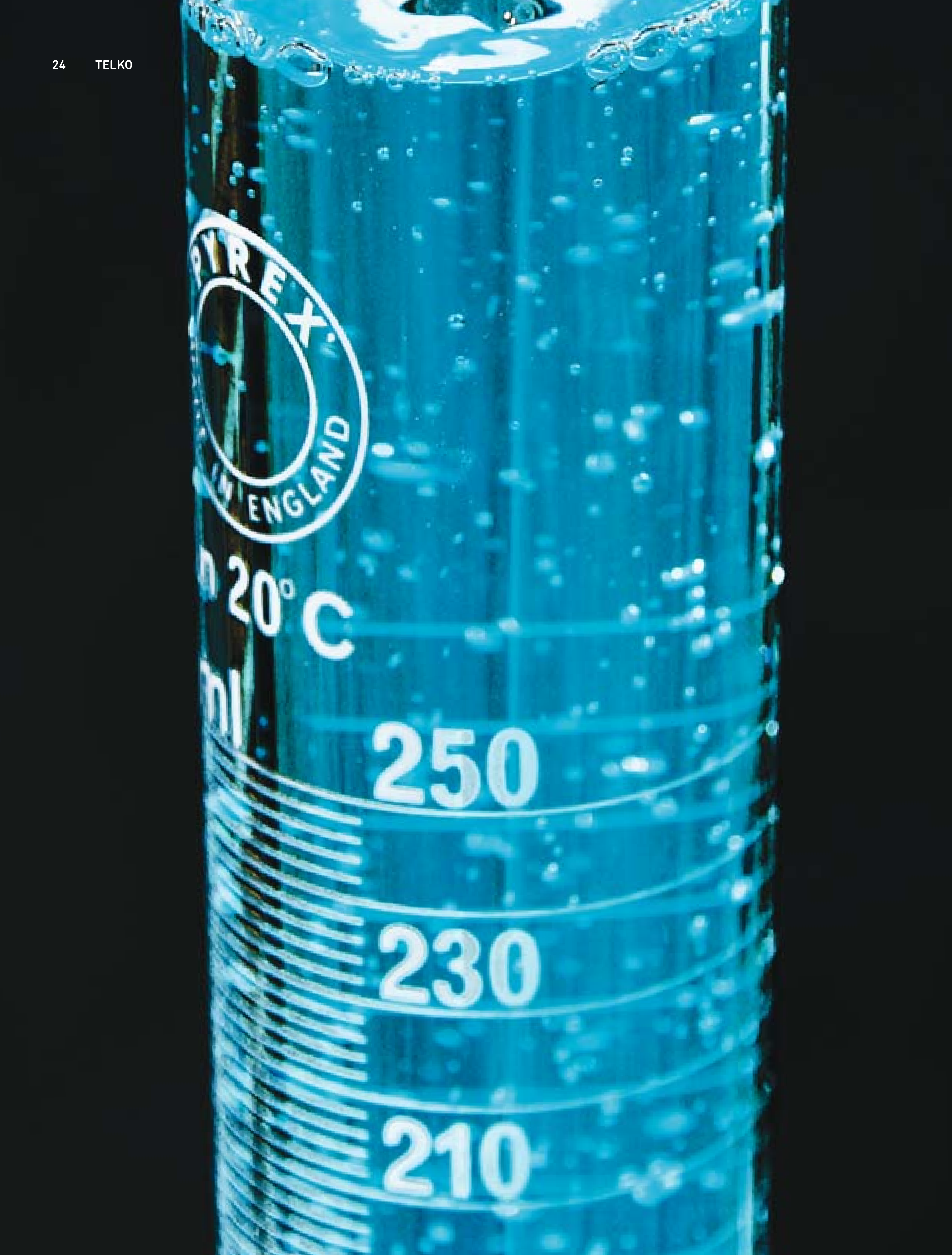
"It is important to me that the Board members are actively involved in working life. Then they maintain a better touch with the everyday life and the lie of the land. That means that they can also contribute more to boardroom work."


CHEMICALS
RAW MATERIAL MANUFACTURERS
LOGISTICS
TELKO
TECHNICAL COMPETENCE
DISTRIBUTION
CUSTOMERS
PLASTICS

TELKO

pp. 22—29

TELKO ACTS AS AN EXPERT LINK BETWEEN PRODUCERS OF PLASTIC RAW MATERIALS AND INDUSTRIAL CHEMICALS AND THE COMPANIES THAT USE THEM. TELKO'S TECHNICAL EXPERTISE IN RAW MATERIALS AND PRODUCTION PROCESSES HELPS CUSTOMERS DESIGN EVEN BETTER AND MORE COMPETITIVE PRODUCTS. THIS MAKES TELKO A DESIRED AND RESPECTED PARTNER.


PYREX
IN ENGLAND
20°C
250
230
210

Successful supplier relationships are based on openness

Telko's relationships with its suppliers are partnerships based on open communication and transparent operations.

Telko's major suppliers are global manufacturers of plastic raw materials and chemicals. One of its key suppliers is ExxonMobil Chemical, a company with which Telko has a long-standing, significant and successful partnership.

It is based on mutual trust, which is built upon openness in activities and communication. In January 2013, Telko reorganized its operations in the Customs Union of Russia, Belarus and Kazakhstan. Telko's Managing Director **Kalle Kettunen** met with the management of ExxonMobil Chemical to explain the reasons for the changes in person.

"It was a question of important changes in a significant market area. I wanted to explain the background and how the changes will benefit the supplier as well," says Kettunen.

From the supplier perspective, the rapidly growing Russian, Ukrainian and other CIS country markets are increasingly attractive market areas. Telko has a long history of successful business operations in this area. The local customers appreciate Telko's expertise and its Western way of doing things, whereas suppliers are interested in its solid local expertise.

"Telko has a role as an important service provider for EMC. Telko has a strong presence in the Russian, Scandinavian, Baltic and CIS countries, and has built a solid know-how of the market segments," says distribution sales manager **Frédéric Moens** from ExxonMobil Chemical's Polyolefins business unit.

"Telko is viewed by EMC as an important distributor for its local expertise, technical competence and logistics capabilities. EMC sees Telko as a capable and reliable distributor and looks forward to exploring future potential development opportunities. Russia and other CIS will continue to require high level of focus, particularly in opportunities for premium products."

FEEDBACK TO THE SUPPLIERS HELPS IMPROVE PRODUCTS

In practice, communication between Telko and its major suppliers is an ongoing dialogue. The companies communicate monthly on expected product requirements, product technical support and other distribution-related matters.

Another major topic of discussion concerns new projects and their status. Telko has extensive R&D cooperation with its customers. This way, Telko is able to provide feedback to the suppliers on the qualities of their raw materials which should be developed further.

"Feedback is important. EMC uses market feedback to help improve its products and services," Frédéric Moens explains.

Suppliers also organize various product and safety training courses for the Telko team. Telko provides sales services to its suppliers and is therefore partially

Representatives of Telko and ExxonMobil Chemical meet regularly. From the left: Kris De Pau and Robert Luttu (ExxonMobil Chemical), Oxana Helenius (Telko), Frédéric Moens (ExxonMobil Chemical) and Kalle Kettunen (Telko).

responsible for safeguarding their reputations. That is why the company focuses on reliability, safety and efficiency. The fact that Telko is part of Aspo Group, a publicly listed company, creates trust among its global suppliers. Therefore, they are sure that Telko's operating models are transparent and ethically sustainable.

OPENNESS SUPPORTS MUTUAL SUCCESS

According to Kettunen, ongoing changes among the suppliers favor companies with strong local expertise, such as Telko. Some suppliers focus on their core business – refining raw materials – while product sales are increasingly handled by their partners.

This change underlines the importance of even closer partnerships, which necessitates even greater openness in mutual communication.

"Most of our suppliers are already very open about their product portfolios, such as which products are emphasized internally. The more they collaborate with us, the better will we be able to serve them. Thus, openness and transparent operating models promote the success of both parties", says Kettunen.

At a general level, suppliers require more information and a better predictability of operations from their partners. They want to learn more about what kinds of projects Telko's customers are planning in order to better optimize their own production plans. Another common requirement is a dedicated contact person who has an accurate overall picture of the market area at all times.

ACTIVE COMMUNICATION PRODUCES GOOD WORK

Being in constant contact with the suppliers also makes it easier for Telko to demonstrate its expertise and commitment to them. As an example, Kettunen explains how a supplier was once unable to deliver its gypsum materials to Finland due to a strike at the port. This threatened to interrupt the production activities of one of Telko's customers. However, Telko was able to secure a sufficient quantity of raw material from other customers for whom it was not as critical. Thanks to Telko's extraordinary efforts, all customers were able to continue their production activities as usual.

The supplier gave extremely positive feedback on the commitment demonstrated by Telko. The event further strengthened their mutual trust.

"It is important that the suppliers remain aware of how good our work is. This is why we do our best to ensure that we remain in constant contact with our suppliers and that partnerships are based on transparent activities."

Expert in industrial raw materials

Telko is an expert link between producers of plastic raw materials and industrial chemicals and the companies that use them.

Telko operates in Finland, Sweden, Denmark, Norway, Estonia, Latvia, Lithuania, Russia, Belarus, Kazakhstan, Ukraine, Poland, Czech Republic, Slovakia, and China. To ensure efficient logistics, we have a refinery terminal in Rauma and numerous local warehouses in our business countries.

Thanks to its long-term customer and supplier relationships, Telko has gained specialized expertise in the raw materials customers need in their production processes. Our extensive product range and diverse customer base provide an exceptionally comprehensive view of the markets and their key factors. This enables us to assist our customers in their business challenges and serve them as a real partner that provides real added value. Our extensive customer service also covers technical support and the development of production processes.

POSITION IN THE VALUE CHAIN

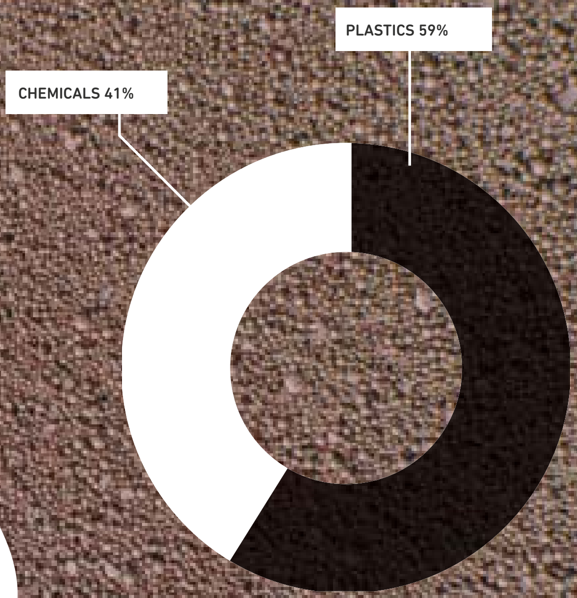
In the value chain, Telko operates between raw material manufacturers and the industry that uses the raw materials. Telko's role has strengthened in many respects, as raw material manufacturers have focused on industrial production and given up their own regional sales and marketing operations.

The company's key suppliers are well-known producers of plastic raw materials and chemicals such as ExxonMobil Chemical, BASF, LyondellBasell, BP Castrol, EMS, Samsung, LG, Total Petrochemical, AkzoNobel, and Lubrizol. Procurement is international: Telko's range includes raw materials not only from European producers, but also from many Russian, Chinese, Korean, and Indian companies. Telko is always on the lookout for new suppliers producing high-quality and competitive raw materials.

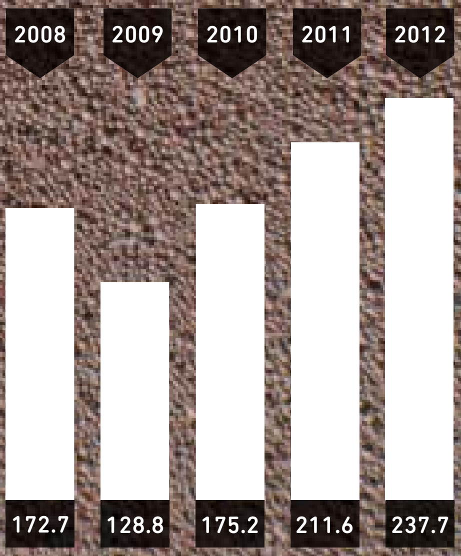
In plastics, Telko's operating model is to provide efficient services to large companies and SMEs. SMEs manufacturing plastic components have to react rapidly

NET SALES DISTRIBUTION BY COUNTRY

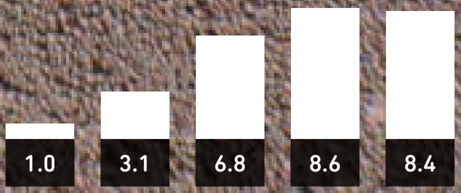
NET SALES DISTRIBUTION



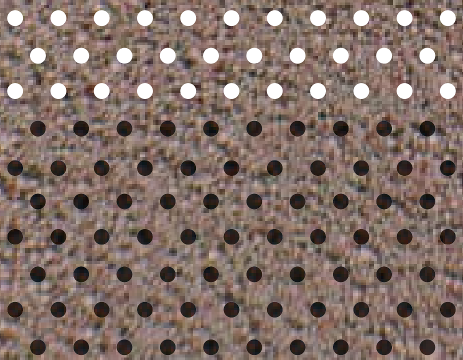
NET SALES MEUR



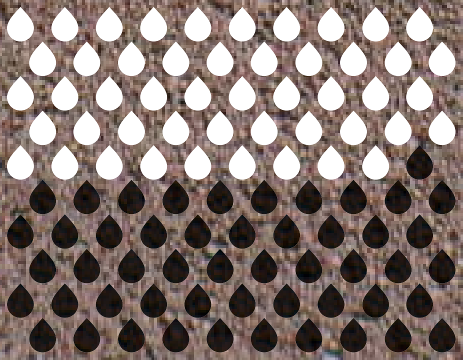
OPERATING PROFIT MEUR



SHARE OF GROUP PERSONNEL 30%



SHARE OF GROUP NET SALES 49%



Various pigments are used, for example, in the paint industry.

to their own customers' requirements. For this reason, it's vital for them to be able to rely on a flexible and local distributor like Telko. Telko's technical expertise helps customers design and develop even better and more competitive products.

In chemicals, Telko is a reliable logistics link between raw material producers and end-users. Telko also creates added value through technical competence, customer-specific product tailoring and different kinds of services.

STRATEGY

Telko's strategy is to expand, particularly in Russia and other growth markets in the East. The growth of the national economies and retail in those markets has led to a direct increase in the demand for raw materials and chemicals. The growth strategy is implemented by expanding operations, both geographically and into new customer segments.

Telko's product and supplier management focuses on products that require technical competence, such as special chemicals and raw materials for technical plastics. Technical competence is a clear competitive edge for Telko. It is demonstrated through our expertise related to raw materials and customers' production processes. Added value is also created through customer-specific product tailoring and product-related services. Tailored products are marketed under the Telko brand.

CUSTOMERS AND ADDED VALUE

Telko supplies both engineering and commodity plastics to companies in the packaging, construction, electricity and electronics industries, as well as to plastics industry companies manufacturing consumer products.

In chemicals, we supply lubricants and industrial, specialty, and automotive chemicals. Telko's customers include companies in the paint, printing, packaging, detergent, cosmetics, construction, and chemical industries. Telko's operations are focusing more on special chemicals. Environmental products are also a growing business.

Telko's product range, expertise, and logistics generate added value for our customers. Telko is a highly sought-after partner thanks to our operations in exciting Eastern growth markets and our strong technical expertise in raw materials and their suitability for various production processes. Efficient logistics cover global procurements of raw materials, local warehouses that enable rapid, flexible, and customized deliveries, and end-to-end management of the delivery chain.

Several local warehouses enable efficient deliveries to customers.

DIFFERENT STRATEGIES FOR DIFFERENT MARKETS

Over the past few years, Telko has launched business in China, Kazakhstan, the Czech Republic, and Slovakia. Telko has entered each market with a different strategy and product range.

China, the Czech Republic, and Slovakia are mature and competitive markets. Therefore, Telko's strategy in these markets is to focus on providing engineering plastics that require high competence. It takes longer to become established in the market: you must build your image, become involved in new customer projects, and, finally, gain customers' trust through good performance.

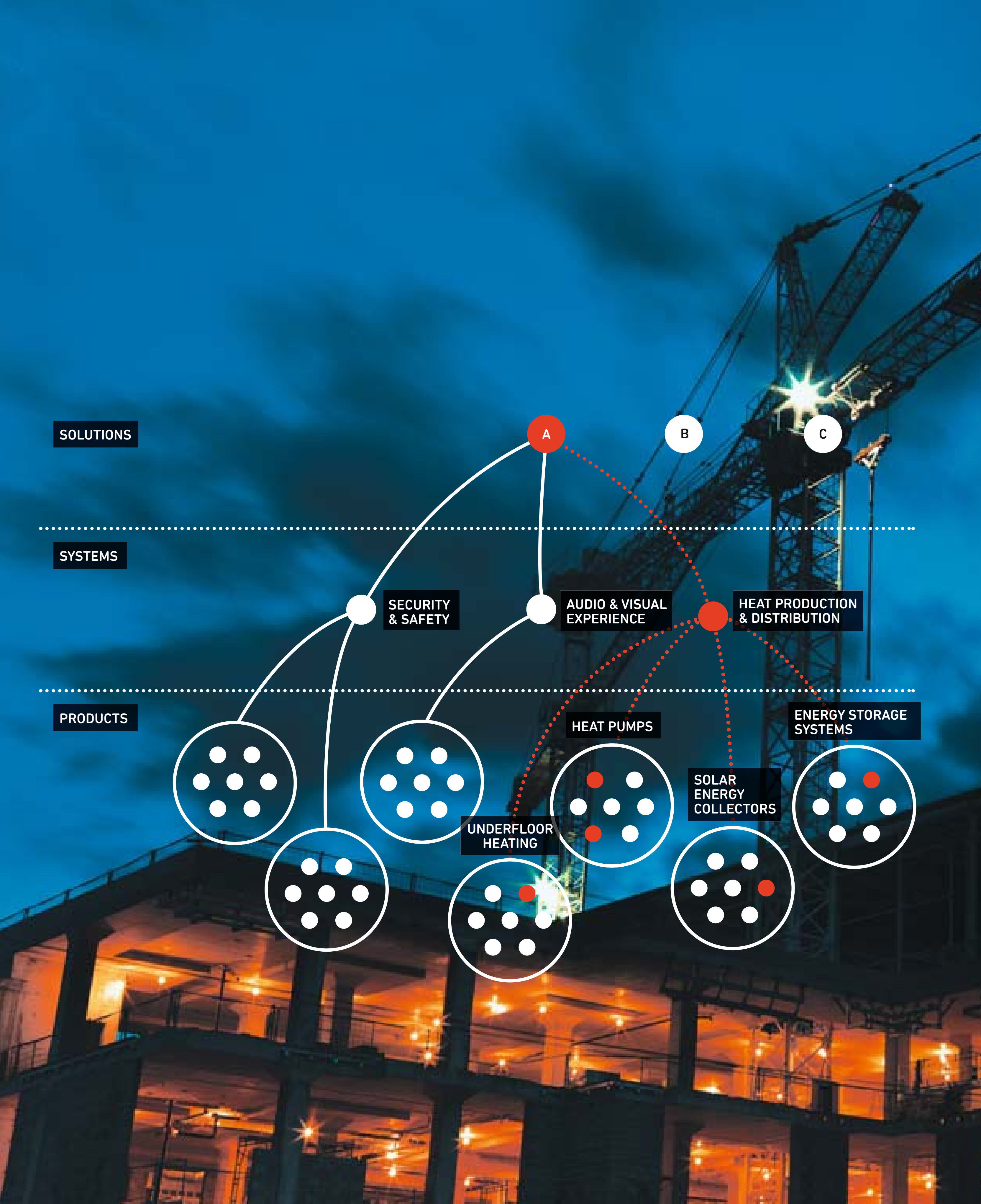
Kazakhstan is a young market, and demand for technical products is low. In this market, Telko focuses on basic products, with the emphasis on price and efficient operating models. Therefore, Telko had a quick start and the growth has been strong.

Progress is slower in the mature markets, but future business is expected to be significant. In the Czech Republic and Slovakia, for example, there is a burgeoning automotive industry which uses plastic vehicle parts made of technical raw materials instead of metal parts. It is estimated that a medium-sized car has about 250 kilograms of plastic parts.

The division into volume products and special products requiring techincal expertise can also be seen in the collaboration with the suppliers.

For example, suppliers with an extensive product range may want Telko to focus on selling their strategically important special products. Telko can then choose the supplier of volume products on the basis of cost.

Over the past couple of years, Telko's list of suppliers has grown by a few dozen. This is a clear strategic choice: Telko aims to grow, and growth is largely based on new suppliers who expand the company's product range.


SOLUTIONS
A
B
C
SYSTEMS
SECURITY & SAFETY
AUDIO & VISUAL EXPERIENCE
HEAT PRODUCTION & DISTRIBUTION
PRODUCTS
HEAT PUMPS
ENERGY STORAGE SYSTEMS
SOLAR ENERGY COLLECTORS
UNDERFLOOR HEATING

KAUKO-MARKKINAT

pp. 30—37

IN BUILDING ENGINEERING, KAUKOMARKKINAT IS CAPABLE OF BUILDING HYBRID SOLUTIONS OUT OF DIFFERENT PRODUCTS TAILORED FOR DIFFERENT END USES AND CUSTOMER NEEDS. THE COMPANY HAS AN EXTENSIVE UNDERSTANDING OF CUSTOMER NEEDS, THE INDUSTRY'S LEADING MANUFACTURERS AND ITS LARGE-SCALE RANGE OF SOLUTIONS. USING THE EXPERTISE OF KAUKOMARKKINAT, CUSTOMERS CAN SELECT THE MOST SUITABLE SOLUTION.

Key partner in building systems technology

Kaukomarkkinat believes in the increasing demand for local energy production and total solutions of building systems technology. The company has expanded its product range and has sought new partners from among manufacturers, designers and installation companies in the field.

Kaukomarkkinat integrates individual products into total systems, for use in the local generation of heating energy, and in storage and distribution of it. These systems can be further extended with, for example, building automation and property surveillance.

"There is still uncertainty in the industry regarding different technologies and their uses. We want to eliminate that uncertainty for our part by offering functional solutions that help the consumers to reduce their electricity bills and carbon dioxide emissions," says **Jukka Nieminen**, Managing Director of Kaukomarkkinat.

In addition to expanding its product range and offering complete packages, Kaukomarkkinat provides training for its partner network of independent installation companies. We also provide support for HVAC & electrical engineering firms for producing site-specific plans.

"Our ideas have been well received. The construction sector needs experts like us who are not tied to a single manufacturer, product area or technology."

Kaukomarkkinat works in cooperation with its customers, such as hardware stores, the wholesellers, and installation companies. The company is an expert that provides the best products and the most functional total solutions in the business. While doing so, Kaukomarkkinat also supports the success of all its partners.

TRAINING FOR DIFFERENT PARTNERS

There is an ever-increasing demand for an overall approach in the market, particularly in demanding renovation projects. Having a wide range is a competitive advantage, because different sites need different solutions in different price brackets.

"Our and our partners' expertise tells us what kind of packages should be installed in each project. That is why competent contractors are an important pool of partners for us."

Kaukomarkkinat invests heavily in the development of its own expertise and that of its installer network. At the end of 2012, the company opened its new building systems technology center named Koskelo in Espoo. It is also used for providing installers and retailers with training in the installation, commissioning and maintenance of different systems.

"We can use the training facilities to present different solutions in the most authentic conditions possible. We can, for example, build a boiler room for a small house in the facilities and demonstrate how an air-to-water heat pump and underfloor heating with water circulation can be installed alongside an oil-fired boiler. The demand for hybrid solutions like this, with competent assembly and installation, is increasing all the time," says Operative Director **Tero Lindén** of Kaukomarkkinat Building Systems business unit.

Juha Syrjänen was familiarizing himself with a Panasonic air-to-water heat pump in the training facilities. His com-

Tero Lindén (left), Director of Kaukomarkkinat, and Juha Syrjänen, installation entrepreneur, taking a peek at the advanced technology of Panasonic's air-to-water heat pump which is perfect for hybrid solutions.

pany Huoltoportti is part of Kaukomarkkinat's installer network. Syrjänen commends the training and back-up support provided by Kaukomarkkinat; they allow the entrepreneur to concentrate on selling and installing increasingly large entities.

Kaukomarkkinat is looking for more installation companies delivering complete solutions to add to its local energy network. The end customer wants to buy an installed and commissioned project from a single point of sale, conveniently and cost-efficiently.

SUPPLIERS SUPPORT THE STRATEGY

The role of a system supplier requires Kaukomarkkinat to remain independent: that is why the company has several different suppliers in each product area. This is no problem for the suppliers; indeed it is quite the opposite. The better Kaukomarkkinat solves its customers' challenges, the more opportunities it also provides its suppliers.

"We understand the needs of our customers and seek solutions for them. At the same time, our suppliers receive valuable feedback from the market. It allows them to further improve the competitiveness of their products, for instance by tailoring them for the Nordic climate," Jukka Nieminen says.

The trust between us and our suppliers is evidenced by the fact that Kaukomarkkinat knows roughly what new products its main suppliers are about to launch in the near future. Best results are achieved by collaborating as closely as possible so that both parties reveal their futures to each other.

Kaukomarkkinat is an interesting partner to its suppliers, because Finland is at the global forefront of energy-efficient construction. Equipment manufacturers appreciate the knowledge related to developments in the field and to new standards. Furthermore, Finland is one of the pioneers of remote monitoring and control or equipment, thanks to its long distances and good web connections.

ELECTRONICS PROVIDES A COMPETITIVE EDGE

Kaukomarkkinat is interested in remote monitoring of properties in other respects as well. The company is already monitoring several large heat pumps around Finland from its control room in Koskelo, Espoo. Such proactive remote connections can be used to improve the availability of equipment and to diagnose future maintenance needs.

"Proactive remote connections are a prime example of the interfaces between the different business areas of Kaukomarkkinat. A service like this is made possible by our exceptional competence in professional electronics."

The combination of professional electronics and building systems technology opens up other interesting possibilities, for example in the field of centralized control of the entire building management system and the provision of sensations based on competence in the audio-visual technology. The combination of different competencies provides Kaukomarkkinat with a clear competitive edge.

"All our businesses have good prerequisites for growth in themselves. In addition, we can create totally new types of packages by utilizing their mutual synergies. That opens up plenty of interesting avenues of opportunity," Nieminen says.

Solutions improving efficiency

Kaukomarkkinat specializes in solutions that improve the energy efficiency of buildings and in environmental technology. The company also provides professional electronics as well as machinery, equipment and solutions for improving efficiency in the process industry.

The business is based on an in-depth understanding of customer needs, on an extensive network of suppliers and on strong expertise in different technologies. The packages provided by the company are based on the best products from leading-edge suppliers.

Kaukomarkkinat was established in 1947. It was the first Finnish company to open an office in China and also the first to start importing Japanese products. The company has operations in Finland, Poland, Russia, China, and Vietnam.

POSITION IN THE VALUE CHAIN

A system supplier such as Kaukomarkkinat operates between equipment manufacturers and distributors or contractors. The distributors serve the end customers. The system supplier understands the needs of the end customer, and has the competence to compile an appropriate package of products and technology solutions that match the needs.

The role of the system supplier is emphasized when there are several different products and technology solutions available on the market. The abundance of products and information creates a demand for well-planned and conceptualized total solutions. There is an extensive global offering, particularly in building system products. Expertise is needed for Nordic conditions, for finding optimal equipment and systems for Finnish way of construction, and for the pre-engineering of well-functioning total solutions.

Kaukomarkkinat provides both cus-

NET SALES DISTRIBUTION BY COUNTRY

- 56% Finland
- 11% Poland
- 29% Far East
- 4% Other countries

NET SALES MEUR

5-12 2008	2009	2010	2011	2012
30.8	36.4	32.5	43.4	40.5

OPERATING PROFIT MEUR

5-12 2008	2009	2010	2011	2012
2.1	0.5	0.6	1.4	-0.6

SHARE OF GROUP PERSONNEL 11%

SHARE OF GROUP NET SALES 9%

tomers and suppliers with added value. The company offers distributors a competitive product range – the distributors, for their part, are responsible for the products' national availability and customer service. As partners of Kaukomarkkinat, contractors can develop their own business. The suppliers receive valuable feedback on what kind of features and compatibility are required from different pieces of equipment.

STRATEGY

The strategy of Kaukomarkkinat is to act as a comprehensive system supplier of building systems. The focus is shifting more and more towards identifying customer needs and tailoring packages that cater them. This requires a product-independent approach, which means that the network of suppliers must be extensive enough.

The network of suppliers, comprising the best-known manufacturers in their respective sectors, is an essential advantage for Kaukomarkkinat. The supplier relations are based on long-term, confidential cooperation. As a result, the company knows what kind of products and technology solutions will enter the market in the future.

In all its business areas, Kaukomarkkinat delivers products and services that help customers enhance their processes and boost operational efficiency. For the customers, this means faster and more efficient production processes, cost savings, energy efficiency, and solutions with a competitive edge.

Kaukomarkkinat is constantly looking for synergies within its competence areas. The areas of competence are particularly combined in building systems: in future buildings, energy efficiency, safety and a variety of digital communications solutions will function seamlessly together.

Kaukomarkkinat started the export of cleantech products to the Eastern growth markets in 2012. Kaukomarkkinat takes advantage of the extensive office network it shares with Aspo's other subsidiaries to promote these exports.

CUSTOMERS AND ADDED VALUE

Building systems are distributed through contractors, construction companies, hardware stores and wholesalers, as well as retailers. The offering includes various heat pumps, boilers, solar energy collection systems and photovoltaics, heat storage systems, boilers and solutions for heat distribution and building automation. The competitive advantages include an understanding of customer needs, expert service, leading manufacturers in the sector and their know-how, as well as a wide range of solutions. Kaukomarkkinat is capable of providing hybrid systems tailored for different end uses and customer needs.

The customers for professional electronics include public institutions, service companies, operators, and retailers. The products include audio-visual equipment, wireless communication devices, data processing equipment and equipment for the healthcare sector. The Professional Electronics business line also provides product-related services and consultancy.

The customers for industrial machinery include regional energy companies and other energy producers. The products represented by Kaukomarkkinat include turbines, power plant-scale heat pumps and AC drives. Reliable products, robust expertise, and decades of experience in customer and supplier relationships give Kaukomarkkinat a competitive edge. Technical support as well as spare part and maintenance services are an important element of operations.

The Paper and Processes business line is active in the chemical wood processing industry in China, Russia, Poland and Vietnam. More and more, we are expanding our product range with environmental technology solutions required by process industries.

Panasonic Toughpad A1

CLEANTECH EXPORTS TO GROWTH MARKETS

Kaukomarkkinat started in 2012 to build up a network to support cleantech exports of Finnish companies. The operation has got off to a good start; Kaukomarkkinat already represents more than ten companies on the growing markets of the East.

In cleantech exports, Kaukomarkkinat uses its and other Aspo subsidiaries' extensive network of offices in Russia's largest cities, Ukraine, Belarus, Kazakhstan, the Baltic countries, Poland, China and Vietnam.

Kaukomarkkinat offers an international and competent sales organization for cleantech companies looking for foreign markets. The company helps manufacturers understand customers' requirements and assumes responsibility for sales, marketing and logistics.

Exports are primarily building systems, energy industry and paper industry solutions. Products include building automation products utilizing local energy, such as heat pumps for large buildings and the industry, as well as district heating technology. Their common denominator is energy efficiency; its importance is rapidly increasing in the Eastern markets.

In Russia, for example, plenty of demand has been identified for solutions allowing new industrial plants to produce their own energy. These include various heat production systems which may consist of pellet boilers and heat pumps of different size categories.

In all markets, the company seeks to build more extensive systems for its customers, consisting of several products. This provides the companies in the network with opportunities to participate in extensive projects.

Environmental reputation as a competitive edge

Good environmental reputation is an important facet of intellectual capital. Ongoing operational improvement is a core principle of our environmental policy.

Aspo wants to address critical environmental issues beyond the minimum requirements of laws and regulations. We conduct environmental impact evaluations and product life cycle and risk analyses to predict and prevent any harmful impact on the environment.

The Group's environmental policy serves as a foundation on which each segment develops its own practices. Each Group company develops its own environmental issues, with the managing director usually holding primary responsibility.

Aspo aims to use technologies that have minimum environmental impact and to avoid hazardous consequences. Our employees are trained and encouraged to work in an environmentally responsible way. Aspo also takes part in a variety of social responsibility projects. All these projects have at least one thing in common – they concern Aspo's operations in the Baltic Sea region. For instance, we have cooperated with the Keep the Archipelago Tidy Association and the John Nurminen Foundation's Clean Baltic Sea project.

ASPO GROUP'S headquarters are located in the Lintulahdenvuori office building, which has been granted a platinum LEED environmental certificate. LEED (Leadership in Energy and Environmental Design) is a global environmental certification for the design, construction, use, and maintenance of buildings.

It is estimated that eco-efficient buildings consume 30–50 percent less energy than ordinary buildings. Their carbon dioxide emissions are lower. Furthermore, eco-efficient construction and use reduce waste volumes. Eco-efficiency also leads to lower building operating costs.

ESL SHIPPING'S operations and all its vessels are certified in accordance with the International Maritime Organization's International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention (ISM). ESL Shipping also has ISO 14001 environmental certification.

Well-equipped ships also enhance safety: all of our ships are ice class. What's more, our experienced personnel are very familiar with the ports, channels, and conditions of the Baltic Sea. A ballast water cleaning system is installed

in ESL Shipping's newest ships. The system prevents foreign flora and fauna from moving from one water area to another, and thus protects the ecosystem of the Baltic Sea.

Ships are the most ecological alternative for transporting large cargos. The carbon dioxide emissions of a large cargo ship, in relation to the size of the cargo and the length of the voyage, are 30 percent less than those of heavy articulated vehicles and under three percent of aircraft emissions.

LEIPURIN pays particular attention to the quality and safety of food ingredients and the environmental impact of its operations. Leipurin's operational manual is ISO 9001 certified. Certification has also committed the company to continually improve its operations. We take environmental issues into account when choosing our suppliers, too.

TELKO'S good environmental reputation is a key factor in its success. Strict quality standards ensure that we can effectively protect both the company's reputation and that of our suppliers and customers.

Telko has a certified quality system complying with the ISO 9001:2000 standard. In addition, Telko is committed to the chemical industry-oriented Responsible Care Program, which complies with the cooperation agreement between The Chemical Industry Federation of Finland and the Chemical Section of the Association of Finnish Technical Traders. The company's situation in health, safety, environmental and quality issues has been verified in SQAS Distributor / ESAD II (European Single Assessment Document) assessments. The assessment is conducted by an outside assessment institute. Telko is also the first security- and quality-assessed chemical industry company in Russia.

KAUKOMARKKINAT provides equipment and services that improve energy efficiency. Its products can run on renewable energy such as biofuels and inexhaustible energy such as solar energy. Environmental issues play a highly important role for the company's suppliers: their commitment to sustainable development is evident in all their operations, all the way from product design and manufacture to recycling.

Taina Muona (left), Tapani Kuri, Kati Manninen and Mårten Eriksson, took part in Aspo's supervisory training.

Aspo is building a culture of open dialogue

Aspo deals mainly in trade and logistics, areas in which close customer relationships and understanding their businesses are vitally important. This is why much of Aspo's value lies in the expertise of our personnel and in our customer and supplier relationships. Development of this intellectual capital is one of the key principles of Aspo's personnel management.

Aspo does everything in its power to create a supportive working environment and promote professional development. A good atmosphere starts with good management. The voluntary supervisory training program was initiated in autumn 2012. About forty managers from the parent company and different business units have participated in this program.

The training theme of February 2013 was competence management. Training participants Logistics Manager **Mårten Eriksson** of Telko, Production Developer **Tapani Kuri** of Leipurin-Vulganus, Marketing Manager **Kati Manninen** of Kaukomarkkinat and Personnel Manager **Taina Muona** of ESL Shipping deliberated in their teamwork what kind of competence Aspo would require in five years' time.

The elements highlighted in the competence requirements were sensitivity to change, better understanding of the customer experience and international competence. The businesses of all subsidiaries have become much more international, so we expect more knowledge and skills of our personnel.

The issues of retaining skilled employees and the associated commitment and motivation of personnel were also raised. Companies with similar business models, such as Leipurin and Telko, could also better utilize their procurement and logistics competencies beyond business boundaries.

Aspo's strategy as an owner and developer of businesses was also reflected more extensively in the teamwork: competencies related to financing and takeovers were, for example, seen as key areas of competence for the Group.

Eriksson, Kuri, Manninen and Muona have also participated in the manager forum organized alongside with the training program. In the forum, managers can engage in informal discussions regarding management themes on the basis of opening comments presented by different experts.

"The manager forum provides us with an insight into other businesses. We have familiarized ourselves with each others' practices and exchanged experiences. We have started with more operative themes; later on, we are also likely to discuss the management culture of Aspo more generally," the team members say.

Kirsi Ylärinne, Kyösti Ollila and Arto Meitsalo (right).

CFO **Arto Meitsalo** is the Group Executive Committee member responsible for HR development. He says that one of the key objectives of the manager forum is to promote a culture of dialogue within the Group.

"Very diverse subjects have already been brought up for more extensive discussion. I consider this to be very positive, because it allows us to quickly address problems or new development ideas," Meitsalo says.

ATMOSPHERE SURVEYS EVERY YEAR

We regularly assess personnel satisfaction in these areas: with own tasks, with the quality of management, and with Aspo as an employer. The results of the working atmosphere survey of 2012 were good: the Group averages were virtually at the previous year's level in all key issues, although many business units had undergone major changes burdening the personnel.

The results of the atmosphere survey are presented to the entire personnel. The managers discuss more detailed results with the employees reporting to them, all the way up to team level. Any problems are quickly addressed. When required, the assistance of external HR experts is also used to identify problems and seek solutions.

In addition to issues requiring quick action, an attempt is also made to identify any trend-like changes with the atmosphere survey. It has, for example, been noticed at Aspo that the survey questionnaire is answered more openly by the people working in new offices in emerging markets, and areas for development are also suggested. This can be considered a sign of them adopting the Aspo culture, which emphasizes transparency.

Although the atmosphere survey produced good results, it is also always used to identify subjects for development. The development projects currently in progress are, among others, related to improving the flow of information.

"We have built up new forums for internal communication. We are also strongly promoting the idea that every one of us is responsible for the flow of information. This is one of the themes in our management training," Meitsalo says.

STRUCTURES, RELATIONSHIPS AND COMPETENCE

In more general terms, Aspo's intellectual capital consists of structural capital, relationship capital and human capital.

Structural capital consists of the structures, systems, and processes we use to ensure that vital expertise is not tied to any individual, but is as widely available as possible in the Group.

For instance, Aspo has made major investments in the Group's shared IT systems to allow subsidiaries to develop their key accounts and enhance their internal processes. The ERP system, and the CRM system that will be built on top of it, serve to increase the open flow of information and thereby enable us to take a more systematic approach to developing functions that are important to our customers.

The structural capital also includes different measurements: for example, the customer satisfaction of businesses is regularly measured.

Relationship capital comprises expertise in dealing with customers, suppliers, and other stakeholders. Most of our customer relationships are very long-standing partnerships based on mutual trust. The same goes for our supplier partnerships, many of which have also lasted for decades.

Human capital covers personnel matters, such as competence and personal development, job satisfaction, recreational activities, and rewards.

In 2005, Aspo established a personnel fund to provide incentive for the personnel. Some of the Group's earnings have been placed in the personnel fund as a profit bonus. The objective has been for the fund to use the majority of the profit bonuses to acquire Aspo shares, thus making the personnel one of Aspo's major shareholders.

"We are thinking of ways to use the personnel fund more diversely, so that personal bonuses, for example, could be invested in it. This would also allow us to better administer and harmonize the remuneration practices of different countries," Meitsalo says.

The actions of the personnel are also guided by Aspo's code of conduct. The code of conduct describes the norms that Group personnel are expected to abide by in their activities. They also provide instructions for situations where the personnel must make personal and ethical decisions.

The code of conduct addresses the legality of operations, business relations, personnel and safety and the company's assets and property. The code of conduct is available in full on Aspo's website.

Corporate Governance

Members of the Aspo Board of Directors and the Group Executive Committee are also shareholders in the company. The members and their controlled corporations own in total approximately 18 per cent of the Aspo stock.

Aspo's decision-making and administration comply with the Finnish Companies Act, securities market legislation, other regulations concerning public limited companies, Aspo Plc's Articles of Association, and the rules and regulations of NASDAQ OMX Helsinki Ltd. Aspo follows the Finnish Corporate Governance Code for listed companies that was issued by the Securities Market Association in 2010. The document is available on the Securities Market Association's website www.cgfinland.fi.

Aspo Plc's separate Corporate Governance Statement and a separate remuneration statement for 2012 have been published on Aspo's website www.aspo.com.

GROUP STRUCTURE

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

Aspo Plc's task is to own, manage and develop the operations of its subsidiaries and other operational units, centrally administer the Group companies, take care of issues related to financing and strategic planning, and plan and implement financially expedient investments.

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

SHAREHOLDERS' MEETING

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

Shareholders are, according to the Companies Act, entitled to bring issues to be discussed to the Shareholders' Meeting if they demand this in writing from the Board of Directors well in advance so that the issue can be included in the notice of the meeting.

The Board of Aspo Plc calls the Shareholders' Meetings. The notice of the meeting is published in a stock exchange release and in newspapers determined by the Board at the earliest two months before and at the latest 21 days before the meeting. In addition, the notice of the meeting and the following information are published on the company's website 21 days before the Shareholders' Meeting at the latest:

- total number of shares and votes by share class on the date of the notice of the meeting
- documents to be presented to the Shareholders' Meeting
- decision proposal of the Board of Directors or some other competent organ

- any issue that is included in the agenda of the Shareholders' Meeting but for which no decision is proposed

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

BOARD OF DIRECTORS

According to the Articles of Association, Aspo Plc's Board of Directors comprises no fewer than five and no more than eight members. The number of members of the Board is determined at the Shareholders' Meeting, where its members are also elected. The members of the Board of Directors elect a chairman and a vice chairman from amongst themselves. In the 2012 Annual Shareholders' Meeting, seven Board members were elected. The term of the members ends at the conclusion of the Annual Shareholders' Meeting following the election.

The Board constitutes a quorum when more than half of the members, including either the chairman or vice chairman, are present.

The duties and responsibilities of the Board of Directors are set out in the Articles of Association, the Finnish Companies Act and other applicable legislation. Aspo Plc's Board of Directors has confirmed written standing orders which state that the matters to be handled by the Board include, but are not limited to:

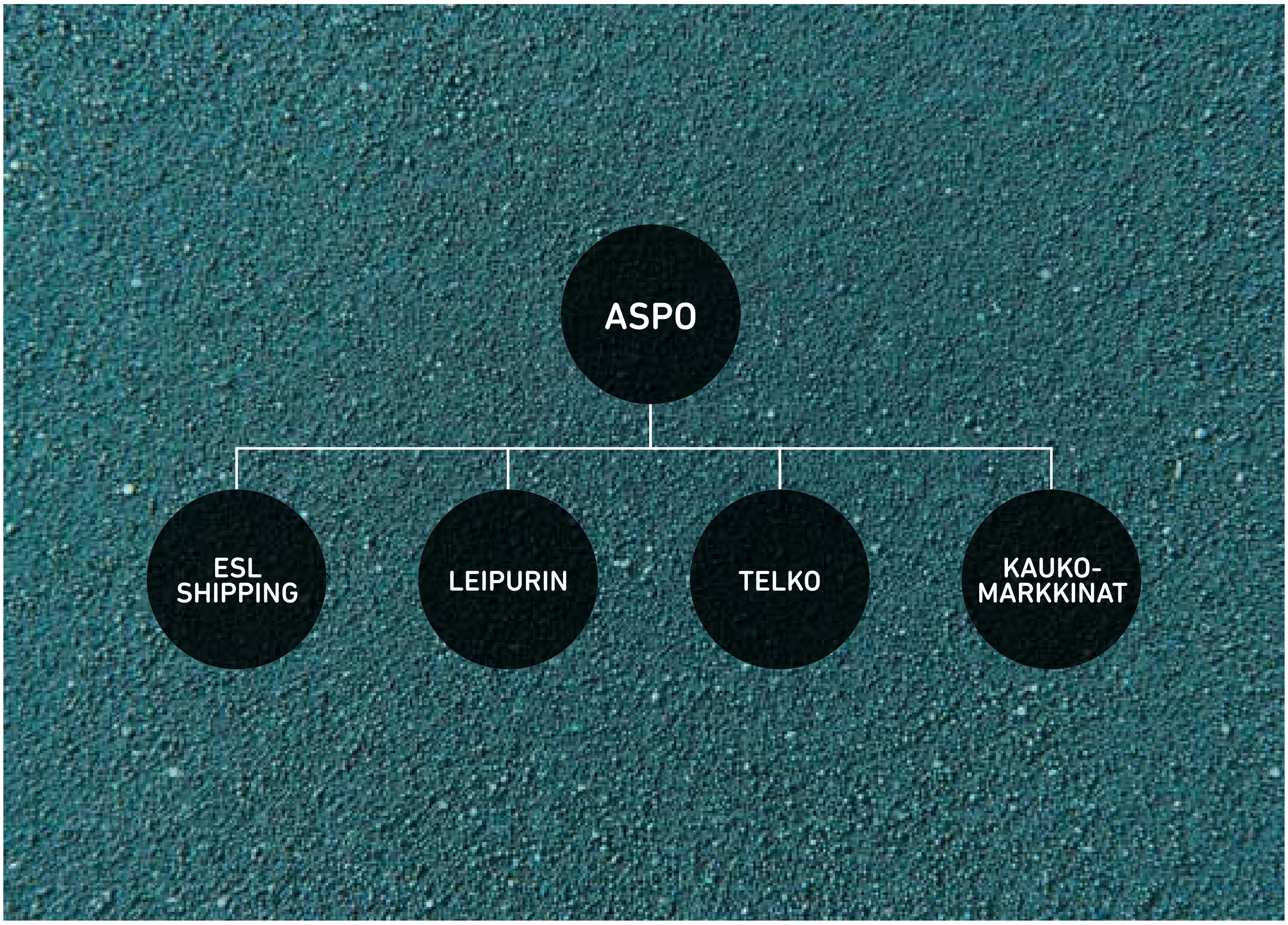
- Aspo Group's strategic policies and divisional strategies
- Group structure
- matters to be presented to Shareholders' Meetings
- interim reports and consolidated financial statements
- Group business plans, budgets and investments
- expanding and scaling back operations, acquisitions/divestitures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

The Board carries out an annual self-evaluation of its operations and working methods.

In 2012, the Board of Directors arranged 15 meetings, of which six were teleconferences. The participation rate was 100.

BOARD COMMITTEES

The Board has established an Audit Committee with the objective of preparing issues related to the company's financial reporting and monitoring. The Audit Committee does not have independent decision-making authority, but the Board makes the decisions on the basis of preparations by the committee. The Audit Committee consists of the chairperson and at least two members,



who the Board appoints from among the Board members for one year at a time. The Board of Directors has appointed Roberto Lencioni chairman of the Audit Committee and Mammu Kaario and Kristina Pentti-von Walzel as committee members.

The tasks of the Audit Committee are:

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

The Audit Committee will convene regularly at least twice a year. In 2012, the Audit Committee had five meetings.

Aspo has no other committees besides the Audit Committee.

REMUNERATION FOR BOARD MEMBERS

The Annual Shareholders' Meeting decides on the remuneration for the Board and committee members every year.

The 2012 Annual Shareholders' Meeting confirmed the chairman of the Board's monthly remuneration to be EUR 15,500. It was resolved that the vice chairman be paid a monthly remuneration of EUR 3,600 and the other members of the Board of Directors EUR 2,400 per month. It was also resolved that EUR 700 per meeting be paid to the members of the Audit Committee. Board members having a full-time position in an Aspo Group company are not paid a fee.

Travel is compensated for in accordance with Aspo's general travel regulations. In 2012, the Aspo Plc Board members received a total of EUR 296,803 in fees.

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

CHAIRMAN OF THE BOARD

The full-time chairman of the Aspo Plc Board is Gustav Nyberg, B.Sc. (Econ.), eMBA (56). He is, in addition to his Chairman duties, also responsible for the progress of the strategy process and participates in IR operations.

Aspo Plc's Board of Directors elects a chairman from among the Board members, appoints the full-time chairman of the Board, and agrees upon the terms of employment defined in a written executive contract. The full-time chairman does not receive the board member's compensation decided by the Annual Shareholders' Meeting while the executive contract is in force. The total compensation paid to the full-time chairman under the executive contract shall not exceed the compensation for the Chairman of the Board established by the decision of the Annual Shareholders' Meeting.

CHIEF EXECUTIVE OFFICER

The Board of Directors appoints Aspo Plc's CEO. Since January 1, 2009, the CEO of Aspo has been Aki Ojanen, eMBA (52). The CEO is responsible for the management and development of the Group's business in accordance with the instructions of the Board of Directors. The CEO presents matters and reports to the Board of Directors. The CEO is responsible for the Group administration in accordance with the instructions of the Board of Directors, and for the company accounting complying with applicable legislation and the reliable arrangement of the company finances. He also serves as the chairman of the Boards of Group companies and acts as the operational supervisor of the presidents of Group companies. He is also responsible for internal control as the superior of the CFO and for Group risk management, which is coordinated by the CFO.

The terms of the CEO's employment relationship have been agreed in writing in the CEO agreement. The period of notice applied in the employment relationship of the CEO is six months. If notice is given by the company, severance pay corresponding to 18 months' salary will be paid in addition to the salary for the notice period.

In 2012 the CEO was paid EUR 869,739 in salary, bonuses and fringe benefits. The proportion of share-based payments from the 2009-2011 shareholding program was EUR 338,646, the proportion of bonuses for 2011 was EUR 147,432, the proportion of pension insurance payments was EUR 63,461 and the proportion of fringe benefits EUR 21,624.

THE GROUP EXECUTIVE COMMITTEE

The CEO is assisted by the Group Executive Committee, which is responsible for developing the strategic structure of Aspo Group and its earnings, as well as prepares the policies and shared practices. The Croup Executive Committee consists of the Group CEO, Group CFO, Group Treasurer, and the Managing Directors of the Group companies. It convenes at least six times a year. The members of the Group Executive Committee are public insiders.

In addition to the CEO, the Group Executive Committee in 2012 consisted of CEO Arto Meitsalo, Group Treasurer Harri Seppälä as well as Markus Karjalainen, Managing Director of ESL Shipping Ltd (until January 8, 2013), Kalle Kettunen, Managing Director of Telko Ltd, Jukka Nieminen, Managing Director of Kaukomarkkinat Ltd and Matti Väänänen, Managing Director of Leipurin Ltd. In 2012, the Group Executive Committee (excl. the CEO) received a total of EUR 2,036,663 in salaries, bonuses and fringe benefits. The proportion of share-based payments from the 2009-2011 shareholding program was EUR 846,615, the proportion of bonuses for 2011 was EUR 200,834, and the proportion of fringe benefits EUR 112,100.

REWARDING

Aspo Group has a personnel fund. The long-term goal is that the personnel will become a significant shareholder group in the company. All persons working at Aspo Group's Finnish companies are members of the personnel fund. Aspo's business areas pay part of their earnings as bonuses to the personnel. The calculation principles for the bonuses are approved by respective business area.

The Aspo Plc management bonus programs consists of the employees' fixed monthly salary, a short-term bonus paid on the impact of their tasks on the company result, and long-term rewards including management pension benefits and a share-ownership plan.

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

Result-based bonus plan (short-term incentive program)

Aspo has a result-based incentive plan for the management, including about 30 employees in addition to the Group Executive Committee members. The maximum bonus may differ up to a sum equivalent to three to eight months of the employee's salary. The maximum bonus of the CEO is a sum equivalent to eight months' salary. The criteria used in the bonus plan include Group-level result requirements and the development preconditions of the area for which the executive has responsibility. The fulfilling of the bonus program criteria is monitored annually. The payments paid according to the bonus program must be approved by Aspo Plc's Board of Directors. Bonuses recognized annually are paid after the completion of the annual financial statements.

Share-ownership plan (long-term incentive program)

In 2009, Aspo's Board of Directors decided on a share-based incentive plan for about 30 persons where the potential gain was based on Aspo Group's cumulative earnings per share indicator (EPS) over the period of 2009–2011. On the basis of this plan, a total of 150,638 company-held shares were transferred to employees covered by the shareholding plan in March 2012.

In 2012, Aspo's Board of Directors decided on a share-based incentive plan for about 30 persons. The aim of the plan is to combine the objectives of shareholders and those within the plan in order to increase the company's value, to commit the persons to the company and to offer them a competitive incentive plan based on a long-term holding of the company's shares.

The plan includes three performance periods, i.e. the calendar years 2012, 2013 and 2014. The Board of Directors will decide on the plan's earning criteria and their objectives at the beginning of each period. Participation in the plan and obtaining a reward for 2012 required that the person acquired Aspo's shares or holds the number of shares in Aspo or Aspo Management Oy up to the number predetermined by the Board. The reward over the 2012 earning period was based on the Aspo Group's earnings per share (EPS) indicator. Since Aspo's result remained below the targeted level, no payable reward was accumulated in 2012.

The shares paid during the earning periods cannot be transferred during the commitment period, which ends within two years of the earning period. If a person's employment or official relationship ends during the commitment period, the person must gratuitously return any shares paid as reward to the company. The estimated amount of rewards paid on the basis of the Board's original decision correspond with the value of 936,000 shares in Aspo Plc (including the proportion paid in cash). The proportion allocated for 2012, corresponding to one-third of the shares, did not generate any reward.

Shareholding program (long-term incentive program)

Aspo has a shareholding plan for Aspo Group's management. The purpose of the plan is to enable considerable long-term ownership in Aspo for those involved in the plan. For shareholding purposes, the participants acquired a company called Aspo Management Oy, whose entire stock they own. Aspo Management Oy acquired 114,523 Aspo shares from the participants at market price. In addition, Aspo assigned 322,637 shares at market price to the company in a directed share issue. Aspo Management Oy has also subscribed to 62,452 shares in Aspo's rights issue and raised an additional loan of EUR 324,750.40 from Aspo to finance the purchases. At the end of the financial year 2012 the loan amounted to EUR 2,934,750.40. The plan is valid until spring 2014, after which it will be dissolved in a manner to be decided upon later. The plan will be extended for one year at a time if Aspo's share price at the beginning of 2014, 2015, or 2016 is below the average price at which Aspo Management Oy acquired the Aspo shares it owns. There are restrictions on the right of disposal of the shares for the duration of the plan.

Aspo does not have a separate stock option plan. Remuneration statement can be found at www.aspo.com.

SUPPLEMENTARY PENSIONS

The Chairman of the Board of Directors, the CEO and two directors of the Group Executive Committee at Aspo Plc are eligible for a payment-based group pension insurance plan. The retirement age is 60 whereupon the payment of contribution ends. The receiving of a pension ends at the age of 70. The pension is determined in accordance with the accrued insurance savings at the time of retirement. The receiving of pension can be postponed, at most, until the age of 70. In that case, the pension is determined on the basis of insurance savings adjusted in accordance with the value development of related investment objects.

If employment ends before the contractual retirement age as a result of a notice given by the employer due to production and financial reasons, the person is entitled to a paid-up policy – a paid-up insurance that corresponds to insurance savings accrued by the end of the person´s employment. The person is always entitled to a paid-up policy that corresponds to his or her own share of contribution.

In 2012, on the part of the Chairman of the Board the cost of the group pension insurance plan totaled EUR 76,899 and it is included in his total remuneration. On the part of the CEO the cost of the group pension insurance plan totaled EUR 63,461 or 8% of the annual salary. The costs totaled EUR 140,360.

AUDITING

According to the Articles of Association, the Annual Shareholders' Meeting elects the auditor, which must be an auditing firm approved by the Central Chamber of Commerce. The elected auditor is also responsible for internal audits when applicable. The term of the auditor ends at the conclusion of the Annual Shareholders' Meeting following the election.

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

The 2012 Annual Shareholders' Meeting elected the APA firm PricewaterhouseCoopers Oy as the auditor. APA Mikko Nieminen acted as the principal auditor. In 2012, companies belonging to the PricewaterhouseCoopers chain in Finland and abroad were paid a total of EUR 165,000 in compensation for performing audits for Aspo Group. In addition, other services were acquired for EUR 51,000.

INTERNAL CONTROL

Aspo's internal control includes the control that is built in to the business processes, the Group's management system and financial reporting covering the entire Group. Internal control is an integral part of the company's management, risk management and administration.

The aim of internal control is to create sufficient certainty of goals and objectives being reached in the following issues:

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

The responsibility to arrange the control lies with the Board and the CEO both at Group level and in the business segments. The Group's Board is responsible to the shareholders and the CEO to the Board. The chain of responsibility continues throughout the organization so that each Aspo employee is responsible to his/her superior for control. Group company controllers have supervision responsibility concerning compliance with legislation and Group instructions. As well as to the segment management, they also report to the CFO. The CFO reports to the CEO and Board on possible findings. The internal control functions support the Group management in their control task and the aim is to offer the Group management sufficient surety that the control is working.

FINANCIAL REPORTING

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

The financial statements of the Group are compiled according to the IFRS standards; those of the parent company and Finnish subsidiaries according to the FAS standards. Each separate company complies with the legislature of the country where it is located, but reports based on the Aspo's internal accounting regulations. Separate companies may have their own accounting framework, but all information is consolidated on the basis of a common framework to the business area level, where their reliability is assessed and then transferred to Group level. Aspo Group's information is verified, and assessed on monthly basis. At each phase the unit responsible for the quality and generation of information will assess its reliability. The Group-level inspection and balancing mechanisms are used on both monthly and quarterly bases.

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

In 2012, the Group continued to update and integrate the reporting systems in order to improve the level of internal control.

Besides internal control, the reliability of reporting and processes are assessed by an independent, external audit corporation.

INTERNAL AUDITING

The purpose of internal auditing is to support evaluation and confirmation of the Group to verify the efficiency of risk management, control, management and administration. Internal auditing assists the Board of Directors and organization in achieving the Group targets and in ensuring and developing the control system.

The Board of Directors approves the principles of internal auditing as part of internal control. The Group CFO is responsible for internal auditing, and reports the findings to the CEO and the Board of Directors. Internal auditing is organized corresponding to the size of the Group. Externally purchased services with special skills will be used for demanding assessments. The target is to accomplish two or three risk-based audits annually. The audits are based on risk assessment as defined in the risk analyses of individual business units. The objects of the assessment and auditing process are profitability and efficiency of activities, reliability of financial and activity reporting, compliance issues and securing of assets.

The Audit Committee, appointed by the Board of Directors, monitors the operations and efficiency of the company's internal supervision in its meetings. The committee also processes the plans and reports of the internal auditing.

RISK MANAGEMENT

The target of risk management is to ensure the fulfillment of Group strategy, development of financial results, shareholder value, dividend payment capability and business continuity. The Group management is responsible for risk management. The operational management of the business areas is responsible for defining sufficient measures and their implementation, and for monitoring and ensuring that the measures are implemented as part of normal operational control. Risk management is coordinated by the Group CFO, who reports to the Group CEO.

The Audit Committee appointed by the Board monitors the efficiency of the risk management systems and processes the plans and reports of the risk management.

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

Risk management is essentially based on the aforementioned procedures of internal controls, where the chain of responsibility extends throughout the Group. The most important factors in business risk management are a profound understanding of the business and command of the tools which are used for daily business operations and their control. Characteristic risks in each business area are identified in the business units, assessed in the business unit management teams, and reported to the units' Boards and, if need be, also to the Aspo Board of Directors or the Audit Committee. The Group CEO acts as the Chairman of the Boards of Group companies.

Risks are continuously assessed and their management is discussed in the business unit executive teams. Risk assessments are updated according to Aspo's management policy and the most noteworthy findings are presented in the quarterly interim reports. Larger projects always include a separate risk analysis. The most significant risks for the Group are assessed once a year and the results are presented in the annual report. Financial risks and the management principles and organization of financial risks are presented in Note 26 to the financial statements.

INSIDER MANAGEMENT

Aspo Group follows NASDAQ OMX Helsinki Oy's insider instructions. Aspo's Board has also confirmed insider regulations for Aspo Plc, including instructions for permanent insiders and project-specific insiders. Aspo Plc's public insiders include the Board members, the CEO, the members of the Group Executive Committee and the auditor. Aspo Plc's permanent company-specific insiders include the vice presidents of subsidiaries, secretary to the Board, people responsible for Group finances and financing and other persons who, due to their work, regularly receive insider information. In addition a project-specific insider register is kept on persons participating in the preparation of insider projects.

Permanent insiders are not allowed to trade in securities issued by the company for 21 days before the publication of interim reports or annual reports, nor on the day of publication.

The Group CFO is responsible for the control and monitoring of insider issues. The holdings of members of the public insiders and changes to these holdings are published on the company's website at www.aspo.com. Aspo Plc's insider register is maintained by Euroclear Finland Ltd.

Board Members

GUSTAV NYBERG
born 1956
Chairman;
not independent
of the company, independent
of its major shareholders
B.Sc. (Econ.), eMBA

Full-time chairman of the Board since 2009, member of the Board since 2008

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

Key Positions of Trust
Member of the Board: Foundation for Economic Education, Stiftelsen Svenska handelshögskolan, Oy Havsudden Ab
Member of the Negotiation body: The Finnish Lifeboat Institution
Member of the Consultative Committee: Sinisen Reservin säätiö

Holdings and Fees
Shareholdings in Aspo on December 31, 2012: 635,305 or 2.05% of the total number of shares; Oy Havsudden Ab 3,142,941 shares or 10.15% of the total number of shares
No holdings or rights based on a share-based incentive plan.
Fees in 2012: EUR 183,202 (including pension insurance scheme)

MATTI ARTEVA
born 1945
Vice Chairman;
independent of the company and its major shareholders
Engineer

Vice Chairman of the Board since 2000, member of the Board since 1999

Key Work Experience
Senior Adviser, Rautaruukki Oyj, 2005
President, Rautaruukki Oyj Metal Products, 2003–2004
CEO, Asva Oy, 1993–2003
Marketing and management positions, Aspo Oy, 1975–1993
Manager, Oy Telko Ab, 1970–1975

Key Positions of Trust
Chairman of the Board: Europress Group Oy

Holdings and Fees
Shareholdings in Aspo on December 31, 2012: 200,000 or 0.65% of the total number of shares
No holdings or rights based on a share-based incentive plan.
Fees in 2012: EUR 43,200

MAMMU KAARIO
born 1963
independent of the company and its major shareholders
LL.M, MBA
Investment Manager, Korona Invest Oy

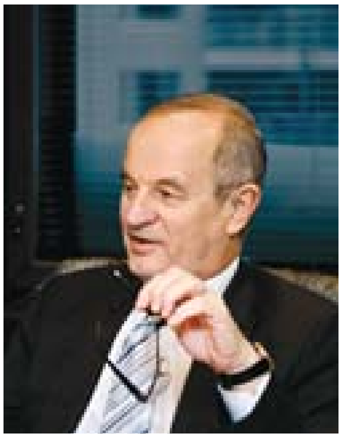
Member of the Board since 2012
Member of the Audit Committee since 2012

Key Work Experience
Partner, Unicus Oy, 2005–2010
Member of the Board, Esperi Care Oy, 2005–2010
Director, Conventum Corporate Finance Oy, 1998–2004
Vice President, Prospectus Oy, 1994–1998
Vice President, Kansallis-Osake-Pankki, 1988–1994

Key Positions of Trust
Member of the Board: Ponsse Oyj, Enfo Oyj, Invalidiliiton Asumispalvelut Oy

Holdings and Fees
Shareholdings in Aspo on December 31, 2012: 10,000 or 0.03% of the total number of shares
No holdings or rights based on a share-based incentive plan.
Fees in 2012: EUR 24,400

Updated information on changes in the shareholding of public insiders is available on the company's website www.aspo.com.



ESA KARPPINEN
born 1952
independent of the company and its major shareholders
LL.M.
President and CEO, Berling Capital Oy, 1986–

Member of the Board since 2005

Key Work Experience
Vice President and CFO, Oy Expaco Ab, 1983–1986

Key Positions of Trust
Member of the Board: Taaleritehtaan Omistusyhteisö Oy

Holdings and Fees
Shareholdings in Aspo on December 31, 2012: Berling Capital Oy 258,163 or 0.83% of the total number of shares
No holdings or rights based on a share-based incentive plan.
Fees in 2012: EUR 28,800

ROBERTO LENCIONI
born 1961
independent of the company and its major shareholders
LL.B.
Managing Director, Oy Gard (Baltic) Ab, 2003–

Member of the Board since 1999
Chairman of the Audit Committee since 2010

Key Work Experience
Management positions, Oy Baltic Protection Ab, 1990–2002
Managing Director, Oy Baltic Insurance Brokers Ab, 1994–2001
Sales Manager, Aspocomp Oy, 1988–1990
Group Lawyer, Aspo Group, 1986–1987

Holdings and Fees
Shareholdings in Aspo on December 31, 2012: 10,687 or 0.03% of the total number of shares
Aspo's convertible capital loan 2009: 2 shares
No holdings or rights based on a share-based incentive plan.
Fees in 2012: EUR 32,300

KRISTINA PENTTI-VON WALZEL
born 1978
independent of the company and its major shareholders
M.Sc. (Econ.), B.Sc. (Pol. Sc.)
Director, Ajatuspaja Libera 2013–

Member of the Board since 2009
Member of the Audit Committee since 2010

Key Work Experience
Campaign Director/ Fundraising, HANKEN School of Economics, 2008–2011
Work experience placements in the Ministry for Foreign Affairs of Finland, various positions in personnel management and the financial services industry for companies such as Mandatum Stockbrokers Ltd and Fortum Corporation, 1999–2006

Key Positions of Trust
Member of the Board: Lemminkäinen Corporation, CMI Crisis Management Initiative, The Finnish Children and Youth Foundation, Foundation for Economic Education,
Council Member: Stiftelsen Svenska handelshögskolan

Holdings and Fees
Shareholdings in Aspo on December 31, 2012: 8,000 or 0.03% of the total number of shares
No holdings or rights based on a share-based incentive plan.
Fees in 2012: EUR 32,300

RISTO SALO
born 1951
independent of the company and its major shareholders
M.Sc. (Eng.)
Chairman of the Board, Hollming Oy, 2005–

Member of the Board since 2008

Key Work Experience
President, Hollming Oy, 1992–2005
Management positions, Finnyards Oy, 1992
Management positions, Hollming Oy, 1977–1991

Key Positions of Trust
Member of the Board: Napa Oy
Member of the Consultative Committee: Varma Mutual Pension Insurance Company

Holdings and Fees
Shareholdings in Aspo on December 31, 2012: 165,160 or 0.53% of the total number of shares; Hollming Oy 456,969 or 1.48% of the total number of shares, Ratius Oy 572 or 0.002% of the total number of shares
Aspo's convertible capital loan 2009: Hollming Oy 20 shares, Ratius Oy 2 shares
No holdings or rights based on a share-based incentive plan.
Fees in 2012: EUR 29,500

Group Executive Committee

The Group Executive Committee seeks Group-level synergies and promotes effective execution. Subsidiary boards lead, support and control the implementation of the strategy of the company in question.

AKI OJANEN

born 1961, eMBA
CEO, Aspo Plc, 2009–

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

Key Positions of Trust
Chairman of the Board: ESL Shipping Ltd, Leipurin Ltd, Telko Ltd, Kaukomarkkinat Ltd
Vice Chairman of the Board: The Association of Finnish Technical Traders, Finnish Coal info Hiilitieto ry
Member of the Board: 3 Step IT Group Oy, SGN Group Oy, Federation of Finnish Commerce, Finland-China Trade Association
Chairman of the Committee: Federation of Finnish Commerce, Trade Policy Committee
Member of the Committee: Confederation of Finnish Industries EK: Trade Policy Committee

Holdings
Shareholdings in Aspo on December 31, 2012: 22,000 or 0.07% of the total number of shares personally and 2/7 of the shares owned by Aspo Management Oy: 499,612 shares; 1.61% of the total number of shares

ARTO MEITSALO

born 1963, M.Sc. (Econ.)
CFO, Aspo Plc, 2009–

Key Work Experience
President, Kauko-Telko Ltd, 2008
CFO, Kauko-Telko Ltd, 2007
Director, Kaukomarkkinat Ltd, 2005–2007
Group Controller, Kaukomarkkinat Ltd, 2002–2005
Financial Accountant, Bank of Finland, 1993–2002
Financial Accountant, Kaukomarkkinat Ltd, 1989–1993

Key Positions of Trust
Member of the Committee: The Association of Finnish Technical Traders, Finance Committee

Holdings
Shareholdings in Aspo on December 31, 2012: 16,143 or 0.05% of the total number of shares personally and 1/7 of the shares owned by Aspo Management Oy: 499,612 shares; 1.61% of the total number of shares

HARRI SEPPÄLÄ

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

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

Holdings
Shareholdings in Aspo on December 31, 2012: 38,717 or 0.13% of the total number of shares personally and 1/7 of the shares owned by Aspo Management Oy: 499,612 shares; 1.61% of the total number of shares

KALLE KETTUNEN

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

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

Key Positions of Trust
Member of the Board: Biohit Plc

Holdings
Shareholdings in Aspo on December 31, 2012: 11,000 or 0.04% of the total number of shares personally and 1/7 of the shares owned by Aspo Management Oy: 499,612 shares; 1.61% of the total number of shares

MATTI-MIKAEL KOSKINEN
born 1972, M.Sc. (Econ.)
Managing Director,
ESL Shipping Ltd,
as of May 1, 2013

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

Key Positions of Trust
Member of the Committee:
Turku Chamber of Commerce,
Transport Committee

Also a member of the
Group Executive
Committee in 2012 was:

Markus Karjalainen,
Managing Director,
ESL Shipping Ltd.
(until January 8, 2013)

JUKKA NIEMINEN
born 1969, M.Sc. (Eng)
Managing Director,
Kaukomarkkinat Ltd, 2011–

Key Work Experience
Managing Director, Oy
Rehau Ab, 2009–2011
President and CEO, Naps
Systems Oy, 2008–2009
Vice President, Land
Division, Marioff Corporation
Oy, 2002–2008
General Manager, Optical
Fiber, Nextrom Oy, 1999–2002
Manager, Nokia-Maillefer Oy
(Nextrom Oy), 1995–1999
Purchasing Engineer, Valmet
Paper Machinery, 1993–1995

Holdings
Shareholdings in Aspo
on December 31, 2012:
7,500 or 0.02% of the
total number of shares

MATTI VÄÄNÄNEN
born 1957, M.Sc.
Managing Director,
Leipurin Ltd, 2008–

Key Work Experience
Director, Kauko-Telko
Oy, 2005–2008
Managing Director, LT-
Tukku Oy, 1994–2004
Managing Director,
MattiTuo Oy, 1993–1994
Managing Director, Lihan
Vienti Oy, 1985–1993

Holdings
Shareholdings in Aspo
on December 31, 2012:
10,102 or 0.03% of the
total number of shares

Board Members and Managing Directors in Group companies on March 1, 2013

ESL Shipping Ltd
Aki Ojanen, chairman
Mikko Niini, member
Lasse Rikala, member
Ulla Tapaninen, member

Lasse Rikala, Managing
Director (acting) (as of
January 9, 2013)
Tom Blomberg, Deputy
Managing Director

Leipurin Ltd
Aki Ojanen, chairman
Matti Lappalainen, member
Harri Sivula, member
Paul Taimitarha, member

Matti Väänänen,
Managing Director
Johan Zilliacus, Deputy
Managing Director

Telko Ltd
Aki Ojanen, chairman
Kari Blomberg, member
Johan von Knorring, member
Timo Petäjä, member

Kalle Kettunen,
Managing Director

Kaukomarkkinat Ltd
Aki Ojanen, chairman
Pirja Heiskanen, member
Risto Kyhälä, member
Kimmo Liukkonen, member

Jukka Nieminen,
Managing Director

Updated information on
changes in the shareholding
of public insiders is
available on the company's
website www.aspo.com.

Summary of 2012 releases

In 2012, Aspo Plc published a total of 26 stock exchange releases of which four were interim reports. The stock exchange releases are available on the company's website www.aspo.com. The information in the releases may partially be out of date.

Jan 5, ESL Shipping takes delivery of a new vessel in Vietnam

ESL Shipping Ltd has taken delivery of a new 56,000 dwt vessel from the Korean Hyundai Mipo shipyard. M/s Arkadia is the first of two 1A ice-strengthened dry cargo vessels to be built in Vietnam, and it is owned by ESL Shipping. Arkadia is a supramax class vessel and has built-in cranes as well as a ballast water treatment system. The length is 197 meters and maximum draft with a full cargo is 13.0 meters, and she sails under the Finnish flag.

Feb 8, Publication of Aspo Plc's financial statement release and invitation to press conference

Aspo Plc will publish its Financial Statement Release for January 1-December 31, 2011, on Tuesday February 14, 2012, at 10.00. A press conference for analysts, investors, bankers and media will be held at 13.30.

Feb 14, Aspo Group's Financial Statement Release

Aspo 2011: Operating profit and net sales grew by 20%. The Group's net sales in 2011 were EUR 476.3 million. Operating profit totaled EUR 21.5 million. Profit before taxes amounted to EUR 17.4 million. Earnings per share were EUR 0.45. Proposed dividends amounted to EUR 0.42.

Feb 14, The Board of Directors of Aspo Plc resolved on key personnel incentive plan

The Board of Directors of Aspo Plc has resolved on a new share-based incentive plan for the Group key personnel. The new plan includes three performance periods, calendar years 2012, 2013 and 2014. The Aspo Board will decide on the plan's performance criteria and on targets to be established for the performance criteria at the beginning of each performance period. The potential reward from the plan for the performance period 2012 will be based on the Aspo Group's earnings per share (EPS) indicator, and it will be paid partly in Aspo shares and partly in cash in 2013. The target group of the plan consists of approximately 30 people.

Feb 14, Transfer of own shares

The Aspo Plc Board of Directors has decided to transfer 150,638 Aspo shares held by the company to employees included in the share-ownership plan of 2009. The transfer is based on the share issue authorization of the Annual Shareholders' Meeting held on April 5, 2011. The shares will be transferred according to the share-ownership plan without compensation. A total of 30 Aspo Group executives included in the share-ownership plan have acquired Aspo shares in 2009.

Feb 24, Aspo specifies its outlook for 2012

The new tonnage tax act has an essential impact on Aspo's outlook. The Finnish Parliament has approved the new tonnage tax act. The act will take effect on March 1, 2012, and it will be applied retroactively from January 1, 2011. ESL Shipping Ltd has decided to be included in tonnage taxation retroactively from January 1, 2011. In tonnage taxation, shipping operations will shift from taxation of business income to tonnage-based taxation.

Based on the current situation, Aspo Plc's Board of Directors has decided to specify the full-year outlook issued in the financial statement release for January-December published on February 14, 2012. The justifications for the outlook continue to be the same as in the release published on February 14, 2012, except that ESL Shipping Ltd will be included in tonnage taxation from January 1, 2011.

New guidance for 2012, issued on February 24, 2012: Aspo aims for growth in net sales and operating profit, and will improve earnings per share.

Mar 8, Invitation to the Aspo Annual Shareholders' Meeting

The shareholders of Aspo Plc are invited to attend the Annual Shareholders' Meeting to be held on Tuesday, April 3, 2012 in Helsinki.

Mar 27, Aspo Annual Report and Corporate Governance Statement 2011 published

Aspo's Annual Report 2011, comprising the financial statements, the Report of the Board of Directors and the Auditors' report is published in Finnish and English. Aspo Plc's Corporate Governance Statement 2011 is published on the company website www.aspo.com.

Mar 30, New shares in Aspo Plc entered into the Trade Register

One loan unit of Aspo Plc's convertible capital loan 2009 has been converted into 8 074 new shares in Aspo Plc. After the Trade Register entry of the new shares, the number of the company's shares is 30 967 450 shares.

Apr 3, Aspo Plc's Board of Directors updates its proposal to the Annual Shareholders' Meeting on the distribution of funds

Aspo Plc's Board of Directors has in its meeting today on April 3, 2012, at 11.00. decided to update its proposal to the Annual Shareholders' Meeting of Aspo Plc on April 3, 2012, concerning distribution of funds. Compared to the invitation to the Annual Shareholders' Meeting on March 8, 2012, the proposal remains unchanged in respect of the distributable amount, record date and payment date. The Board proposes to the Annual Shareholders' Meeting a repayment of capital from the invested unrestricted equity fund instead of dividend, and the repayment of capital of EUR 0.42 per share. The record date for the repayment of capital will be April 10, 2012 and the payment date April 17, 2012.

Apr 3, Decisions of the Aspo Annual Shareholders' Meeting

The Annual Shareholders' Meeting of Aspo Plc on April 3, 2012, approved the parent company's and consolidated financial statements and discharged the members of the Board of Directors and the CEO from the liability for fiscal 2011. The shareholders approved the repayment of capital totaling EUR 0.42 per share. The Annual Shareholders' Meeting approved the Board's proposals on the acquisition of company-held shares, a share issue of the company-held shares, and a rights issue.

Apr 20, Invitation to Aspo's press conference

Aspo Plc's Interim Report for January-March 2012 will be published on Friday, April 27, 2012, at about 8.30. A press conference for analysts, bankers and media will be held at 11.00.

Apr 27, Aspo Group Interim Report, January 1 – March 31, 2012

Tonnage tax increased earnings per share, operating profit decreased. Aspo Group's net sales in January-March amounted to EUR 108.8 million and operating profit was EUR 0.3 million. Profit before taxes amounted to EUR -0.6 million and earnings per share stood at EUR 0.09. The new tonnage tax act, which took effect on March 1, improved earnings per share by approximately EUR 0.10 per share in the reporting period.

May 29, ESL Shipping took delivery of newest ice-strengthened vessel in Vietnam

ESL Shipping Ltd has taken delivery of a new 56,000 dwt vessel from the Korean Hyundai Mipo shipyard. M/s Kumpula is the second of two 1A ice-strengthened dry cargo vessels built in Vietnam, and owned by ESL Shipping. Kumpula is a supramax class vessel and has built-in cranes as well as a ballast water treatment system. The length of the vessel is 197 meters and maximum draft with a full cargo is 13.0 meters. She sails under the Finnish flag.

Jun 11, Aspo signs EUR 40 million revolving credit facility agreement

Aspo Plc has signed a revolving credit facility agreement amounting to EUR 40 million. The credit is being granted by Pohjola Bank Plc. The agreement is valid for three years, and it will replace a EUR 20 million revolving credit facility agreement, which will mature in early 2013. The loan has been taken to meet the Group's general financing needs.

Jun 12, Notice of change in Aspo holdings pursuant to Chapter 2 Section 10 of the Securities Markets Act

Havsudden Oy Ab has announced that its holdings have exceeded 5% of the share capital in Aspo Plc. Following the transfer Havsudden Oy Ab owns 2,106,274 shares in Aspo Plc, corresponding to 6.8% of share capital and 3.3% of votes. According to the notification the shares have been transferred to the Nyberg family holding company. The transfer does not imply any changes in voting rights.

Jun 25, Aspo's ESL Shipping sells m/s Hesperia for EUR 2.4 million profit

ESL Shipping Ltd has sold its oldest ship, m/s Hesperia, for approx. EUR 3.3 million. A sales gain of approx. EUR 2.4 million will be recorded in the profit for the second quarter. The sale of m/s Hesperia, built in 1991, is part of the fleet renewal in ESL Shipping's strategy. ESL Shipping took delivery of two new 1A ice-strengthened Supramax vessels in January and May 2012.

Jun 27, Notice of change in Aspo holdings pursuant to Chapter 2 Section 10 of the Securities Markets Act

Henrik Nyberg has announced that his holdings have decreased below five per cent (5%) of the share capital and voting rights in Aspo Plc. Henrik Nyberg has sold 600,000 shares and the corresponding 600,000 voting rights. Following the transaction Henrik Nyberg owns 1,200,000 shares in Aspo Plc, corresponding to 3.88% of share capital and votes. According to the notification the shares have been transferred to Havsudden Oy Ab, the Nyberg family holding company.

Jun 27, Notice of change in Aspo holdings pursuant to Chapter 2 Section 10 of the Securities Markets Act

Havsudden Oy Ab has announced that its holdings have exceeded ten per cent (10%) of the share capital and five per cent (5%) of the voting rights in Aspo Plc. Today, a total of 1,016,667 shares and 600,000 voting rights have been transferred to Havsudden Oy Ab. Following the transfer Havsudden Oy Ab owns 3,122,941 shares in Aspo Plc, which corresponds to 10.1% of share capital and 5.2% of votes.

Aug 10, Advance information about Aspo Group's net sales and result in April-June 2012, and changes to guidance for 2012

According to initial information, the net sales of Aspo Group in the second quarter of 2012 was about EUR 123 million, i.e. at the level of the corresponding period last year. According to initial information, operating profit decreased to about EUR 3.8 million in the second quarter. According to advance information, the profit for the quarter increased to about EUR 3.5 million and earnings per share was at the level of the previous year, i.e. EUR 0.11.

Due to the estimated result for the first year-half, the estimated result for July, and the decreased forecast of ESL Shipping's cargo volumes, Aspo's Board of Directors has decided to change Aspo's estimated outlook for 2012 announced on February 24, 2012.

New guidance for 2012, issued on August 10, 2012: Aspo aims for growth in net sales but the operating profit will fall significantly short and earnings per share will fall slightly short of the level of 2011.

Guidance for 2012 issued by Aspo Group on February 24, 2012: Aspo aims for growth in net sales and operating profit, and will improve earnings per share.

Aug 14, Invitation to the press conference on Aspo's Interim Report

Aspo Plc's Interim Report for January-June 2012 will be published on Tuesday, August 21, 2012, at about 10.00. A press conference for analysts, bankers and media will be held at 14.00.

August 21, Aspo Group Interim Report, January 1 – June 30, 2012

Strong growth continued in the East, earnings per share improved. Aspo Group's net sales in January-June amounted to EUR 231.8 million and operating profit to EUR 4.1 million. Profit before taxes amounted to EUR 2.6 million and earnings per share amounted to EUR 0.20.

Oct 17, Invitation to the press conference on Aspo's Interim Report

Aspo Plc's Interim Report for January-September 2012 will be published on Thursday, October 25, 2012, at about 10.00. A press conference for analysts, bankers and media will be held at 13.30.

Oct 19, New members to the Board of Directors of Kaukomarkkinat Ltd

The Board of Directors of Kaukomarkkinat Ltd has been reinforced through the appointment of specialist members from outside the Group. Ms Pirja Heiskanen (41), Ph.D., Mr Risto Kyhälä (49), M.Sc. (Tech.), and Mr Kimmo Liukkonen (47), M.Sc. (Tech.), have been appointed to the Board. Mr Aki Ojanen, CEO of Aspo Group, will continue serve as Chairman of the Board. The new Board will assume duty on November 1, 2012.

Kaukomarkkinat supplies products and services for buildings, industrial facilities, power utilities and other professional applications. The company focuses on energy efficient and sustainable technologies.

October 25, Aspo Group Interim Report, January 1 – September 30, 2012

Strong growth in the eastern markets continues. Aspo Group's net sales in January-September amounted to EUR 351.5 million. Operating profit amounted to EUR 7.0 million. Profit before taxes amounted to EUR 4.7 million. Earnings per share stood at EUR 0.26.

Dec 18, Aspo's financial information in 2013

The Aspo Group Annual Accounts Bulletin for 2012 will be released on Thursday, February 14, 2013. The Annual Report will be published on week 14 at the latest. Aspo will publish three Interim Reports in 2013: April 29, August 20, and October 24. The Annual Shareholders' Meeting is scheduled for Wednesday, April 10, 2013, in Helsinki.

OTHER RELEASES:

Mar 23, M/s Arkadia arrives in the Baltic Sea

M/s Arkadia, owned and operated by ESL Shipping, has arrived in its domestic waters, the Baltic Sea. Arkadia is the first 1A ice-strengthened dry cargo vessel in the Supramax class. Arkadia has built-in cranes as well as a ballast water treatment system. The new vessel will further strengthen ESL Shipping's position as the leading dry cargo transport company. M/s Arkadia's sister vessel will also be completed and introduced before summer 2012.

Apr 26, The 65-year-old Kaukomarkkinat revamps its business strategy

Kaukomarkkinat celebrates its 65th anniversary in April. The company focuses on local energy solutions and reactivates technology imports and exports. In accordance with the new business strategy, Kaukomarkkinat will focus on two new areas: local energy solutions and clean technology exports. Solutions will be offered to the real estate sector and to industry and energy production.

May 25, Honorary title to Gustav Nyberg

On May 25, B.Sc. (Econ) Gustav Nyberg, the chairman of Aspo Board of Directors, has earned the honorary title Councillor of Trade (Finnish kauppaneuvos) from the President of Finland for his successful and long-term work to develop Finnish economic life.

Jul 2, Kaukomarkkinat acquires the business of Somasyr Oy

Kaukomarkkinat Ltd has acquired the business of Somasyr Oy. The business consists of the import and sales of energy accumulators and floor heating systems. For the acquired business, Kaukomarkkinat is targeting at net sales exceeding EUR 800,000 per year.

Oct 5, Change in Aspo holdings

One of Aspo's major shareholders, A. E. Vehmas, has informed the company that his share of Aspo Plc shares decreased on October 1, 2012, due to an internal arrangement concerning 300,000 shares within the Vehmas family. Following the change, the shareholdings of the transferor and the transferee do not exceed the flagging limit nor fall below it. After the transfer, the shareholding of A. E. Vehmas amounts to 1,643,394 shares or 5.3% of Aspo Plc shares. The transfer was carried out as an internal arrangement of the Vehmas family's Aspo ownership.

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OPERATIONAL PERFORMANCE

The uncertainty of the European economy and financial market has continued, which has negatively affected overall economic development within the European Economic Area. In Aspo's operating areas, growth in the developing Eastern markets has continued unchanged. Aspo's financing costs have decreased due to lower interest rates.

ESL Shipping

The international dry bulk cargo price levels remained record low throughout 2012. Transport volumes in industries important to the shipping company decreased because of lower production volumes in the steel industry and lower electricity prices in the energy sector, which significantly reduced the quantity of coal imported to Finland. In proportion to the transport demand, the shipping company had vessel overcapacity until the end of July.

The cargo volume carried by ESL Shipping in 2012 amounted to 10.4 million tons (13.3). The steel industry accounted for 5.9 million tons (7.9) and the energy industry for 3.2 million tons (4.3) of the volume.

ESL Shipping's net sales decreased significantly to EUR 72.3 million (93.1). The weak market situation, vessel overcapacity in the first half of the year and an increase in depreciation expenses weakened the operating profit, which decreased to EUR 3.7 million (10.5). The operating profit includes sales gains of EUR 2.6 million associated with vessel sales.

The last vessels of the investment program, two 1A ice-strengthened Supramax vessels ordered from the Korean Hyundai Mipo shipyard, were completed in the first half of the year. The reception and outfitting of the vessels caused significant costs. Because of the weak cargo volume situation in the Baltic Sea, the vessels have been operating in other areas, including the sea ice region in Canada. The shipping company and ABG Shipyard in India are involved in negotiations concerning the compensation payable for repairs made to m/s Alppila during the warranty period. The vessel was delivered to ESL Shipping in 2011.

ESL Shipping's depreciation expenses increased significantly in spring 2012, when the new Supramax vessels were recognized in the company's balance sheet.

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

Leipurin

There were no material changes to the prices of food industry raw materials in 2012.

The net sales increased to EUR 131.1 million (128.2), and operating profit decreased to EUR 4.0 million (5.7). Growth continued in Russia, Ukraine and other CIS countries. Net sales in this area was EUR 40.1 million (31.8), and growth was 26%. Operating profit from bakery machinery and raw materials for other food industries decreased. Net sales from bakery raw materials grew and operating profit improved.

The year 2012 was a time of development and investments. Leipurin implemented a new ERP system, and its Finnish operations moved to new premises. Leipurin also integrated the Hausjärvi engineering shop with the Nastola production facility, and reorganized and improved the efficiency of other food industry sales. In 2012, the result included approximately EUR 0.5 million in expenses for reorganization of operations and renewal of systems.

During the year, Leipurin launched business operations in a number of major cities in Russia and opened test bakeries in Moscow and Yekaterinburg. The share of net sales and operating profit generated in the emerging markets increased. Profitability in Russia is above average. With the exception of the Nastola facility, Leipurin's Finnish operations moved to new premises in December. This resulted in expenses in the fourth quarter.

Telko

The prices of raw materials sold decreased in 2012. Basic demand in industries important to Telko declined in the Western markets and continued to grow in the Eastern markets.

Despite the lower price levels, Telko's net sales grew to EUR 237.7 million (211.6) Operating profit was nearly on par with the previous year's level, amounting to EUR 8.4 million (8.6). Net sales grew strongly in Russia, Ukraine and other CIS countries. Net sales in this area was EUR 117.6 million (90.6), with a growth of 30%. Operating profit was approximately 5%.

Telko's business consists of separate sales activities in plastic raw materials and industrial chemicals. The net sales and profitability of industrial chemicals decreased. Net sales from plastic raw materials increased significantly, and their profitability also improved. The share of net sales generated in the emerging markets continued to grow strongly.

Telko has continued its investments into growing market areas, such as Ukraine and China, as well as into growth in Russian metropolises.

Kaukomarkkinat

In line with its strategy, Kaukomarkkinat has invested in local energy solutions and created an offering which consists of energy generation, distribution, and control solutions for single-family houses as well as industrial and commercial facilities. Kaukomarkkinat integrated all these functions into one single building systems business line in the fall.

Kaukomarkkinat has increased its personnel resources particularly in the building systems unit in Finland and in cleantech export to Russia and Poland. This has resulted in a higher cost structure for Kaukomarkkinat. The company has also continued its campaigns involving the product groups which are of key importance to the strategy, particularly in the second half of the year, which has resulted in increased marketing costs.

Net sales in 2012 only reached EUR 40.5 million (43.4). Operating profit decreased to EUR -0.6 million (1.4). The profitability of Chinese project sales in the previous year was exceptionally good.

Demand for heat pumps returned to the level of the previous year, focusing on increasingly larger real estate properties. The technical building services center Koskelo in Espoo was phased in. The center offers appropriate premises for sales, presentation, training and development activities as well as after-sales functions. Starting the operations resulted in expenses.

Demand for professional electronics continued to be high in Finland. Demand for industrial machinery in Finland was normal, but weakened in Poland. Demand for paper making machinery was satisfactory in Poland and Russia, but weakened in China.

Other operations

Other operations include Aspo Group's administration and other operations not belonging to the business units.

NET SALES

Aspo Group's net sales increased to EUR 481.6 million (476.3), showing an increase of EUR 5.3 million.

EARNINGS

Aspo Group's operating profit for the period was EUR 10.6 million (21.5). The operating profit includes sales gains of EUR 2.6 million from the sale of vessels.

ESL Shipping's operating profit amounted to EUR 3.7 million (10.5). Leasing costs related to vessel overcapacity, the weak market situation, and an increase in depreciation expenses had a negative effect on the operating profit. Leipurin's operating profit was EUR 4.0 million (5.7). Costs associated with reorganization and the integration of production activities in machinery manufacturing weakened the business area's operating profit. Telko's operating profit decreased slightly to EUR 8.4 million (8.6). Kaukomarkkinat's operating profit was negative, EUR -0.6 million (1.4). The reorganization of the business, including recruitments, weakened the operating result. Project sales in China decreased from the previous year, which also had a negative effect on the operating result.

Other operations include Aspo Group's administration and a small share of other items not belonging to the business units. The operating profit of other operations was negative and amounted to EUR -4.9 million (-4.7).

The profit after taxes for 2012 improved due to the new tonnage taxation. In addition to the non-recurring effect recognized in taxes, it has a long-term positive effect on the results of ESL Shipping and the Group.

Earnings per share were EUR 0.36 (0.45) and diluted earnings per share were EUR 0.37 (0.45). Equity per share was EUR 2.95 (3.05).

Aspo´s financial targets are to achieve a return investment and equity of over 20% and an operating profit as percentage of net sales of over 5%. It also aims at distributing at least half of the annual profit in dividends on average. The targets set for return on investment (ROI) and the return on equity (ROE) were not achieved in 2012.

Net sales by segment

	2012 MEUR	2011 MEUR	Change MEUR	Change %
ESL Shipping	72.3	93.1	-20.8	-22.3
Leipurin	131.1	128.2	2.9	2.3
Telko	237.7	211.6	26.1	12.3
Kaukomarkkinat	40.5	43.4	-2.9	-6.7
Other operations	0.0	0.0	0.0	
Total	481.6	476.3	5.3	1.1

Net sales by market area

	2012 MEUR	2011 MEUR	Change MEUR	Change %
Finland	158.9	181.2	-22.3	-12.3
Nordic countries	42.6	48.8	-6.2	-12.7
Baltic countries	49.4	50.6	-1.2	-2.4
Russia, Ukraine + other CIS countries	157.8	122.6	35.2	28.7
Other operations	72.9	73.1	-0.2	-0.3
Total	481.6	476.3	5.3	1.1

Operating profit by segment

	2012 MEUR	2011 MEUR	Change MEUR	Change %
ESL Shipping	3.7	10.5	-6.8	-64.8
Leipurin	4.0	5.7	-1.7	-29.8
Telko	8.4	8.6	-0.2	-2.3
Kaukomarkkinat	-0.6	1.4	-2.0	-142.9
Other countries	-4.9	-4.7	-0.2	-4.3
Total	10.6	21.5	-10.9	-50.7

Investments by segment*

	2012 MEUR	2011 MEUR	Change MEUR
ESL Shipping	26.8	38.8	-12.0
Leipurin	1.0	0.9	0.1
Telko	2.3	2.6	-0.3
Kaukomarkkinat	0.4	0.4	0.0
Other operations	0.0	0.0	0.0
Total	30.5	42.7	-12.2

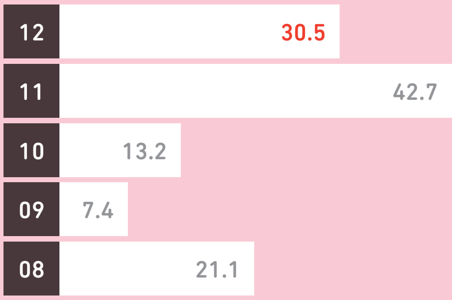
*excluding business acquisitions

In the long term, high goals for return on capital can also be achieved through structural changes in accordance with Aspo's strategy. The return on investment (ROI) was 5.4% (12.5) and the return on equity (ROE) was 11.8% (16.4). The operating profit as percentage of net sales was 2.2% (4.5). The Board´s proposal of the distribution of dividends will meet the objectives. In that case, dividend/earnings would be 117.9% (repayment of capital / earnings 95.2). Effective dividend yield would be 6.6% (effective repayment of capital yield 6.2), using the share closing price valid on the last day of the year.

INVESTMENTS

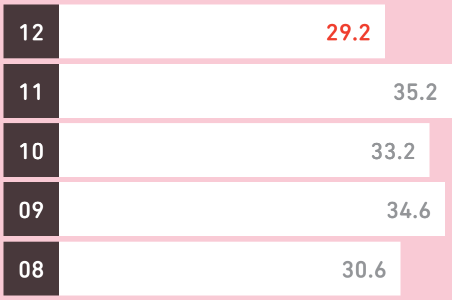
The Group's investments amounted to EUR 30.5 million (42.7). Most of the investments consisted of the final payments for ESL

Investments MEUR



Return on investment %

Equity ratio %



Shipping's Supramax vessel orders. Telko completed the refinery terminal investment in Rauma, Finland.

FINANCING

The Group's financing position weakened in 2012 compared to the previous year. The Group's cash and cash equivalents amounted to EUR 21.4 million (14.5) at the end of the year. The consolidated balance sheet included a total of EUR 140,1 million (101.5) in interest-bearing liabilities. Non-interest-bearing liabilities totaled EUR 80.9 million (74.9).

Aspo Group's net gearing was 131.6% (94.1), and the equity ratio was 29.2% (35.2). Aspo Group's financing position was positively affected by the cash flow from operations in the fourth quarter, as well as the vessel sales carried out in the second quarter, while vessel investments and the repayment of capital in the first half of the year had a negative effect on the cash flow.

The Group's cash flow from operating activities amounted to EUR 8.8 million (20.7). Cash flow from operating activities decreased from the previous year. This was mainly attributable to weaker profitability. At the end of the year, the change in working capital stood at EUR -6.2 million (-3.1).

Cash flow from investments totaled EUR -26.2 million (-44.7). Cash flow from investments was affected by the final installments for the vessels delivered during the year. The shipping company's investment scheme related to new vessels was completed during the year. The Group's free cash flow amounted to EUR -17.4 million (-24.0).

The amount of binding revolving credit facilities signed between Aspo and its core banks stood at EUR 60 million at the end of the financial year. At the end of the year, EUR 20 million of the revolving credit facilities was in use. EUR 28 million of Aspo's EUR 50 million commercial paper program had been used at the end of the year.

Convertible capital loan

Aspo Plc has EUR 10,300,000 in a convertible capital loan issued in 2009. The loan period is from June 30, 2009, to June 30, 2014. The loan will be repaid in one installment on June 30, 2014, assuming that the repayment conditions outlined in Chapter 12 of the Finnish Companies Act and the loan terms are met. The loan has a fixed interest rate of 7%.

The loan units can be converted into Aspo shares. Each EUR 50,000 loan unit entitles its holder to convert the loan unit into 8,074 new shares in Aspo. The conversion rate is EUR 6.19. The loan can be converted annually between January 2 and November 30. The conversion period ends on June 15, 2014.

In 2012, 8,074 new shares were subscribed for with one loan unit.

Related party loans

Aspo Plc has granted a EUR 2.9 million loan to Aspo Management Oy, one of the company's related parties and controlled by the company, as part of a shareholding plan for the Group. The interest on the loan receivable is 3%. The loan receivable falls due on March 31, 2014. It can be extended to March 31, 2016 at the latest. The loan is market-based. Aspo Management Oy may not deposit in pledge or use as security the Aspo Plc shares it holds without Aspo Plc's written consent. The company has been consolidated in the financial statements.

Structural arrangements

Aspo Plc's subsidiary Aspotel Oy has been merged into the parent company. The merger was entered into the Trade Register on December 31, 2012.

RISKS AND RISK MANAGEMENT

Global economic uncertainty increased further in 2012, which made it more difficult to evaluate risks in Aspo's business environment. Aspo estimates that both its strategic and operational risks have increased. Although net sales developed as planned, operating profit remained below the targeted level, which indicates that some operational risks have been realized. However, both operating profit and cash flow began to recover in the fourth quarter.

Strategic risks are reduced at Group level by the business being divided into four segments and business being conducted over a wide geographical area. Strategic risks have increased due to the weaker outlook of metals industry customers, short-term solutions in the energy sector, and the effects of lower marine cargo prices on cargo traffic on the Baltic Sea. Investment trends and changes to retails structures, especially in the western markets, have also increased the strategic risks. Rapid changes in economic structures may cause risks due to changes in the customer or principal structure or technologies, and due to unutilized opportunities that require a quick response.

ESL Shipping has had time-chartered vessel capacity, the purpose of which has been to reduce risks associated with the customers' production levels, but its use remained below the expected level. This capacity, which is more expensive for the shipping company, was given up at the end of July. Measures adopted in the other businesses include centralizing stocks and increasing the efficiency of stock monitoring and the monitoring and collection of sales receivables. The order book of Leipurin's machinery business is monitored more closely, and reporting has been increased further.

Operational risks have increased further due to the uncertainty of the business environment. The focus of Aspo's growth is on emerging market areas where growth risks are also affected by factors such as the level of the global market prices of raw materials, exchange rates, interest rate levels, industrial and commercial investments, customers' liquidity, and changes in legislation and import regulations. Consumer behavior is also reflected in the risks generated through B-to-B customers and the risk levels. The growth opportunities presented by emerging markets boost interest among competitors in launching or expanding business in these areas. In addition, the environment in the emerging markets is challenging. This has led to some competitors exiting these markets, which creates further opportunities for others. The demand for Aspo's products and services in Western countries has decreased in proportion to the developing markets, and macroeconomic factors of uncertainty keep the risk levels high. The changes in demand in emerging markets show an opposite trend, but these changes are more difficult to predict.

Aspo has succeeded in keeping its net exchange rate losses small. Active hedging of currency positions and currency flows has also mostly neutralized the effects of changes to exchange rates. While changes in credit loss risk vary between business areas and customers, credit loss risks in general have grown, and to some extent risks have also been realized.

The quantity and probability of loss risks was extensively assessed in the latter half of 2011, and insurance policies to cover the risks were put out to tender at the same time. In order to verify the amounts insured, Aspo reviewed and renewed its insurance policies in 2012. The amounts insured are sufficient, considering the extent of Aspo's operations.

One of the responsibilities of Aspo's Audit Committee is to monitor the efficiency of the Group's internal supervision, 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 supervision principles approved by the Board of Directors, risk management is part of Aspo's internal supervision, and its task is to ensure the implementation of the Group's strategy, development of financial results, shareholder value, dividend payment ability, and continuity in business operations. The operational management of the business areas 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. Risk management is coordinated by Aspo's CFO, who reports to the Group CEO.

Goodwill reflects the performance ability of each segment, including capital employed, and their related risks are monitored under segment-specific impairment testing at least once a year. Additional impairment tests were not necessary in 2012.

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

OPERATIONAL RISKS

In operational risks, the main risks in terms of likelihood and effect are connected to the permanence of customer relationships, equipment sufficiency, maintaining the balance level and key personnel. Therefore, risk management in Aspo does not simply mean maintaining sufficient insurance coverage but it is an integral part of continuous operations and is built into all operational processes.

The main emphasis in the operational risks of the near future relate to the effects of the global economic recession, visible also as structural market changes. Particular attention is paid to credit loss risks and stability in working capital across the whole Group.

ESL Shipping

The main business risks for ESL Shipping are unfavorable changes in demand and competitive position, loss of customer confidence, labor conflicts, optimizing capacity and shipments, and an emergency or accident at sea. With long-term customer contracts and the constant monitoring and development of operations, ESL Shipping has been able to manage its risks moderately.

The situation on the dry bulk market is challenging, and the growing tonnage in relation to demand increases competition and holds back cargo price level increases. Market cargo prices are at a very low level. It is likely that the demand for transport needs among energy industry customers will increase slightly in 2013, mainly during the latter half of the year. In addition, it is estimated that the total output in the steel industry will remain at the level of 2012. A slight fall is expected in transport volumes to other industry. It is likely that Supramax class vessels will operate on the spot markets during the open water season in 2013. Contracts matching their ice classifications will be sought for them for other times. The shipping company has a significant number of transport contracts for 2013.

Fuel price fluctuations are taken into consideration in long-term contracts. Where necessary, forwards are used in foreign exchange transactions in order to protect against changes in exchange rates.

Leipurin

In Leipurin's operating area, the biggest risks relate to exchange rate risks and impacts of their materialization on the prices, especially in Russia; exchange rate risks are also recognized in the Baltics and Poland. The company has managed to keep the direct impacts of foreign exchange rate fluctuations under control. No significant losses have so far occurred. Other operational risks include international food crises and import restrictions. Strategic risks relate to barriers that could slow down the growth in the Russian trade, and its operational risks relating to potential changes in the markets and consumers' behavior.

Telko

In line with its strategy, Telko grows in the emerging markets (Russia, Ukraine, Belarus, Kazakhstan, Uzbekistan and China). The economic and industrial growth of these countries has a significant impact on Telko's ability to generate profit. Rapid changes in the emerging markets increase Telko's strategic and operational risks. Risks present in the developing markets may materialize mainly through financing granted to subsidiaries and through capital investments.

Risks are also caused by rapid fluctuations in the world market prices of raw materials. Abruptly decreasing prices may weaken the profitability of stock products and increase the need for write-downs on inventories. Telko monitors the adequacy of its stock products on a regular basis.

The insecure situation in the financing sector may increase both credit loss and exchange rate risks in all of Telko's market areas.

Other potential business-related risks include acquisitions between raw material suppliers, reorganization of distribution channels and changes in the legislation concerning the chemical industry. Their impacts may be either strategic or operational.

Kaukomarkkinat

The business operations of Kaukomarkkinat involve normal commercial risks and risks related to overseas operations. The operation of Kaukomarkkinat consists of several product groups, customer segments and market areas that diversify risks.

Changes in demand are the most significant risk for Kaukomarkkinat. Selling of products based on energy conservation may suffer if energy prices change or due to public sector actions. The main exchange rate risks, in turn, are connected with the strengthening of the Japanese yen and increasing import prices. In China, the economic situation and currency value changes may affect customers' willingness to invest.

FINANCIAL RISKS

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

Refunding risk

Refunding risk is managed by diversifying interest-bearing debt with respect to the counterparty, instrument, and maturity.

Liquidity risk

Liquidity risk is managed by securing the Group's sufficient cash funds together with binding revolving credit facilities and other financing reserves.

Interest rate risk

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

Credit risks

The Group uses terms of payment based on advance payments and bank guarantees to hedge against credit risks.

Currency risk

Aspo Group manages currency risk with currency derivatives.

PERSONNEL

At the end of the year, the number of personnel at Aspo Group was 871 (814) and the average during the year was 858 (797). The average number of officials was 578 (559) and of employees, 281 (238). The number of personnel in the parent company consisting of officials was 12 (12) at the end of the year and 12 (12) on average during the year.

Of Aspo Group's personnel, 52% (55) work in Finland, 3% (2) in other Nordic countries, 8% (9) in Baltic countries, 29% (25) in Russia, Ukraine and other CIS countries, and 8% (9) in other countries. Men make up 62% (62) and women 38% (38) of the workforce. Of Aspo Group's employment contracts, 99% (99) are full time. During the financial year, 155 (151) new employment contracts were signed. The cost of all employment benefits within the Group in 2012 amounted to EUR 39.7 million (37.5).

Changes in the total number of personnel result from the increase caused by organic growth, the effect of new ships, and seasonal fluctuation in the number of ship personnel employed.

Rewarding

Aspo Group has a personnel fund. The long-term goal is that the personnel will become a significant shareholder group in the company. All persons working at Aspo Group's Finnish companies are members of the personnel fund. Aspo's business areas pay part of their earnings as bonuses to the personnel. The calculation principles for the bonuses are approved by business area.

In 2010, Aspo's Board decided on a shareholding plan for Aspo Group's management. The purpose of the plan is to enable considerable long-term ownership in Aspo for those involved in the plan. For shareholding purposes, the participants acquired a company called Aspo Management Oy, whose entire stock they own. Aspo Management Oy acquired 114,523 Aspo shares from the participants at market price. In addition, Aspo assigned 322,637 shares at EUR 7.93 per share to the company in a directed share issue. As part of the arrangement, the Board decided to grant Aspo Management Oy a EUR 2,800,000 interest-bearing loan to finance the share purchase. Aspo Management Oy also subscribed to 62,452 shares in Aspo's rights issue and raised an additional loan of EUR 324,750.40 from Aspo to finance the purchases. At the end of the financial year the loan amounted to EUR 2,934,750.40. The plan is valid until spring 2014, after which it will be dissolved in a manner to be decided upon later. The plan will be extended for one year at a time if Aspo's share price at the beginning of 2014, 2015, or 2016 is below the average price at which Aspo Management Oy acquired the Aspo shares it owns. There are restrictions on the right of disposal of the shares for the duration of the plan. As a rule, the participants' holding in Aspo Management Oy remains valid until the system is dissolved.

In 2009, Aspo's Board of Directors decided on a share price-based incentive plan for about 30 persons where the potential gain was based on Aspo Group's cumulative earnings per share indicator (EPS) over the period of 2009–2011. On the basis of this plan, a total of 150,638 company-held shares was decided to be transferred to employees covered by the shareholding plan in February 2012.

On February 14, 2012, Aspo's Board of Directors decided on a new share-based incentive plan for about 30 persons. The plan will last for three years, but the Board of Directors will decide on the performance criteria and participants each year. The potential reward is based on Aspo Group's earnings per share (EPS) indicator for each performance year of the plan (2012 to 2014). The prerequisite for participation in the plan is that the person acquires Aspo shares, or holds Aspo shares or Aspo Management's shares, up to the number predetermined by the Board of Directors, and undertakes to follow the rules of the plan. No reward will be paid for the 2012 vesting period since Aspo's result remained below the targeted level.

RESEARCH AND DEVELOPMENT

Aspo Group's R&D focuses mainly on developing operations, procedures and production technology without a separate organization, which means that the development investments are included in normal operational costs and are not itemized.

ENVIRONMENT

Aspo Group's regular operations do not have any significant environmental impact. The Group companies follow Aspo's environmental policy with the main principle of continuously improving operations.

Average personnel by segment

ESL Shipping	2012	2011
Office staff	25	29
Crew members	190	161
	215	190
Leipurin		
Office staff	231	214
Non-office workers	58	58
	289	272
Telko		
Office staff	222	222
Non-office workers	26	12
	248	234
Kaukomarkkinat		
Office staff	87	81
Non-office workers	7	7
	94	88
Other operations		
Office staff	12	13
Total	858	797

Throughout its operations, Aspo supports the principles of sustainable development.

Aspo looks after the environment by taking initiatives and continuously monitoring the laws and recommendations connected to its operation and any revisions to these. Aspo wants to be a pioneer in all of its operations and also anticipates future developments in environmental regulations.

ESL Shipping

ESL Shipping's operations and all its vessels are certified in accordance with the International Maritime Organization's International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention (ISM). ESL Shipping also has ISO 14001 environmental certification. Well-equipped ships also enhance safety: all of our ships are ice class. What's more, our experienced personnel are very familiar with the ports, channels, and conditions of the Baltic Sea.

A ballast water cleaning system has been installed in ESL Shipping's newest vessels. The system prevents foreign flora and fauna from moving from one water area to another, and thus protects the ecosystem of the Baltic Sea.

Ships are the most ecological alternative for transporting large cargos. The carbon dioxide emissions of a large cargo ship, in relation to the size of the cargo and the length of the voyage, are 30 percent less than those of heavy articulated vehicles and under three percent of aircraft emissions.

Leipurin

Leipurin pays particular attention to the quality and safety of food ingredients and the environmental impact of its operations. Leipurin's operational manual is ISO 9001 certified. Certification has also committed the company to continually improve its operations. We take environmental issues into account when choosing our suppliers, too.

Telko

Telko has a certified quality system complying with the ISO 9001:2000 standard. In addition, Telko is committed to the chemical industry-oriented Responsible Care Program that complies with the cooperation agreement between The Chemical Industry Federation of Finland and the Chemical Section of the Association of Finnish Technical Traders. The company's situation in health, safety, environmental and quality issues has been verified in SQAS Distributor / ESAD II (European Single Assessment Document) assessments. The SQAS Distributor / ESAD II assessment was developed together by CEFIC and FECC, trade associations for chemical manufacturers and distributors. The assessment is carried out by an outside assessment body with the help of a broad set of questions.

Kaukomarkkinat

Kaukomarkkinat provides equipment and services that improve energy efficiency. Its products can run on renewable energy such as biofuels and inexhaustible energy such as solar energy. Environmental issues play a highly important role for the company's suppliers: their commitment to sustainable development is evident in all their operations, all the way from product design and manufacture to recycling.

MANAGEMENT AND AUDITORS

Aspo Plc's Annual Shareholders' Meeting held on April 3, 2012, re-elected Matti Arteva, Esa Karppinen, Roberto Lencioni, Gustav Nyberg, Kristina Pentti-von Walzel, and Risto Salo to the Board of Directors for a one-year term. Marja-Liisa Kaario was elected as new member to the Board.

At the Board's organizing meeting held after the Annual Shareholders' Meeting, Gustav Nyberg was elected to carry on as Chairman of the Board and Matti Arteva as Vice-Chairman. At the meeting the Board also decided to appoint Roberto Lencioni Chairman of the Audit Committee and Marja-Liisa Kaario and Kristina Pentti-von Walzel as committee members.

In 2012, the Board of Directors arranged 15 meetings, of which six were teleconferences. The average participation rate was 100%.

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

The authorized public accounting firm PricewaterhouseCoopers Oy has been the company's auditor. Mikko Nieminen, APA, has acted as the auditor in charge.

BOARD AUTHORIZATIONS

Authorization to decide on the acquisition of company-held shares

The Annual Shareholders' Meeting authorized the Board of Directors to decide on the acquisition of no more than 500,000 of the company-held shares using the unrestricted shareholders' equity of the company. The authorization includes the right to accept company-held shares as a pledge.

The shares shall be acquired through public trading, for which reason the shares are acquired otherwise than in proportion to the holdings of the shareholders and the consideration paid for the shares shall be the market price of the Aspo share at the time of repurchase. Shares may also be acquired outside public trading for a price which at most corresponds to the market price in public trading at the time of acquisition. The authorization includes the Board´s right to resolve on a directed repurchase or the acceptance of shares as a pledge, if there is a compelling financial reason for the company to do so as provided for in Chapter 15, section 6 of the Finnish Limited Liability Companies Act. The shares shall be acquired to be used for the financing or execution of corporate acquisitions or other transactions, for execution of the company's share-ownership programs or for other purposes determined by the Board.

The Board may not exercise the authorization to acquire company-held shares or to accept them as a pledge if after the acquisition the company or its subsidiary would possess or have as a pledge in total more than ten (10) percent of the company's stock. The authorization is valid until the Annual Shareholders' Meeting in 2013 but not more than 18 months from the approval at the Shareholders' Meeting.

The Board of Directors shall decide on any other matters related to the acquisition of company-held shares.

The authorization will supersede the authorization for the acquisition of company-held shares which was granted to the Board of Directors by the Annual Shareholders' Meeting on April 5, 2011.

Authorization to decide on a share issue of the company-held shares

The Annual Shareholders´ Meeting authorized the Board of Directors to decide on a share issue, through one or several installments, to be executed by conveying the company-held shares. An aggregate maximum amount of 834,529 shares may be conveyed based on the authorization. The authorization will be used for the financing or execution of corporate acquisitions or other transactions, for execution of the company's share-ownership program or for other purposes determined by the Board.

The authorization includes the right of the Board of Directors to decide on all the terms and conditions of the conveyance and thus also includes the right to convey shares otherwise than in proportion to the holdings of the shareholders, in deviation from the shareholders' pre-emptive right, if a compelling financial reason exists for the company to do so. The authorization remains in force until September 30, 2015.

Company-held shares may be transferred either against or without payment. Under the Finnish Limited Liability Companies Act, a directed share issue may only be carried out without payment, if there is an especially compelling reason for the same, both for the company and in regard to the interests of all shareholders in the company.

The Board of Directors shall decide on any other matters related to the share issue.

The authorization will supersede the authorization concerning a share issue which was granted to the Board of Directors by the Annual Shareholders' Meeting on April 5, 2011.

Authorization to decide on a rights issue

The Annual Shareholders' Meeting authorized the Board of Directors to decide on a rights issue for consideration. 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 remains in force until September 30, 2015.

The authorization will supersede the authorization concerning a share issue which was granted to the Board of Directors by the Annual Shareholders' Meeting on April 5, 2011.

The Board of Directors has not used its authorizations given in 2012.

SHARE CAPITAL AND SHARES

Aspo Plc's share capital on December 31, 2012 was EUR 17,691,729.57 and the total number of shares was 30,967,450 of which the company held 183,891 shares; that is, 0.6% 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 OMX Helsinki Ltd's Mid Cap segment under industrial products and services.

During 2012, a total of 2,704,413 Aspo Plc shares with a market value of EUR 17.6 million were traded on NASDAQ OMX Helsinki, in other words, 8.7% of the stock changed hands. During the year, the stock reached a high of EUR 7.95 and a low of EUR 5.70. The average price was EUR 6.63 and the closing price at year-end was EUR 6.39. At the end of the financial year, the market value excluding treasury shares was EUR 196.7 million.

The number of Aspo Plc shareholders was 6,497 at the end of the year. A total of 613,636 shares, or 2.0% of the share capital, were nominee registered or held by non-domestic shareholders.

In 2012, based on the authorization given by the Shareholders' Meeting in 2011, Aspo Plc transferred a total of 150,638 company-held shares to individuals covered by the performance share plan of 2009.

FLAGGING NOTIFICATIONS

Havsudden Oy Ab announced on June 12, 2012, that its holdings have exceeded 5% of the share capital in Aspo Plc. The transfer did not imply any changes in voting rights.

Henrik Nyberg announced on June 27, 2012, that his holdings have decreased below five per cent (5%) of the share capital and voting rights in Aspo Plc. The amount of shares transferred corresponds to 1.9% of the total number of shares in Aspo Plc.

Havsudden Oy Ab announced on June 27, 2012, that its holdings have exceeded ten per cent (10%) of the share capital and five per cent (5%) of the voting rights in Aspo Plc. Following the transfer Havsudden Oy Ab owns shares that correspond to 10.1% of the share capital and 5.2% of the votes in Aspo Plc. The amount of shares transferred corresponds to 3.3% of the total number of shares in Aspo Plc.

EVENTS AFTER THE FINANCIAL YEAR

On January 8, 2013, Markus Karjalainen, Managing Director of ESL Shipping Ltd, announced that he will resign from his position. Lasse Rikala, M.Sc. (Econ.) was appointed as the acting Managing Director of the company. Matti-Mikael Koskinen, M.Sc. (Econ.) has been appointed the new Managing Director of ESL Shippig Ltd as of May 1, 2013. He will also serve as a member of the Aspo Group Executive Committee. Lasse Rikala will continue as a board member of ESL Shipping Ltd.

OUTLOOK FOR 2013

Aspo's current, both operationally and geographically diversified structure creates a good basis for long-term growth. ESL Shipping's capacity is now better balanced with the demand on the Baltic Sea, which is expected to continue to be satisfactory. Telko and Leipurin have invested in the Eastern growth markets and established new offices. Profitability in this market area is better than in the western markets. Kaukomarkkinat has revised its strategy, focusing primarily on local energy solutions and solutions improving industrial energy efficiency.

The uncertainty of economic development in the European Economic Area is expected to continue in 2013, but growth in the Eastern growth markets is expected to continue in the sectors important to Aspo.

Aspo aims to increase its operating profit and to achieve the previous year's level in net sales.

ESL Shipping

ESL Shipping's activities in the Baltic Sea transport market are estimated to remain at the current satisfactory level. International cargo prices are expected to remain low.

The energy and steel industries, which are important to the company, are expected to increase their raw material transports using the shipping company's vessels in 2013 compared to 2012. Significant customer agreements will continue unchanged in 2013.

One of the new Supramax vessels will continue operating in the Canadian ice traffic until the spring, and the other one will be operating in international spot traffic. The rest of the fleet will operate in contract traffic on the Baltic Sea. A considerable share of the capacity for 2013 has been handled through long-term price and transport agreements.

The amendment to the tonnage tax legislation has improved the operating conditions of shipping companies and encourages them to maintain and add to a merchant fleet in Finland.

ESL Shipping is expected to improve its profitability.

Leipurin

Organic growth is expected to continue in bakery raw materials. The offices that were established in Russia, Ukraine, and Kazakhstan provide a good foundation for several years of growth in bakery raw material sales. Bakery machinery sales are predicted to grow from 2012. In Finland, the restructuring of the bakery industry is expected to continue further in such a way as to increase the outfitting of bakeries in shopping centers and supermarkets as well as the baking activities in them. While raw material sales to other food industry players are expected to decrease, profitability is expected to improve from the previous year. Leipurin will improve its cost efficiency and profitability.

Telko

Organic growth is expected to continue in the Eastern markets. The offices set up in Russia, Kazakhstan, and China provide a good foundation for several years of growth. However, the future trend in industrial demand is difficult to forecast.

Telko continues to expand profitably in line with its strategy in Russia, Ukraine, other CIS countries, and China. New offices will be opened in major Russian cities in 2013. Telko is investigating potential investments in chemical refinery terminals in Western Russia and Ukraine. A refinery terminal would ensure the logistical resources needed for long-term growth in the chemicals business, as well as customer-specific upgrading of products in Russia. The share of plastic raw materials of Telko's overall sales is expected to increase further. In 2013, Telko aims to improve the cost efficiency of its operations by way of improving its supply chain management in particular.

Kaukomarkkinat

The demand for hybrid systems which combine several different heat sources is expected to grow further in Finland. Kaukomarkkinat's offering includes new air-to-water heat pumps and solar thermal collectors, ground source heat pumps, heat storage and heat distribution systems, and building automation systems. Kaukomarkkinat has also further expanded its product range through the introduction of a facility-size heat pump under its own trademark. Kaukomarkkinat expects demand to develop favorably in the future as energy prices rise and the standards for energy efficiency are increased.

The share of professional electronics services and project sales of the overall net sales has increased. As regards industrial machinery sales, solutions utilizing industrial waste heat and energy company investments are areas specially targeted for growth. Kaukomarkkinat and Turku Energia have signed an agreement on the delivery of a second heat pump plant in 2013.

In China, Kaukomarkkinat is seeking growth in the sales of paper making machinery, but also in the delivery of environmental technology solutions primarily to existing process industry customers.

The company has expanded its international office network by way of recruiting specialists in international trade to its sales team. Companies supplying sustainable technology have been acquired as principals. Kaukomarkkinat expects to achieve significant growth and improve its profitability through cleantech export.

Legal proceedings

ESL Shipping is seeking a refund from the State of Finland for fairway dues charged before 2006 in court. According to ESL Shipping, Finland has not complied with the EU's fairway dues legislation.

Operational risks

The overall economic situation may affect industrial demand. It is difficult to foresee whether the growth in demand in Aspo's market areas will continue, or whether there will be any other sudden changes in business preconditions. Changes in the financial markets and in the value of currencies may have an effect on the Group's future profit development.

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

Aspo Plc's Corporate Governance Statement 2012 is published on the company's website on www.aspo.com.

Consolidated Income Statement

1 000 EUR	Notes	Jan. 1–Dec. 31, 2012	Jan. 1–Dec. 31, 2011
Net sales	1	**481 592**	476 278
Other operating income	3	**3 798**	1 053
Change in inventory of finished goods and work in progress +/–	6	**1 560**	-3 329
Share of associated companies' and joint ventures' profit or loss	16	**280**	207
Materials and services	6	**-364 775**	-336 409
Personnel costs	4	**-39 675**	-37 506
Depreciation and impairment	5	**-10 758**	-8 223
Other operating expenses	7	**-61 416**	-70 608
Operating profit		**10 606**	21 463
Financial income	8	**1 630**	1 484
Financial expenses	8	**-4 868**	-5 516
Total financial expenses		**-3 238**	-4 032
Profit before taxes		**7 368**	17 431
Income taxes	9	**3 416**	-4 136
Net profit for the period		**10 784**	13 295
Other comprehensive income			
Translation differences		**577**	-635
Cash flow hedges		**-1 520**	1 249
Income tax on other comprehensive income		**372**	-319
Other comprehensive income for the year, net of taxes		**-571**	295
Total comprehensive income		**10 213**	13 590
Profit of the year attributable to			
Parent company shareholders		**10 784**	13 295
Non-controlling interest			
Total comprehensive income attributable to			
Parent company shareholders		**10 213**	13 590
Non-controlling interest			
Earnings per share to parent company shareholders, EUR	10		
Earnings per share		**0,36**	0,45
Diluted earnings per share		**0,37**	0,45

The notes presented on pages 68–98 form an integral part of the consolidated financial statements.

Consolidated Balance Sheet

Assets

1 000 EUR	Notes	Dec. 31, 2012	Dec. 31, 2011
Non-current assets			
Other intangible assets	11	**14 732**	16 132
Goodwill	12	**45 324**	45 039
Tangible assets	13	**108 256**	88 823
Investments held for trading	14	**198**	205
Receivables	15	**213**	206
Shares in associated companies and joint ventures	16	**2 170**	1 922
Deferred tax receivable	17	**2 865**	1 269
Total non-current assets		**173 758**	153 596
Current assets			
Inventories	18	**50 783**	43 129
Accounts receivable and other receivables	19	**64 976**	55 251
Income tax receivables for the period		**308**	2 431
Cash and cash equivalents	20	**21 398**	14 505
Total current assets		**137 465**	115 316
Total assets		**311 223**	268 912

Shareholders' equity and liabilities

1 000 EUR	Notes	Dec. 31, 2012	Dec. 31, 2011
Shareholders' equity			
Share capital	21	**17 692**	17 692
Premium fund	21	**4 351**	4 351
Treasury shares	21	**-4 171**	-5 103
Translation differences		**-241**	-514
Revaluation fund	21	**-872**	276
Invested unrestricted equity fund	21	**11 147**	23 654
Equity portion of the convertible capital loan	21	**2 572**	2 572
Retained earnings	21	**48 205**	35 559
Net profit for the period		**10 784**	13 295
Total shareholders' equity belonging to shareholders		**89 467**	91 782
Non-controlling interest		**703**	703
Total shareholders' equity		**90 170**	92 485
Long-term liabilities			
Deferred tax liability	17	**10 949**	12 937
Loans	22	**84 193**	92 772
Other liabilities	23	**1 232**	2 349
Total long-term liabilities		**96 374**	108 058
Short-term liabilities			
Provisions	25	**284**	201
Loans and overdraft facilities	22	**55 882**	8 724
Accounts payable and other liabilities	23	**68 071**	55 991
Income tax liabilities for the period		**442**	3 453
Total short-term liabilities		**124 679**	68 369
Total liabilities		**221 053**	176 427
Total shareholders' equity and liabilities		**311 223**	268 912

Consolidated Cash Flow Statement

1 000 EUR	Jan. 1–Dec. 31, 2012	Jan. 1–Dec. 31, 2011
Operational cash flow		
Operating profit	**10 606**	21 463
Adjustments to operating profit		
Depreciation and impairment	**10 758**	8 223
Sales gains and losses from fixed assets and investments	**-2 815**	-10
Accrued personnel costs	**248**	909
Share of associated companies' and joint ventures' profit or loss	**-280**	-207
Change in working capital		
Inventories	**-7 681**	3 373
Current receivables	**-10 611**	-7 853
Non-interest bearing current liabilities	**12 143**	1 355
Interest paid	**-4 006**	-4 427
Interest received	**1 061**	868
Dividends received	**2**	3
Taxes paid	**-601**	-2 986
Operational cash flow	**8 824**	20 711
Cash flow from investments		
Investments in tangible and intangible assets	**-29 886**	-12 920
Advance payments for vessels		-28 608
Gains on the sale of tangible and intangible assets	**4 019**	69
Gains on the investments held for trading	**20**	
Subsidiaries acquired less the cash flow at time of acquisition	**-197**	-3 295
Business operations acquired	**-283**	
Associated companies and joint ventures acquired	**86**	
Cash flow from investments	**-26 241**	-44 754
Cash flow from financing		
Rights issue		19 152
Repurchase of shares		-1 995
Disposal of shares		1 498
Repayments of short-term loans		-5 390
New short-term loans	**42 348**	
New long-term loans	**15 792**	45 423
Repayments of long-term loans	**-21 222**	-16 202
Dividends distributed		-11 101
Repayment of capital	**-12 718**	
Cash flow from financing	**24 200**	31 385
Change in liquid funds	**6 783**	7 342
Liquid funds Jan. 1	**14 505**	7 148
Translation differences	**110**	15
Liquid funds at year-end	**21 398**	14 505

The notes presented on pages 68–98 form an integral part of the consolidated financial statements.

Statement of Changes in Shareholders' Equity

1 000 EUR	Notes	Share Capital	Premium fund	Revalua-tion fund	Invested unre-stricted equity fund	Other funds	Treasury shares	Trans-lation differ-ences	Retained earnings	Total	Non-controlling interest	Total share-holders' equity
Shareholders' equity January 1, 2012	21	**17 692**	**4 351**	**276**	**23 654**	**2 572**	**-5 103**	**-514**	**48 854**	**91 782**	**703**	**92 485**
Comprehensive income												
Profit for the period									10 784	10 784		10 784
Other comprehensive income, net of taxes												
Cash flow hedge				-1 148						-1 148		-1 148
Translation difference								273	304	577		577
Total comprehensive income				**-1 148**				**273**	**11 088**	**10 213**		**10 213**
Transactions with owners												
Repayment of capital					-12 718					-12 718		-12 718
Conversion of convertible capital loan					44					44		44
Share-based incentive system					161		932		-958	135		135
Transfer of funds					6				-6			
Shareholding plan for Aspo Management Oy									11	11		11
Total transactions with owners					**-12 507**		**932**		**-953**	**-12 528**		**-12 528**
Shareholders' equity December 31, 2012		**17 692**	**4 351**	**-872**	**11 147**	**2 572**	**-4 171**	**-241**	**58 989**	**89 467**	**703**	**90 170**
Shareholders' equity January 1, 2011	21	**17 692**	**4 351**	**-654**	**2 859**	**2 572**	**-4 532**	**266**	**46 165**	**68 719**	**750**	**69 469**
Comprehensive income												
Profit for the period									13 295	13 295		13 295
Other comprehensive income, net of taxes												
Cash flow hedge				930						930		930
Translation difference					2			-780	143	-635		-635
Total comprehensive income				**930**	**2**			**-780**	**13 438**	**13 590**		**13 590**
Transactions with owners												
Dividend payment									-11 101	-11 101		-11 101
Repurchase of shares							-1 995			-1 995		-1 995
Disposal of shares					74		1 424			1 498		1 498
Conversion of convertible capital loan					1 535					1 535		1 535
Share-based incentive system									373	373		373
Rights issue					19 152					19 152		19 152
Transfer of funds					32				-32			
Shareholding plan for Aspo Management Oy									11	11		11
Change in non-controlling interest											-47	-47
Total transactions with owners					**20 793**		**-571**		**-10 749**	**9 473**	**-47**	**9 426**
Shareholders' equity December 31, 2011		**17 692**	**4 351**	**276**	**23 654**	**2 572**	**-5 103**	**-514**	**48 854**	**91 782**	**703**	**92 485**

Notes to the Consolidated Financial Statements

BASIC INFORMATION

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

Aspo is a conglomerate that focuses on sectors requiring extensive specialist knowledge. The Group's operations are organized into independent segments – ESL Shipping, Leipurin, Telko and Kaukomarkkinat. Other operations include Aspo Group's administration and other functions not belonging to the business units.

The Group's parent company is Aspo Plc. The parent company is domiciled in Helsinki and its registered address is Lintulahdenkuja 10, FI-00500 Helsinki, Finland.

A copy of the consolidated financial statements is available from Aspo Plc's head office at Lintulahdenkuja 10, FI-00500 Helsinki, Finland.

Aspo Plc's Board of Directors has approved the financial statements for issue at its meeting on February 14, 2013. Pursuant to the Finnish Companies Act, shareholders may either adopt or reject the financial statements at the Annual Shareholders' Meeting held after the issue, or may also decide to modify them.

ACCOUNTING PRINCIPLES

Basis of presentation

Aspo Plc's consolidated financial statements have been drawn up in line with International Financial Reporting Standards (IFRS) approved in the EU, applying the standards and interpretations valid on December 31, 2012. The notes to the consolidated financial statements also comply with complementary Finnish Accounting Standards based on Finnish accounting legislation and Community legislation.

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

As of January 1, 2012, the Group has applied the following standards, amendments and interpretations with no significant effect on reported information:

- IFRS 7 (amendment) Financial instruments: Disclosures – On transfer of financial assets
- IAS 12 (amendment) Income taxes – Deferred tax

Principles of consolidation

The consolidated financial statements include the parent company Aspo Plc and all its subsidiaries. The term "subsidiary" refers to a company in which the parent company, directly or indirectly, owns more than 50% of the voting rights, or in which it otherwise exercises control. The Group's associated companies include companies in which the Group owns 20%–50% of voting rights and at least a 20% holding, or in which the Group otherwise holds significant control. Joint ventures are companies where the Group exercises control with other parties on the basis of an agreement. Associated companies and joint ventures have been consolidated using the equity method. If the Group's share of losses in an associated company or a joint venture exceeds the carrying amount, losses in excess of the carrying amount will not be consolidated unless the Group undertakes to fulfill the obligations of the associated company or joint venture. Unrealized profits between the Group and associated companies and joint ventures are eliminated in accordance with the Group's ownership.

Subsidiaries acquired during the financial year have been consolidated from the time Aspo gained control over them. Divested operations are included up to the time Aspo surrendered control. Acquired subsidiaries are consolidated using the acquisition cost method, which involves recognizing the acquired company's assets and liabilities at fair value at the time of acquisition. Acquisition-related costs are entered as expenses. Any contingent consideration is recognized at fair value upon acquisition and is classified either as a liability or equity. The contingent consideration classified as a liability is measured at fair value on the last day of each reporting period, and the resulting profit or loss is entered with an effect on earnings. The contingent consideration classified as equity is not recognized again. The goodwill acquisition cost is the amount by which the subsidiary acquisition cost exceeds the net fair value of the acquired identifiable assets, liabilities and conditional liabilities.

Acquisitions prior to January 1, 2010 have been processed in compliance with the regulations valid at the time.

According to IFRS, goodwill is not amortized; instead, it is tested annually for impairment.

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

The income statement shows the distribution of the financial year's profit between the parent company's shareholders and non-controlling shareholders. The interest that belongs to non-controlling shareholders is presented as a separate item under the Group's shareholders' equity.

A unit established for a special purpose

Aspo Management Oy was established to allow participants to have a major long-term shareholding in Aspo Plc. It is consolidated in the same way as subsidiaries in the consolidated financial statements. Aspo Plc has control over Aspo Management Oy through shareholder and loan contracts. As a result of this, Aspo Management Oy is consolidated in Aspo's consolidated financial statements. The control results from the application of contractual terms and conditions, such as the prohibition of transfer and pledge of Aspo Plc's shares managed by the company, and the voting restriction.

Aspo Management Oy's Articles of Association enable the participants to hold only securities issued by Aspo Plc or obtained on the basis of them. All transactions carried out by the company require a written permit from Aspo Plc. Aspo Plc or the companies under its control do not have a holding in the company. The company's income statement and balance sheet have been consolidated in the consolidated financial statements from the start of the arrangement. The consolidated financial statements deal with the investment made by the management in Aspo Management Oy as a portion of the non-controlling shareholders. Aspo Plc's shares held by Aspo Management Oy have been deducted from the Group's shareholders' equity in the consolidated financial statements.

On the basis of the shareholder contract, Aspo Management Oy is to be merged with Aspo Plc, or alternatively, immediately dissolved after the publication of financial statements for 2013. If the terms and conditions to postpone the dissolution materialize, the merging or dissolution will be implemented no later than after the publication of the financial statements for 2016.

Accounting Principles provide additional information about the treatment of share-based incentive plans in accounting in connection with share-based payments.

Foreign currency items and their measurement

Foreign currency denominated transactions are recorded at the exchange rates valid on the transaction date. Foreign currency denominated receivables and liabilities outstanding at the end of the year will be measured using the rates of the closing date. The losses and gains arisen from foreign currency denominated transactions and the conversion of monetary items have been recorded in the income statement. Foreign exchange gains and losses related to business operations are included in the corresponding items above the operating profit. Foreign exchange gains and losses arisen from foreign currency denominated loans are included in financial income and expenses.

From October 1, 2011, the internal long-term loans belonging to the Telko segment of Telko's Belorussian subsidiary and, from April 1, 2012, long-term loans belonging to Telko's Ukrainian subsidiary have been reclassified as net investments into international operations under IAS 21. Any unrealized foreign exchange gains and losses related to these investments will be recorded directly under shareholders' equity.

Foreign subsidiaries

Figures for the performance and financial position of the Group's units are measured in the main currency of the unit's business environment ("operational currency"). The consolidated financial statements are presented in euro, the parent company's operational and reporting currency. In the consolidated financial statements, the income statements of foreign subsidiaries are translated into euro using the average rate of the financial year. Balance sheet items are translated into euro using the exchange rates valid on the closing date. Translation differences are presented as a separate item under shareholders' equity. When the holding in a subsidiary is divested in its entirety or in part, the accumulated translation differences are recognized in the income statement as part of the sales profit or loss.

Segment reporting

Aspo's operating segments are ESL Shipping, Leipurin, Telko and Kaukomarkkinat. The business segments are reported in a manner that is uniform with internal reporting to the operative decision maker of the company. The highest operative decision maker in the company is the Board of Directors that makes strategic decisions. Inter-segment transactions are carried out at market prices.

Tangible assets

Fixed assets are recognized at original acquisition cost net of cumulative depreciation less impairment. Planned depreciation is calculated on a straight-line basis over the estimated useful economic life as follows:

Buildings and structures	15–40 years
Vessels	17–30 years
Pushers	18 years
Machinery and equipment	3–10 years
Piping	5–20 years
Other tangible assets	3–40 years

Land is not depreciated.

A previously recorded write-down on tangible assets is reversed if the estimates used in the determination of the recoverable amount change. However, the post-reversal value must not exceed the value the asset had before the write-down in previous years. Sales profits and losses arising from the removal from use and disposal of tangible assets are included in other operating income and expenses.

Goodwill and other intangible assets

The acquired subsidiaries are consolidated in the consolidated financial statements using the acquisition cost method. The acquisition cost is matched against assets and liabilities on the basis of their fair value at the time of acquisition. The remaining part of the acquisition cost is goodwill. Goodwill is not amortized; instead, its fair value is tested at least annually using the goodwill impairment test based on the fair market value (see Goodwill Impairment Test on page 81).

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

Other intangible assets are measured at original acquisition cost and amortized on a straightline basis during their useful economic life. Other intangible assets include software programs and software licenses.

The Group assesses the balance sheet value of goodwill and other intangible assets annually, or more often if there are any signs of potential impairment. If such signs exist, the recoverable amount of the asset in question is determined. Impairment is assessed at the level of cash-flow generating units.

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

An impairment loss is recognized in the income statement if the carrying amount of an asset item is higher than its recoverable amount. Where an impairment loss is recognized for an asset item subject to depreciation, the asset item's useful economic life is re-estimated. An impairment recognized for assets other than goodwill is reversed if the estimates used in the determination of the recoverable amount change to a substantial extent. However, the post-reversal value must not exceed the value the asset had before the write-down in previous years. An impairment loss recognized for goodwill is not reversed under any circumstances.

Research and development costs
As a rule, research and development costs are recognized as expenses at the time of their occurrence. However, development costs arising from the design of new products are capitalized in the balance sheet as intangible assets from the date when the product is technically and commercially feasible and expected to generate financial benefits in the future. Capitalized research and development costs will be amortized over their useful economic life.

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

Leasing agreements – Group as lessee
Fixed asset leasing agreements where the Group assumes an essential part of the risks and benefits inherent in ownership are classified as financial leasing agreements. Assets acquired through financial leasing agreement are recorded in the balance sheet in the amount equaling the fair value of the leased asset at the start of the agreement or a current value of minimum leases, if lower. Leasing payments are divided into financial expenses and loan repayment. Corresponding leasing liabilities, less financial expenses, are included in other long-term interest-bearing liabilities. The interest of finance is recognized in the income statement during the leasing period so that the interest rate for the remaining debt is the same for each financial year. Assets leased under financial leasing agreements will be depreciated either over their useful economic life or over the term of the leasing agreement, if shorter.

Fixed asset leasing agreements in which the material part of risks and benefits inherent in ownership remain with the lessor are classified as other leases (operational leasing), the rents of which are recognized in the income statement as expenses in equal amounts over the leasing period.

Employee benefits
Statutory pension cover is provided for by taking out insurance with pension insurance companies. In foreign units, the pension cover is arranged in accordance with local legislation and social security regulations. Payments towards defined-contribution pension schemes are recognized as expenses in the income statement during the relevant financial year.

Share-based payments
The Group has share-based incentive plans for the management, where part of the reward is paid as shares and the rest in cash. Note 29 shows more information on share-based arrangements. Options rights and assigned shares are valued at fair value at the time of assignment and recognized in the income statement as costs divided into even installments during the validity of the incentive plan. The effects of other than market based terms (e.g. profitability and profit growth target) are not included in the fair value but taken into account in the amount of options or shares to which a right is assumed to be generated, by the end of the period in which the right is generated. A contra entry of the cost is recorded under the shareholders' equity for proportions to be paid in shares, and proportions to be paid in cash are recognized as debts. The fair value for the proportion to be paid in cash is revalued on each reporting day.

Aspo Management Oy was established for the Group's share-ownership arrangements. It has been consolidated in the consolidated financial statements. Black & Scholes' model is used in the calculation of the fair value for ownership arrangements. The proportion of the fair value belonging to the past financial year was recognized in the consolidated financial statements.

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

When the company buys its own shares, the compensation paid for the shares and the procurement related costs are recognized as a reduction in the shareholders' equity. When the shares are sold, the compensation, less direct transaction costs and the possible effect of income taxes, is recognized under the shareholders' equity.

Provisions
A provision is entered into the balance sheet if the Group has, as a result of a past event, a present legal or factual obligation that will probably have to be fulfilled, and the amount of the obligation can be reliably estimated. Warranty provisions include the cost of product repair or replacement if the warranty period is still effective on the closing date. Warranty provisions are determined on the basis of historical experience.

The amount recorded in provisions is the current value of the costs that are expected to occur when fulfilling the obligation.

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

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

Income recognition principles

Revenue from the sale of products is recognized when the material risks and benefits associated with the ownership of the goods have transferred to the buyer. Revenue from services is recognized once the services have been rendered. Income and costs from long-term projects are recognized as revenue and expenses on the basis of the percentage of completion when the outcome of the project is reliably assessable. The percentage of completion is determined by applying the proportion of the work-induced cost incurred by the time of review to the total estimated project cost. When it is likely that the project will generate losses, they will be expensed immediately. During the financial year, Aspo had no long-term projects under way. Government subsidies granted to compensate for costs incurred are recognized as income in the income statement, while costs related to the target of subsidy are expensed.

Long-term assets classified as available for sale and discontinued operations

Long-term asset items as well as assets and liabilities related to discontinued operations are classified as available for sale if the amount corresponding to their book value is mainly accumulated from the sale of the asset instead of its continued use. The preconditions for classifying an item as available for sale are met when the sale is very likely and the management is committed to the sale.

Immediately prior to classification as available for sale, the asset items in question or the assets and liabilities of the group to be surrendered are measured in accordance with applicable IFRS standards. From the point of classification onwards, the asset items available for sale are measured at book value or at a fair value, if lower, less the costs accumulated from the sale.

The results of discontinued operations are recorded as their own item in the consolidated income statement. The assets available for sale, groups of items to be surrendered and liabilities included in the groups of items to be surrendered are recorded in the balance sheet as separate items. In 2011 and 2012, the Group had no operations classified as such that will be discontinued.

Accounts receivable

Accounts receivable are recognized at acquisition cost. The Group writes down receivables if there is objective evidence that the receivable cannot be collected in full.

Accounts payable

Accounts payable are recognized at acquisition cost and treated as short-term liabilities if they expire within one year.

Financial assets

Financial assets are classified into loans and other receivables, investments held to maturity, financial assets available for sale, and financial assets recognized at fair value through profit and loss. The classification takes place in connection with the initial acquisition.

Loans and other receivables are recorded on the settlement date, and presented on the balance sheet at amortized cost using the effective interest rate method. Transaction costs are included in the original acquisition cost. Financial assets and liabilities recognized at fair value through profit and loss are recorded on the settlement date and measured at fair value.

Financial assets available for sale and financial assets recognized at fair value through profit and loss are measured at fair value, using quoted market prices and rates, or an imputed current value. Changes in the fair value of financial assets available for sale are recorded in the fair value reserve under shareholders' equity, taking the tax impact into account. When such an asset is sold or has generated an impairment loss, the accumulated changes in fair value are moved from shareholders' equity to profit or loss. Acquisitions or disposals of financial assets available for sale are recorded on the settlement date. If reliable market value is not available, investments held for trading are recognized at acquisition cost.

Investments in shares, fixed-income securities and convertible bonds are classified as financial assets available for sale.

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

An impairment is recognized in liabilities and receivables when the balance sheet value is higher than the recoverable amount.

Financial liabilities

Financial liabilities are recorded on the settlement date and recognized in the balance sheet at acquisition cost, less transaction costs. Interests are allocated on the maturity of the debt in the income statement, using the effective interest rate method.

The fair value of the share in debt of a convertible capital loan is determined by using the market interest rate of a corresponding debt on the date of issue. The share in debt is recognized at amortized cost, until it is completely amortized by converting the loan into stock. The remainder of the money received – in other words, the share of equity less the effect of tax – is recorded under shareholders' equity.

Cash and cash equivalents

Cash and cash equivalents include cash funds, bank deposits and other highly liquid short-term (no more than three months) investments. Overdraft facilities are presented under other short-term liabilities.

Derivatives

Derivatives are originally booked at fair value on the day the Group becomes a contracting party, and are subsequently further measured at fair value.

The Group has applied hedge accounting to protect predicted foreign currency denominated cash flows arising from the acquisition of fixed assets. The change in the fair value of the effective share of hedging is recorded in other comprehensive income items and presented in the hedge fund that is included in the fair value reserve under shareholders' equity. Profits and losses recorded under shareholders' equity are transferred to the acquisition cost of the asset in question during the financial period when the hedged item is capitalized. Hedge accounting is also applied to interest rate swaps to hedge the future interest rate cash flow as fixed. The change in the fair value of the effective share of hedging is recorded in other comprehensive income items and presented in the hedge fund that is included in the fair value reserve under shareholders' equity. Interest rates realized during the financial year of the interest rate swap are recorded in the financial items. Hedge accounting is not applied to other derivatives.

The relation between hedging instruments and hedged objects is documented at the start of hedging. Likewise, documents will be prepared for risk management targets and strategies used as guidelines when launching different hedging actions. At the start of hedging and continuously after this action, the Group prepares an estimate whether the derivatives used in hedging effectively abolish the changes in fair values of the hedged objects or in cash flows. The profit or loss relating to an inefficient share is immediately recognized as financial items of the income statement. When the hedging instrument expires or is sold or when hedging does not meet the preconditions set for the application of hedge accounting, retained profits and losses included at that time in the shareholders' equity remain in the shareholders' equity, and are transferred to the income statement only after recording the predicted transaction in the income statement. If the predicted transaction is not anymore expected to realize, the retained profit or loss presented under shareholders' equity is immediately transferred to financial items of the income statement.

Changes in the fair value of derivatives associated with financial items are recorded in financial income and expenses. Changes in the fair value of other derivatives are recorded under other operating income and expenses.

Fair value is determined on the basis of quoted market prices and rates, the discounting of cash flows and options' value measurement models.

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

Estimates

When preparing financial statements in compliance with the IFRS practices, the Group's management must make assumptions and estimates that affect the assets and liabilities on the balance sheet at the time of preparation, the reporting of conditional assets and liabilities, and the income and expenses during the financial year. Estimates are used, for instance, to determine the amounts of items reported in the financial statements, to determine the goodwill and its expected yields and the useful life of tangible and intangible assets, as well as the validity of inventories and assets and liabilities. The estimates are based on information compiled from the business functions, which concerns the respective markets and development of the businesses, the experience of the management, and other justifiable assumptions that constitute the best current assessments of the management, but due to changes in the factors that form the basis for the markets and estimates, it is possible that the final figures may, sometimes significantly, deviate from the assessments used in the financial statements.

Goodwill impairment test

The Group tests the balance sheet value of goodwill annually or more often if there are any signs of potential impairment. An impairment loss recognized for goodwill is not reversed under any circumstances. Goodwill is allocated to the Group's cash flow generating units in which the management monitors goodwill in their internal reporting. The unit's recoverable amount is calculated on the basis of use value calculations. The cash flow based use value is determined by calculating the discounted current value of predicted cash flows. The discount rate of the calculations is determined through the weighted average cost of capital (WACC) that depicts the overall costs of shareholders' equity and liabilities, taking into account the particular risks related to asset items and location of operations. The weighted average cost of capital reflects the Group's average long-term financial structure. An impairment loss is immediately recognized in the income statement if the asset's carrying value is higher than its recoverable amount.

Accounting principles requiring exercise of judgment and main sources of insecurity related to estimates

The estimates made when preparing the financial statements are based on the management's best assessment on the closing date. The estimates are based on past experience and assumptions regarding the future development of the Group's financial operating environment and its effect on the Group's net sales and cost level. In the Group management's view, the role of assumptions and estimates is the most significant in goodwill impairment testing. Goodwill and its testing are discussed in more detail in Note 12.

Application of new or amended IFRS Standards and IFRIC Applications

As of January 1, 2013, Aspo applies the following amended standards:

- IAS 1 (amendment) Presentation of financial statement – other comprehensive income
- IAS 19 (amendment) Employee benefits
- IFRS 7 (amendment) Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
- IFRS 13 Fair value measurement

In addition, IASB has published annual improvements to five standards in 2011, which the Group will adopt after EU approval.

In 2014 or later, the Group will adopt – after EU approval – the following standards, interpretations and amendments made to existing standards:

- IFRS 10 Consolidated financial statements
- IFRS 11 Joint arrangements
- IFRS 12 Disclosures of interests in other entities
- IAS 27 (revised 2011) Separate financial statements
- IAS 28 (revised 2011) Associates and joint ventures
- IFRS 9 Financial instruments
- IAS 32 (amendment) Offsetting Financial Assets and Financial Liabilities

1. NET SALES AND SEGMENT INFORMATION

Aspo's operating segments are ESL Shipping, Leipurin, Telko, and Kaukomarkkinat.

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

Leipurin serves the baking and other food industry by supplying ingredients, production machinery, and production lines, as well as bakery industry related expertise.

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

Kaukomarkkinat specializes in energy efficiency technology, solutions to improve efficiency in the process industry, and professional electronics.

Other operations include Aspo Group's administration and other functions not belonging to the business units. The segment structure corresponds with the Group's organizational structure and internal reporting, where evaluation principles of assets and liabilities are in accordance with IFRS.

The assessment of each segment's profitability is based on the segment's operating profit. The Board of Directors is responsible for assessing the segments and making resourcing decisions.

The segment's assets and liabilities are items that the segment uses in its business operations or that can be reasonably allocated to the segment. Items that are not allocated to the segments include tax and financing items and joint Group items, which are mainly a result of the Group's centralized financing. Investments consist of increases in tangible assets and intangible assets that will be used in more than one financial year. Pricing between segments is based on fair market prices.

1.1 Business segments

2012

1 000 EUR	ESL Shipping	Leipurin	Telko	Kauko-markkinat	Unallocated items	Group total
Sales from external customers	72 296	131 102	237 719	40 475		481 592
Inter-segment sales		3	10	43		
Net sales	72 296	131 105	237 729	40 518		481 592
Share of associated companies' and joint ventures' profit or loss	280					280
Operating profit	3 684	4 033	8 385	-644	-4 852	10 606
Net financial expenses						-3 238
Profit before taxes						7 368
Income taxes						3 416
Net profit for the period						**10 784**
Depreciation on tangible assets	7 014	351	662	256	106	8 389
Depreciation on intangible assets	52	830	1 013	474		2 369
Segment's assets	114 727	69 425	71 703	28 036	25 162	309 053
Shares in associated companies and joint ventures	2 170					2 170
Total assets	116 897	69 425	71 703	28 036	25 162	**311 223**
Segment's liabilities	9 437	21 963	24 173	12 210	153 270	221 053
Total liabilities	9 437	21 963	24 173	12 210	153 270	**221 053**
Investments	26 843	969	2 349	378		**30 539**

2011

1 000 EUR	ESL Shipping	Leipurin	Telko	Kauko-markkinat	Unallocated items	Group total
Sales from external customers	93 151	128 150	211 574	43 403		476 278
Inter-segment sales		42	7	81		
Net sales	93 151	128 192	211 581	43 484		476 278
Share of associated companies' profit or loss	207					207
Operating profit	10 520	5 683	8 599	1 391	-4 730	21 463
Net financial expenses						-4 032
Profit before taxes						17 431
Income taxes						-4 136
Net profit for the period						**13 295**
Depreciation on tangible assets	4 989	389	507	246	146	6 277
Depreciation on intangible assets	42	531	945	422	6	1 946
Segment's assets	97 832	65 206	61 082	23 808	19 062	266 990
Shares in associated companies	1 922					1 922
Total assets	99 754	65 206	61 082	23 808	19 062	**268 912**
Segment's liabilities	9 242	18 502	20 462	7 883	120 338	176 427
Total liabilities	9 242	18 502	20 462	7 883	120 338	**176 427**
Investments	38 802	882	2 560	429		**42 673**

1.2 Geographic areas

The Group monitors its net sales in accordance with the following geographical division: Finland, the Nordic countries, the Baltics, Russia, Ukraine and other CIS countries, and other countries. Net sales of the geographical regions is presented as per customer location and their assets as per location. Sales from external customers is defined in accordance with IFRS regulations.

	Net sales		Assets*	
1 000 EUR	2012	2011	2012	2011
Finland	**158 964**	181 218	**169 529**	150 412
Nordic countries	**42 561**	48 798	**23**	2
Baltic countries	**49 361**	50 619	**575**	1 229
Russia, Ukraine + other CIS countries	**157 784**	122 590	**618**	619
Other countries	**72 922**	73 053	**148**	65
Total	**481 592**	476 278	**170 893**	152 327

* Long-term assets other than financial assets and assets related to taxes.

2. ACQUIRED OPERATIONS

Businesses acquired in 2012

On July 1, 2012, Kaukomarkkinat Ltd acquired the business operations of Somasyr Oy. Somasyr's operations consist of the import and sales of energy accumulators and floor heating systems. The acquisition did not have any significant impact on the result or the Group's financial position in 2012. The acquisition generated goodwill of EUR 0.3 million.

Businesses acquired in 2011

On December 7, 2011, Leipurin Ltd acquired the entire stock of Vulganus Oy at a price of EUR 4.9 million. The transaction price is increased by contingent consideration in accordance with the sales margin that will accumulate during the next three years. The compensation is estimated to be EUR 1.5 million. Through the acquisition of Vulganus Oy, the Leipurin segment modernizes its bakery machine production, improves design, and increases its sales in the Russian market in particular. Spiral systems manufactured by Vulganus are used for cooling, freezing and leavening processes.

Through the transaction, the Group expects to not only obtain sales growth but also cost savings. The goodwill created by the acquisition is based on modernizing the operating approach, the expanding market area, competent staff, and savings caused by synergy.

The table below provides a summary of the consideration paid for Vulganus Oy, and of the fair values of the acquired assets and received liabilities upon acquisition.

The costs related to the acquisition are included in other operating expenses of the Leipurin segment's income statement in 2011.

According to the contingent consideration arrangement, Leipurin Ltd is obligated to pay the former owners of Vulganus Oy 10.5% of the sales margin that accumulates during 2012, 2013, and 2014. The not-discounted amount of payments, which the Group could be required to make according to this arrangement, was evaluated to be EUR 1.6 million. The fair value of the contingent consideration arrangement has been determined with a 2% discounting interest rate base. According to the terms of the contingent consideration, no minimum or maximum values have been determined for the payable consideration.

The fair value of accounts receivable and other receivables was EUR 1.7 million, which is also the gross value of the receivables. The fair value of immaterial rights that include technology was EUR 0.8 million, that of liquid funds was EUR 1.4 million, and that of inventories was EUR 1.5 million. The fair value of tangible assets was EUR 0.2 million.

The fair value of liabilities was EUR -3.6 million.

As part of the transaction arrangements, the sellers purchased a total of 217,691 company-held shares from Aspo. The share transaction was implemented upon a decision by Aspo Plc's Board of Directors as a directed share issue under the authorization granted by the Annual Shareholders' Meeting on April 5, 2011. The transfer price was EUR 6.8905 per share.

Vulganus Oy's net sales, which were included in the Group's income statement as of December 1, 2011, was EUR 2.2 million in 2011. It resulted in EUR 0.7 million of operating profit for the Group during the period in question.

If Vulganus Oy would have been consolidated as of January 1, 2011, the net sales in the consolidated income statement would have increased by EUR 4.8 million, to EUR 481.1 million, and operating profit by EUR 0.2 million, to EUR 21.7 million.

Acquisition of Vulganus Oy

Consideration 1 000 EUR	2012 Final	2011 Preliminary
Cash	4 908	5 127
Contingent consideration	1 540	1 540
Total consideration	6 448	6 667
Recognized amounts of identifiable assets acquired and liabilities assumed		
Tangible assets	246	246
Technology (included in intangible assets)	809	809
Inventories	1 501	1 676
Accounts receivable and other receivables	1 723	1 723
Cash and cash equivalents	1 419	1 419
Total assets	5 698	5 873
Loans	63	63
Accounts payable and other liabilities	3 323	3 330
Deferred tax liabilities	262	262
Total liabilities	3 648	3 655
Net assets acquired	2 050	2 218
Goodwill	4 398	4 449
Total	6 448	6 667

3. OTHER OPERATING INCOME

1 000 EUR	2012	2011
Total gains from the sale of tangible assets	2 639	17
Insurance compensations	380	573
Total rents and related remunerations	471	254
Other income	308	209
Total	**3 798**	**1 053**

4. EMPLOYEE BENEFITS AND PERSONNEL INFORMATION

At the end of the year, the number of employees at Aspo Group was 871 (814) and the average during the year was 858 (797). The average number of officials was 578 (559) and that of employees 281 (238).

Personnel costs

1 000 EUR	2012	2011
Wages and salaries	32 729	30 597
Pension costs, contribution plans	4 122	3 644
Share-based payments	333	934
Other indirect personnel costs	2 491	2 331
Total	**39 675**	**37 506**

Information regarding the employee benefits of senior management is presented in the Related parties section.

Personnel by segment at year-end

	2012	2011
ESL Shipping	219	211
Leipurin	281	275
Telko	265	230
Kaukomarkkinat	94	85
Other operations	12	13
Total	**871**	**814**

Personnel by geographic area at year-end

	2012	2011
Finland	457	450
Nordic countries	25	19
Baltic countries	67	69
Russia, Ukraine + other CIS countries	250	207
Other countries	72	69
Total	**871**	**814**

5. DEPRECIATION AND IMPAIRMENT

1 000 EUR	2012	2011
Intangible assets	2 369	1 946
Buildings	228	145
Vessels	6 965	4 920
Machinery and equipment	1 196	1 212
Total	**10 758**	**8 223**

6. MATERIALS AND SERVICES

1 000 EUR	2012	2011
Purchases during the period		
ESL Shipping	19 825	20 681
Leipurin	100 643	98 325
Telko	202 668	177 645
Kaukomarkkinat	30 060	30 205
Total	353 196	326 856
Change in inventories	-1 560	3 329
Outsourced services		
Leipurin	6 038	5 249
Telko	5 084	3 405
Kaukomarkkinat	457	899
Total	11 579	9 553
Total materials and services	363 215	339 738

7. OTHER OPERATING EXPENSES

1 000 EUR	2012	2011
Rents	8 097	6 899
ESL Shipping	33 641	46 607
Leipurin	6 656	5 337
Telko	6 697	6 322
Kaukomarkkinat	3 694	3 102
Other operations	2 602	2 334
Loss from assignment in tangible assets and investments	29	7
Total	61 416	70 608

Auditors' fees

1 000 EUR	2012	2011
Auditing	229	239
Tax advice	37	45
Other services	33	95
Total	299	379

8. FINANCIAL INCOME AND EXPENSES

The items above operating profit include EUR -0.6 million (-1.0) in exchange rate differences for 2012. Interest expenses include EUR 0.1 million (0.2) in fluctuating rents recognized as costs arisen from finance leasing agreements during the financial year.

1 000 EUR	2012	2011
Dividend income from investments held for trading	2	2
Interest income from loans and other receivables	294	176
Foreign exchange gains	1 334	1 306
Total financial income	1 630	1 484
Interest rate expenses	-4 021	-3 865
Foreign exchange losses	-847	-1 651
Total financial expenses	-4 868	-5 516
Total financial income and expenses	-3 238	-4 032

9. INCOME TAXES

Taxes in the income statement

1 000 EUR	2012	2011
Taxes for the period	-2 611	-5 469
Change in deferred taxes and tax receivables	3 223	1 430
Taxes from previous fiscal periods	2 804	-97
Total	3 416	-4 136

Balancing calculation of the tax expense in the income statement and taxes calculated using the Group's parent company's tax rate 24.5% (26%)

1 000 EUR	2012	2011
Profit before taxes	7 368	17 431
Taxes calculated using the parent company's tax rate	-1 805	-4 532
Impact of foreign subsidiaries' tax rates	797	840
Impact of tonnage taxation	2 129	
Losses for which no deferred income tax asset was recognized	-415	-404
Re-measurement of deferred tax rate*		700
Taxes from previous fiscal periods	2 804	-97
Other items	-94	-643
Taxes in the income statement	3 416	-4 136
Effective tax rate	-46 %	24 %

*The Finnish corporate tax rate decreased to 24.5% on January 1, 2012

Income tax on other comprehensive income

1 000 EUR	2012	2011
Cash flow hedges	372	319

10. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit or loss belonging to the parent company´s shareholders by the weighted average number of outstanding shares during the financial year. When calculating the diluted earnings per share, the average number of shares was adjusted with the dilutive effect of the equity-based convertible capital loan and the shareholding plan for Aspo Management Oy.

1 000 EUR	2012	2011
Undiluted		
Profit attributable to parent company´s shareholders	**10 784**	13 295
Average number of shares during period (1,000)	**30 255**	29 507
Earnings per share, EUR	**0.36**	0.45
Diluted		
Profit attributable to parent company´s shareholders	**10 784**	13 295
Interest of the convertible capital loan (adjusted by tax effect)	**947**	815
Conversion of convertible capital loan into shares (1,000)	**1 664**	1 672
Shareholding plan for Aspo Management Oy (1,000)	**55**	80
Average number of shares during period adjusted by the dilution effect from the convertible capital loan and the shareholding plan for Aspo Management Oy (1,000)	**31 974**	31 259
Diluted earnings per share, EUR	**0.37**	0.45

11. OTHER INTANGIBLE ASSETS

Intangible rights mainly consist of corporate brands described in Note 12, and also computer software programs and their licenses that are amortized on a straight-line basis over a period of three to five years. Refurbishment costs of premises and supplier relationships as well as new technology acquired in business combinations are included in other intangible assets.

2012

1 000 EUR	Intangible rights	Other intangible assets	Total
Acquisition cost, Jan. 1	10 006	12 693	22 699
Translation difference	9	110	119
Increases	105	72	177
Transfers between items	108		108
Decreases	-209		-209
Acquisition cost, Dec. 31	**10 019**	**12 875**	**22 894**
Accumulated depreciation, Jan. 1	-4 397	-4 600	-8 997
Translation difference	-5	-53	-58
Accumulated depreciation of decreases	209		209
Depreciation during the period	-158	-1 326	-1 484
Accumulated depreciation, Dec. 31	**-4 351**	**-5 979**	**-10 330**
Book value, Dec. 31	**5 668**	**6 896**	**12 564**

2011

1 000 EUR	Intangible rights	Other intangible assets	Total
Acquisition cost, Jan. 1	9 837	12 031	21 868
Translation difference	-12	-123	-135
Increases	145	7	152
Increases, business combination	36	778	814
Acquisition cost, Dec. 31	**10 006**	**12 693**	**22 699**
Accumulated depreciation, Jan. 1	-4 253	-3 414	-7 667
Translation difference	12	50	62
Depreciation during the period	-156	-1 236	-1 392
Accumulated depreciation, Dec. 31	**-4 397**	**-4 600**	**-8 997**
Book value, Dec. 31	**5 609**	**8 093**	**13 702**

12. GOODWILL

Goodwill is allocated to the Group's cash flow generating units by business unit, depending on the level of goodwill monitoring in internal reporting. Every unit represents each of Aspo's operating segments. Goodwill is divided into the segments as follows: ESL Shipping EUR 0.8 million (0.8), Leipurin EUR 27.3 million (27.3), Telko EUR 5.2 million (5.1), and Kaukomarkkinat EUR 12.1 million (11.8).

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

Impairment testing

Recoverable cash flows in impairment calculations are determined on the basis of the fair market value. Predicted cash flows are based on financial plans approved by the Board of Directors. Estimates regarding cash flows cover three years using conservative growth expectations, and subsequently, the cash flow is estimated cautiously, assuming even growth. The company has used growth assumptions of 1–3% as terminal values. These growth assumptions are based on a growth rate equal to inflation at the minimum. No impairment is recognized for the financial year and no impairment occurred according to impairment tests.

When estimating net sales, the assumption is that current operations can be maintained, and net sales will grow in a controlled manner at the rate estimated in financial plans.

The sales margin is estimated to follow net sales growth.

It is estimated that costs will increase slowly as a result of continuous cost management. Fixed costs are expected to grow as much as the rate of inflation.

The discount rate is determined through the weighted average cost of capital (WACC) that depicts the overall costs of shareholders' equity and liabilities, taking into account the particular risks related to the asset items and location of operations. The discount rate is determined before taxes. The discount rate (WACC) used in calculations was 7.96% (7.56) before taxes.

Goodwill

1 000 EUR	2012	2011
Acquisition cost, Jan. 1	45 039	40 587
Acquired operations	284	4 449
Decreases	-51	
Translation difference	52	3
Acquisition cost, Dec. 31	45 324	45 039

Allocation of goodwill

1 000 EUR	2012	2011
ESL Shipping	790	790
Leipurin	27 281	27 332
Telko	5 166	5 114
Kaukomarkkinat	12 051	11 767
Other operations	36	36
Total	45 324	45 039

Brands

1 000 EUR	2012	2011
Leipurin	3 148	3 148
Telko	2 155	2 155
Total	5 303	5 303

Factors influencing impairment testing and sensitivity analysis

The slow economic growth makes it more difficult to assess the assumptions used in impairment testing. Assumptions are appropriate and tested operations have a sustainable basis. There are no indications of impairment in the business operations' goodwill but the result of future impairment testing depends on the materialization of estimated future cash flows. A substantial negative change in future cash flows, a substantial increase in interest rates or a high tying-up rate of capital may result in a write-down of goodwill. It is the management's view that the estimates of future cash flows and the tying-up rate of capital used in the testing are likely.

Each segment has undergone a sensitivity analysis in which the values used as basic assumptions in the testing were lowered. As a result of this, the corporate value of the segment has become weaker. The changes and their effects are:

- WACC was raised by 20% at the maximum, effect 18–24% (17–23).
- EBIT was cut down by 10%, effect approximately 7–10% (8–10).
- Sales growth was cut down by 10% annually, effect 13–51% (14–43).

The sensitivity analysis shows that there are no future impairment losses to be expected.

13. TANGIBLE ASSETS

2012

1 000 EUR	Land	Buildings	Machinery and equipment	Vessels	Other tangible assets	Work in progress and advance payments	Total
Acquisition cost, Jan. 1	60	3 702	7 607	176 390	406	40 416	228 581
Translation difference			83				83
Increases		235	1 206	11 522	138	16 608	29 709
Transfers between items		2 306	674	53 750	11	-56 808	-67
Decreases		-558	-914	-24 972			-26 444
Acquisition cost, Dec. 31	**60**	**5 685**	**8 656**	**216 690**	**555**	**216**	**231 862**
Accumulated depreciation, Jan. 1		-2 833	-6 073	-132 127	-274		-141 307
Translation difference			-72				-72
Accumulated depreciation of decreases and transfers		558	751	23 756			25 065
Depreciation during the period		-228	-751	-6 965	-17		-7 961
Accumulated depreciation, Dec. 31		**-2 503**	**-6 145**	**-115 336**	**-291**		**-124 275**
Book value, Dec. 31	**60**	**3 182**	**2 511**	**101 354**	**264**	**216**	**107 587**

2011

1 000 EUR	Land	Buildings	Machinery and equipment	Vessels	Other tangible assets	Work in progress and advance payments	Total
Acquisition cost, Jan. 1	60	3 834	6 954	166 771	406	9 579	187 604
Translation difference			-105				-105
Increases			628	9 808		30 981	41 417
Increases, business combination			241				241
Decreases		-132	-111	-189		-144	-576
Acquisition cost, Dec. 31	**60**	**3 702**	**7 607**	**176 390**	**406**	**40 416**	**228 581**
Accumulated depreciation, Jan. 1		-2 797	-5 612	-127 207	-272		-135 888
Translation difference			71				71
Accumulated depreciation of decreases and transfers		109	52				161
Depreciation during the period		-145	-584	-4 920	-2		-5 651
Accumulated depreciation, Dec. 31		**-2 833**	**-6 073**	**-132 127**	**-274**		**-141 307**
Book value, Dec. 31	**60**	**869**	**1 534**	**44 263**	**132**	**40 416**	**87 274**

13.1 Financial leasing arrangements

2012

1 000 EUR	Other intangible assets	Advance payments of intangible assets	Machinery and equipment	Total
Acquisition cost, Jan. 1	2 495	764	2 787	6 046
Increases	1 387			1 387
Transfers between items			-41	-41
Decreases		-764	-982	-1 746
Acquisition cost, Dec. 31	**3 882**	**0**	**1 764**	**5 646**
Accumulated depreciation, Jan. 1	-829		-1 238	-2 067
Depreciation during the period	-885		-428	-1 313
Accumulated depreciation of decreases			571	571
Accumulated depreciation, Dec. 31	**-1 714**		**-1 095**	**-2 809**
Book value, Dec. 31	**2 168**	**0**	**669**	**2 837**

2011

1 000 EUR	Other intangible assets	Advance payments of intangible assets	Machinery and equipment	Total
Acquisition cost, Jan. 1	1 483	528	3 978	5 989
Increases	1 012	704		1 716
Decreases		-468	-1 191	-1 659
Acquisition cost, Dec. 31	**2 495**	**764**	**2 787**	**6 046**
Accumulated depreciation, Jan. 1	-275		-1 274	-1 549
Depreciation during the period	-554		-626	-1 180
Accumulated depreciation of decreases			662	662
Accumulated depreciation, Dec. 31	**-829**		**-1 238**	**-2 067**
Book value, Dec. 31	**1 666**	**764**	**1 549**	**3 979**

14. INVESTMENTS HELD FOR TRADING

2012

1 000 EUR	Unlisted shares
Acquisition cost, Jan. 1	205
Increases	1
Decreases	-8
Acquisition cost, Dec. 31	**198**
Book value, Dec. 31	**198**

2011

1 000 EUR	Unlisted shares
Acquisition cost, Jan. 1	204
Increases	1
Acquisition cost, Dec. 31	**205**
Book value, Dec. 31	**205**

15. LONG-TERM RECEIVABLES

Other items included in long-term receivables

1 000 EUR	2012	2011
Long-term loan receivables	213	206

16. ASSOCIATED COMPANIES AND JOINT VENTURES

ESL Shipping Ltd has a 35% holding in the associated company Credo AB. The carrying amount does not include goodwill. The unlisted Credo AB's registered office is in Donsö, Sweden. The company's net sales for the financial year were EUR 3.8 million, assets EUR 21.7 million, and liabilities EUR 14.3 million. Kaukomarkkinat Oy has a 50% holding in the joint venture Roll Systems Oy. The unlisted Roll Systems Oy's registered office is in Valkeakoski, Finland.

Shares in associated companies and joint ventures

1 000 EUR	2012	2011
Balance, Jan. 1	1 922	1 705
Repayment of capital	-111	
Share of associated companies' and joint ventures' profit or loss	280	207
Translation difference	79	10
Balance, Dec. 31	**2 170**	**1 922**

17. DEFERRED TAXES

On December 31, 2012, the Group had a total of EUR 3.5 million of confirmed losses (1.2), on which no deferred tax receivables had been recognized because the Group is unlikely to accumulate taxable income against which the losses could be utilized before the losses expire. Deferred tax liability of a total EUR 2.7 million (2.9) of the retained earnings were not recognized, since the funds are permanently invested in the countries in question.

Deferred tax receivables

1 000 EUR	2012	2011
Cash flow hedges	283	198
Employee benefits	5	172
Losses available for offsetting against future taxable income	2 045	484
Other temporary differences	532	415
Total	2 865	1 269

Deferred tax liabilities

1 000 EUR	2012	2011
Depreciation in excess of plan	167	7 561
Deferred tax liability due to tonnage taxation	6 052	
Convertible capital loan	1 769	1 759
Tangible and intangible assets	2 943	3 312
Cash flow hedges		288
Other temporary differences	18	17
Total	10 949	12 937

Changes in deferred tax receivables

1 000 EUR	2012	2011
Deferred tax receivables, Jan. 1	1 269	689
Items recorded in the income statement		
Measurement of derivatives	-18	-17
Unutilized tax losses	1 561	484
Employee benefits	-167	80
Other temporary differences	135	65
Items recorded in the comprehensive income statement	85	-32
Deferred tax receivables, Dec. 31	2 865	1 269

Changes in deferred tax liabilities

1 000 EUR	2012	2011
Deferred tax liabilities, Jan. 1	12 937	13 233
Items recorded in the income statement		
Depreciation in excess of plan	-7 394	-580
Deferred tax liability due to tonnage taxation	6 052	
Intangible and tangible assets	-369	-516
Convertible capital loan	10	292
Other temporary differences	1	-42
Items recorded in the comprehensive income statement	-288	288
Acquisition		262
Deferred tax liabilities, Dec. 31	10 949	12 937

18. INVENTORIES

An expense of EUR 0.7 million (0.8) was recognized for the past financial year for a write-down of inventories to net realizable value.

1 000 EUR	2012	2011
Materials and supplies	3 247	1 321
Finished goods	45 755	39 144
Other inventories	1 781	2 664
Total	**50 783**	43 129

19. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

The carrying amount is considered to be close to fair value. Accounts receivable do not involve significant credit loss risks. A total of EUR 0.8 million (0.2) were recognized as impairment loss from accounts receivable.

1 000 EUR	2012	2011
Accounts receivable	54 631	43 830
Refund from the Ministry of Transport and Communications	1 979	1 928
Advance payments	3 545	4 017
VAT receivable	475	591
Other deferred receivables	4 346	4 885
Total	**64 976**	55 251

20. CASH AND CASH EQUIVALENTS

1 000 EUR	2012	2011
Commercial papers		2
Bank accounts	21 398	14 503
Total	**21 398**	14 505

21. SHAREHOLDERS' EQUITY

Shares and share capital

On December 31, 2012, Aspo Plc's number of shares was 30,967,450 and the share capital was EUR 17.7 million.

The equity portion of Aspo's convertible capital loan is included in the shareholders' equity. Own shares held by the company are recognized as a decrease in shareholders' equity.

Shareholders' equity consists of the share capital, premium fund, revaluation fund, translation difference, invested unrestricted equity fund, and retained earnings. Share subscriptions based on the convertible capital loan that were issued during the validity of the old Companies Act (29.9.1978/734) were recognized in the premium fund. The invested unrestricted equity fund includes other equity-type investments and share subscription price to the extent that it is not recognized in the share capital in accordance with a separate agreement. The revaluation fund includes the changes in the fair value of instruments involved in hedge accounting.

Dividends and repayment of capital

After the closing date, the Board of Directors has proposed that a dividend of EUR 0.42 per share be distributed for 2012. A repayment of capital of EUR 0.42 per share was distributed for 2011 (a dividend of EUR 0.42 was distributed for 2010, adjusted for rights issue 0.40).

Shareholders' equity 2012

1 000 EUR	in 1,000s	Share capital	Premium fund	Invested unrestricted equity fund	Treasury shares	Total
January 1	**30 125**	**17 692**	**4 351**	**23 654**	**-5 103**	**40 594**
Conversion of convertible capital loan	8			44		44
Repayment of capital				-12 718		-12 718
Transfer to fund				6		6
Share-based incentive system	151			161	932	1 093
December 31	**30 284**	**17 692**	**4 351**	**11 147**	**-4 171**	**29 019**
Own shares held by the Group	683					
Total number of shares	**30 967**					

Shareholders' equity 2011

1 000 EUR	in 1,000s	Share capital	Premium fund	Invested unrestricted equity fund	Treasury shares	Total
January 1	**26 145**	**17 692**	**4 351**	**2 859**	**-4 532**	**20 370**
Conversion of convertible capital loan	284			1 535		1 535
Rights issue	3 776			19 152		19 152
Repurchase of shares	-298				-1 995	-1 995
Disposal of shares	218			74	1 424	1 498
Transfer to fund				32		32
Translation difference				2		2
December 31	**30 125**	**17 692**	**4 351**	**23 654**	**-5 103**	**40 594**
Own shares held by the Group	834					
Total number of shares	**30 959**					

Revaluation fund

1 000 EUR	2012	2011
Cash flow hedge fund	**-872**	276

Appropriations

1 000 EUR	2012	2011
Accumulated depreciation in excess of plan	**803**	30 970
Deferred taxes on excess depreciation	**-167**	-7 561
Total	**636**	23 409

Equity portion of the convertible capital loan

1 000 EUR	2012	2011
Equity portion of the convertible capital loan	**2 572**	2 572

22. LOANS

Aspo Plc has a total of EUR 10,300,000 in equity-based convertible capital loan. The loan will be repaid in one installment on June 30, 2014, provided that the repayment conditions outlined in Chapter 12 of the Finnish Companies Act and the loan terms are met. The loan has a fixed interest rate of 7%. The loan units can be converted into Aspo shares. Each EUR 50,000 loan unit entitles its holder to convert the loan unit to 8,074 Aspo shares. The conversion rate is EUR 6.19. The loan can be converted annually between January 2 and November 30. The conversion period ends on June 15, 2014.

A total of 8,074 new shares corresponding to one loan unit, were subscribed in 2012.

The convertible capital loan is divided between equity-based and external financing in the financial statements. The share of the equity-based component is EUR 2.4 million.

Long-term liabilities

1 000 EUR	2012	2011
Loans	73 573	83 415
Used overdraft facilities	1 207	423
Convertible capital loan	9 413	8 934
Total	**84 193**	92 772

Short-term liabilities and used overdraft facilities

1 000 EUR	2012	2011
Loans	53 854	6 122
Used overdraft facilities	2 028	2 602
Total	**55 882**	8 724

Maturing of financial leasing liabilities

1 000 EUR	2012	2011
Financial leasing liabilities – total amount of minimum rents		
Within one year	1 276	1 155
After one year and within five years	1 981	2 289
Total	**3 257**	3 444
Current value of minimum rents in financial leasing liabilities		
Within one year	1 185	1 061
After one year and within five years	1 927	2 215
Total	**3 112**	3 276
Financial expenses accumulated in the future	145	168

23. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Other long-term liabilities

1 000 EUR	2012	2011
Long-term derivatives	141	809
Contingent consideration	1 091	1 540
Total	**1 232**	2 349

Accounts payable and other liabilities

1 000 EUR	2012	2011
Accounts payable	48 123	30 714
Advances received	2 354	6 028
Salaries and social contributions	5 240	5 810
Employer contributions	1 147	1 316
Accrued interest	504	532
VAT liability	3 215	3 494
Share-based incentive system		870
Other short-term deferred liabilities	7 488	7 227
Total	**68 071**	55 991

24. PENSION OBLIGATIONS

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

Pension liabilities in the income statement

1 000 EUR	2012	2011
Contribution plans	4 122	3 644

25. PROVISIONS

The recorded provisions are based on best estimates on the closing date. Warranty provisions are primarily connected to the Group's product warranties and other provisions to pension and rent provisions.

Warranty and other provisions

1 000 EUR	
Dec. 31, 2011	201
Increase in provisions	83
Dec. 31, 2012	**284**

26. FINANCIAL RISKS AND FINANCIAL RISK MANAGEMENT

Interest-bearing liabilities by currency

1 000 EUR	2012	2011
EUR	136 840	99 946
Other	3 235	1 550
Total	140 075	101 496

Accounts receivable by currency

1 000 EUR	2012	2011
USD	2 085	569
EUR	28 471	23 471
SEK	2 069	587
DKK	1 308	1 109
LTL	2 161	2 182
LVL	2 023	1 613
PLN	1 787	2 406
RUB	8 402	6 880
UAH	5 189	4 030
Other	1 136	983
Total	54 631	43 830

26.1 Financial risk management principles and organization

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

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

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

26.2 Market risks

Currency risk

The business operations of Aspo Group are decentralized in 14 countries, and the operations take place in 12 different currencies. Aspo Group's currency risk consists of foreign currency-denominated internal and external receivables, liabilities, estimated currency flows, derivative contracts and translation risks related to results and capital. The target of Aspo Group is to decrease the uncertainty related to fluctuations in results, cash flows and balance sheet items. At the business unit level, currency risk mainly occurs when a unit divests products and services with its domestic currency but the costs are realized in a foreign currency.

In compliance with Aspo's strategy, an increasingly significant part of the net sales of Telko and Leipurin originates from Russia. Therefore, their most extensive currency risks are related to the Russian ruble. If the ruble weakened against the euro, the Russian net sales and operating profit of the Telko and Leipurin segments would decrease. In 2012, the Russian ruble was relatively stable. Compared with the previous year, any changes in the relationship between the ruble and euro did not have any significant impact on the 2012 net sales and result.

The currency risks of ESL Shipping were mainly related to dollar-denominated investments. In 2012, ESL Shipping paid its final installments on a vessel investment totaling about USD 80 million. With derivative agreements, the company had hedged investment cash flows, all of which took place during 2010–2012. At the closing date, Aspo Group's currency position mainly consisted of internal and external interest-free and interest-bearing receivables and liabilities denominated in foreign currency.

The Aspo Group has investments in foreign subsidiaries. In addition, the equity of foreign subsidiaries increases through profitable business. The total equity of the Group's foreign subsidiaries at the closing date was EUR 33.7 million (30.6). Ruble-denominated investments of EUR 17.3 million (14.2) in subsidiaries operating in Russia were the biggest investment in regard to the currency amount. Despite the growing share of equity being denominated in the Russian ruble, the Group deems that diversifying is at a sufficient level, and there is no need to hedge the translation position associated with the equities of its foreign subsidiaries. The table above shows the Group's share in the subsidiaries' equity by currency.

In addition, long-term Group-internal loan receivables (included in the Telko segment) from Telko's Belorussian and Ukranian subsidiaries have been classified as long-term net investments in foreign business.

Investments in foreign subsidiaries

1 000 EUR	Shareholders' equity 2012	Shareholders' equity 2011
SEK	-879	-189
DKK	4 769	6 667
RUB	17 275	14 208
NOK	178	174
LVL	1 965	1 380
LTL	912	1 070
UAH	1 690	997
PLN	2 092	1 545
BYR	-500	-711
CNY	-29	868
KZT	-187	-127
EUR	6 366	4 764
Total	**33 652**	**30 646**

Cash and bank deposits and unutilized binding credit limit agreements

1 000 EUR	2012	2011
Cash and bank deposits	21 398	14 505
Credit limits	40 000	40 000
Total	**61 398**	**54 505**

Interest rate risk

To fund its operations, Aspo Group uses both fixed-rate and floating-rate liabilities that cause an interest rate risk in Aspo Group's cash flow and operating profit as a result of changes in the interest rate level. In addition to fixed-rate liabilities, Aspo Group uses interest rate derivatives to decrease growth in incoming cash flows caused by a possible increase in short-term market interest rates. The Group's interest-bearing liabilities on December 31, 2012 was EUR 140.1 million (101.5) and liquid funds stood at EUR 21.4 million (14.5). Aspo Group's credit portfolio is reviewed with regard to average interest rate, the average interest maturity, average loan maturity, and fixed-rate and floating-rate liabilities. At the closing date, the average interest rate on interest-bearing liabilities was 1.8% (3.0), the average interest maturity was 0.8 years (1.0), the average loan maturity was 4.7 years (5.5), and the share of fixed-rate liabilities was 18% (24). In 2012, the number of the Group's interest-bearing liabilities increased, and the average interest rate lowered. The average loan maturity of interest-bearing liabilities and the average interest maturity shortened, and the share of fixed-rate liabilities decreased.

Sensitivity to market risks

Aspo Group has exposure to interest rate and currency risks via financial instruments, such as financial assets and liabilities as well as derivative contracts, included in the balance sheet on the closing date. The currency position varies during the year and, accordingly, the position included in the balance sheet on the closing date does not necessarily reflect the situation during the financial year. The impact of foreign currency denominated sales and purchase transactions made during the year on the income statement is not taken into account in the sensitivity calculations unless they were hedged through derivatives.

The sensitivity analysis is used to analyze the impact of market trends on measurements. The sensitivity calculation regarding changes in the euro/dollar exchange rate is based on the following assumptions:

- The exchange rate change of +/-10%
- The positions includes dollar denominated financial assets and liabilities,

such as deposits, accounts receivable and other receivables, accounts payable, cash at hand and in banks, and derivatives.
- Future cash flows in dollars are not taken into account in the position.

The sensitivity calculation resulting from changes in interest rates is based on the following assumptions:
- The interest level changes by one percentage point.
- The position includes floating-rate interest-bearing financial liabilities and receivables.
- The calculation is based on balance sheet values on the closing date, and changes in capital during the year are not taken into account.

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

Risks based on financial instruments

1 000 EUR	2012 Income statement	2012 Shareholders' equity	2011 Income statement	2011 Shareholders' equity
+ 10% strengthening of euro against USD	-271		-64	-1 598
- 10% weakening of euro against USD	271		64	1 598
Change of +100 basic points in the market interest rates	-1 163	482	-792	365
Change of -100 basic points in the market interest rates	1 163	-487	792	-365

Accounts receivables by age

1 000 EUR	2012	2011
Not matured	41 226	31 272
Matured 1–30 days ago	8 543	8 815
Matured 31–60 days ago	1 822	2 665
Matured more than 60 days ago	3 040	1 078
Total	54 631	43 830

Hedge accounting

Cash flows related to the vessel investment launched by ESL Shipping in 2010 were hedged with derivative contracts. The derivative contracts were subject to hedge accounting and their valuation differences were recognized in the Aspo Group's equity and other comprehensive items. Hedged transactions were realized in 2012 when the profit and loss recognized at equity were transferred to the vessel acquisition cost.

The floating interest rate of the term loan that was withdrawn by Aspo Plc in 2011 and that will fall due in 2015 is hedged with an interest rate swap throughout the validity of the loan contract. Said interest rate swap is subject to hedge accounting, and its valuation differences are entered in Aspo Group's equity. In 2012, the hedging relation between the loan hedged and the hedging instrument has been effective. The effective shares of the changes in the fair value of interest rate derivatives subject to hedge accounting (adjusted by the tax impact) of EUR -0.9 million (-0.6) are recorded in other comprehensive items.

26.3 Liquidity and financing risk

The objective of Aspo Group is to ensure sufficient financing for operations in all situations and market conditions. In accordance with the treasury policy, the sources of financing are diversified among a sufficient number of counterparties and different loan instruments. The sufficient number of binding financing agreements and sufficient maturity ensure Aspo Group's current and near-future financing needs. During the 2012 financial year, the main focus of financing was on securing a sufficient distribution of maturity.

Aspo Group's most significant financing needs in 2012 were related to the vessel investments by ESL Shipping. The main financing source of Telko, Leipurin and Kaukomarkkinat is the cash flow from their operations. Liquidity is ensured through cash funds, the issuing of commercial papers and binding overdraft facilities, as well as revolving credit facilities granted by selected cooperation banks.

The Group's liquid cash funds at the end of the year were EUR 21.4 million (14.5). At the closing date, Aspo Plc had a EUR 50 million domestic commercial paper program, of which EUR 28 million was in use. At the closing date, Aspo Plc also had revolving credit facilities granted by selected cooperation banks in the amount of EUR 60 million, where EUR 40 million remains unutilized.

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

26.4 Credit and counterparty risks

The Group has credit risk from accounts receivables. The Telko and Leipurin segments have an international and highly diversified customer base, and no considerable customer risk centers. However, the amount of accounts receivable showed an increase in 2012 as growth focused on the developing markets. ESL Shipping's accounts receivable are connected to long-term customer relationships with creditworthy companies. The turnover rate of its accounts receivable is high. All segments hedge against credit risks by using, when necessary, payment terms based on advance payments and bank guarantees.

Aspo Group's aim is to have low liquid cash funds. The counterparty risk is managed by selecting known and financially solvent domestic and international banks as counterparties. Excess funds are invested in bank deposits and short-term money market instruments. The derivative contract-based counterparty risk is managed by selecting well-known and solvent domestic banks as counterparties.

26.5 Equity management

The objective of the Group is to achieve an optimal capital structure, with which Aspo Group can ensure the operational framework for short- and long-term operations.

The main factors affecting the capital structure are possible acquisitions and divestments, Aspo Plc's dividend policy, the vessel investments of ESL Shipping and the profitability of the subsidiaries' operations.

The development of the Group's capital structure is mainly monitored through the equity ratio and net gearing. On December 31, 2012, the equity ratio was 29.2% (35.2) and net gearing was 131.6% (94.1). In 2012, Aspo Group's capital structure weakened compared with the previous year.

Maturity analysis

2012

1 000 EUR	Balance sheet value Dec 31, 2012	Cash flow 2013[1]	2014	2015	2016	2017-
Loans	-124 315	-53 559	-5 888	-20 620	-5 418	-43 417
Convertible capital loan	-9 413	-731	-11 031			
Overdraft facility	-3 235	-2 028	-1 207			
Financial leasing liabilities	-3 112	-1 276	-1 236	-295	-293	-157
Accounts payable, other liabilities	-69 303	-68 644	-625	-32	-39	-19
Derivative instruments						
Interest rate swaps						
In hedge accounting						
Cash flows to be paid		-241	-183	-262	-315	-154

[1] Repayments in 2013 are included in short-term items.

2011

1 000 EUR	Balance sheet value Dec 31, 2011	Cash flow 2012[1]	2013	2014	2015	2016-
Loans	-86 261	-8 031	-25 517	-4 982	-19 654	-39 562
Convertible capital loan	-8 934	-735	-735	-11 085		
Overdraft facility	-3 025	-2 602		-423		
Financial leasing liabilities	-3 276	-1 155	-1 617	-671	-1	
Accounts payable, other liabilities	-58 340	-56 740	-704	-845	-116	
Derivative instruments						
Interest rate swaps						
In hedge accounting						
Cash flows to be paid		-291	-160	-242	-116	
Currency derivatives						
In hedge accounting						
Cash flows to be paid		-23 363				
Cash flows to be received		24 464				
Not in hedge accountig						
Cash flows to be paid		-39				
Cash flows to be received		41				

[1] Repayments in 2012 are included in short-term items.

Book values of financial assets and liabilities by measurement group

2012

1 000 EUR	Financial assets/ liabilities recognized at fair value through profit or loss	Loans and other receivables	Other liabilities	Financial assets available for sale	Financial liabilities recognized at amortized cost	Derivatives in hedge accounting	Book values of balance sheet items
Long-term financial assets							
Long-term receivables		213					213
Other financial assets				198			198
Short-term financial assets							
Accounts receivable and other receivables		64 976					64 976
Book value by measurement group		65 189		198			65 387
Long-term financial liabilities							
Long-term interest-bearing liabilities					83 180		83 180
Derivative contracts					1 013	141	1 154
Other liabilities			1 091				1 091
Short-term financial liabilities							
Short-term interest-bearing liabilities					55 882		55 882
Non-interest bearing current liabilities			68 071				68 071
Book value by measurement group			69 162		140 075	141	209 378

2011

1 000 EUR	Financial assets/ liabilities recognized at fair value through profit or loss	Loans and other receivables	Other liabilities	Financial assets available for sale	Financial liabilities recognized at amortized cost	Derivatives in hedge accounting	Book values of balance sheet items
Long-term financial assets							
Long-term receivables		206					206
Other financial assets				205			205
Short-term financial assets							
Derivative contracts	2					1 174	1 176
Accounts receivable and other receivables		54 075					54 075
Book value by measurement group	2	54 281		205		1 174	55 662
Long-term financial liabilities							
Long-term interest-bearing liabilities					92 772		92 772
Derivative contracts						809	809
Other liabilities			1 540				1 540
Short-term financial liabilities							
Short-term interest-bearing liabilities					8 724		8 724
Derivative contracts						74	74
Non-interest bearing current liabilities			55 917				55 917
Book value by measurement group			57 457		101 496	883	159 836

27. DERIVATIVE CONTRACTS

Available market rates and prices are used to calculate fair values.

1 000 EUR	Face values 2012	Fair values, net 2012	Face values 2011	Fair values, net 2011
Currency derivatives				
Currency forwards (level 2)*			-39	2
In hedge accounting				
Currency forwards (level 2)*			-23 363	1 101
Interest rate derivatives				
Interest rate swaps (level 2)*	**15 000**	**-1 154**	15 000	-809
Total		**-1 154**		294

* The fair value of financial instruments not traded on a functional market is determined by means of measurement methods. These measurement methods use verifiable information, if available, as much as possible, and company-specific estimates as little as possible. If all essential information needed in the determination of the fair value for an instrument is verifiable, the instrument is at level 2.

28. GUARANTEES AND COMMITMENTS

As part of their ordinary business activities, the Group and some of its subsidiaries sign different agreements under which guarantees are offered to third parties on behalf of these subsidiaries. These agreements are primarily made in order to support or improve Group companies' creditworthiness, and through them it is easier to find sufficient financing.

Collateral for own debt

1 000 EUR	2012	2011
Mortgages given	**91 454**	28 859
Guarantees	**29 029**	59 567
Other contingent liabilities *	**1 744**	64 473
Other leasing liabilities		
Within one year	**7 766**	6 955
After one year and within five years	**21 632**	18 317
After five years	**10 875**	13 928
Total	**162 500**	192 099

* Other contingent liabilities in 2011 were mainly related to ship funding agreements for vessels received in 2012.

Guarantees given on behalf of associated companies and joint ventures

1 000 EUR	2012	2011
Guarantees		50
Other contingent liabilities	**25**	
Total	**25**	50

Group companies

Company	Country of incorporation	Holding %
Aspo Plc, parent company	Finland	
Aspo Management Oy*	Finland	0.00
Aspokem AB	Sweden	100.00
Oy Bomanship Ab	Finland	100.00
ESL Shipping Ltd	Finland	100.00
Hamina Terminal Services Ltd	Finland	100.00
Kaukomarkkinat Ltd	Finland	100.00
Kaukomarkkinat Shanghai Ltd.	China	100.00
OOO Kauko Rus	Russia	100.00
OOO Leipurien Tukku	Russia	100.00
Leipurien Tukku Oy	Finland	100.00
Leipurin Ltd	Finland	100.00
LLC Leipurin	Ukraine	100.00
SIA Leipurin	Latvia	100.00
TOO Leipurin	Kazakhstan	100.00
UAB Leipurin	Lithuania	100.00
Leipurin Estonia AS	Estonia	100.00
Leitok Oy	Finland	100.00
Opas Baltic AS	Estonia	100.00
Rauma Terminal Services Ltd	Finland	100.00
Suhi-Suomalainen Hiili Oy	Finland	100.00
Telko Ltd	Finland	100.00
FLLC Telko	Belarus	100.00
LLC Telko	Ukraine	100.00
OOO Telko	Russia	100.00
Telko UAB	Lithuania	100.00
LLC Telko Central Asia	Kazakhstan	100.00
Telko Estonia OÜ	Estonia	100.00
Telko Denmark A/S	Denmark	100.00
Telko Latvia SIA	Latvia	100.00
Telko Norway AS	Norway	100.00
Telko-Poland Sp. z o.o.	Poland	100.00
Telko Shanghai Ltd.	China	100.00
Telko Sweden AB	Sweden	100.00
Oy Troili Ab	Finland	100.00
Vulganus Oy	Finland	100.00
Wilfert Chemical Norway AS	Norway	100.00

* The company has been established only for the purpose of managing Aspo Plc's shareholding arrangement. Aspo Plc is contractually entitled to exercise control in the company and in its decision-making.

Related party transactions

Associated companies and joint ventures

1 000 EUR	2012	2011
Services sold to joint ventures	7	57
Services charged from associated companies	3 937	3 790
Receivables from associated companies		2
Receivables from joint ventures	204	211

29. RELATED PARTIES

Information on associated companies and joint ventures within Aspo Group's related parties is presented in Note 16.

The related parties also include key management personnel, i.e. members of the Board of Directors and the Group Executive Committee. Information about the members of the Board and the Group Executive Committee is available in the Corporate Governance section of the annual report.

Management benefits

2009 shareholding program

In 2009, Aspo Plc's Board of Directors decided on a shareholding program directed at about 30 persons. The program's earning period started on January 1, 2009, and ended on December 31, 2011. Participation in the program and rewarding required that the person acquired a number of Aspo Plc shares predefined by the Board of Directors.

The program's reward was based on the continuation of the person's employment or official relationship and Aspo Group's cumulative earnings per share indicator (EPS) in 2009–2011. The reward was paid in March 2012, partly in Aspo shares and partly in cash. The proportion paid in cash covered taxes and tax-related costs arising from the reward. A total of 150,638 shares were transferred.

2012 shareholding program

On February 14, 2012, Aspo Plc's Board of Directors decided on a new share-based incentive plan for about 30 persons. The aim of the plan is to combine the objectives of shareholders and those within the plan in order to increase the company's value, to commit the persons to the company and to offer them a competitive incentive plan based on a long-term holding of the company's shares.

The new plan includes three performance periods, i.e. the calendar years 2012, 2013 and 2014. Participation in the plan and obtaining a reward for each earning period requires that the person acquires

Aspo's shares or holds the number of shares in Aspo or Aspo Management Oy up to the number predetermined by the Board of Directors.

The Board of Directors will decide on the plan's earning criteria and their objectives at the beginning of each period. No payable reward was accumulated in 2012. Any reward over the 2013 earning period is based on the Aspo Group's earnings per share (EPS) indicator, and will be paid in 2014, partly in company shares and partly in cash. The proportion to be paid in cash will cover taxes and tax-related payments on the reward. No reward will be paid if a person's employment or service ends before the reward payment.

The shares paid during the earning periods cannot be transferred during the commitment period, which ends within two years of the earning period. If a person's employment or official relationship ends during the commitment period, the person must gratuitously return any shares paid as reward to the company.

The estimated amount of rewards paid on the basis of the Board's original decision would have corresponded with the value of 936,000 shares in Aspo Plc (including the proportion paid in cash). Because no reward was accumulated over 2012 and the reward amount has decreased, the amount of maximum rewards payable for 2013 and 2014 corresponds with the value of a maximum of 439,000 Aspo Plc shares, including the proportion paid in cash.

Share rewards exercised during the year

	Transfer date	Number of shares transferred	Exercise price, weighted average, EUR
Year 2009	**March 6, 2012**	150 638	7.70

Share-based incentive plan

	Grant date	Maximum number of shares awarded	Market value of share on grant date, EUR
Covers years 2012–2014	**February 14, 2012**		7.90
the share of the year 2012		0	
the share of the year 2013	**February 14, 2013**	109 750	6.63

Management's holding company

	Grant date	Number of shares invested in the company	Market value of share on grant date, EUR
Year 2010	**October 26, 2010**	437 160	8.10
Year 2011, rights issue	**May 6, 2011**	62 452	7.48

Key management compensation

1 000 EUR	2012	2011
Salaries and other short-term employee benefits	**2 547**	1 829
Other long-term benefits	**192**	180
Share-based payments	**1 185**	
Total	**3 924**	2 009

Management salaries and benefits

1 000 EUR	2012	2011
CEO, salaries	**320**	296
CEO, remunerations	**147**	152
CEO, share-based payments	**339**	
Members of the Board of Directors, remunerations	**297**	270
Total	**1 103**	718

Other benefits

The retirement age of the CEO is 60. The CEO has a payment-based pension plan in which the pension is determined in accordance with the accumulated insurance savings at the time of retirement. The period of notice applied in the employment relationship of the CEO is six months. If notice is given by the company, severance pay corresponding to 18 months' salary will be paid in addition to the salary for the notice period.

Information on convertible capital loan subscribed by the insiders is presented in the Corporate Governance section.

Management's holding company

On October 26, 2010, the Board of Aspo Plc decided on a shareholding program for Aspo Group's management. The purpose of the program is to enable considerable long-term shareholding in Aspo for those involved in the program. For the shareholding, the participants established a company called Aspo Management Oy, whose entire stock they own. Aspo Management Oy acquired 114,523 Aspo shares from the participants at market price and Aspo also assigned 322,637 shares at EUR 7.93 per share to the company in a directed share issue. As part of the arrangement, the Board decided to grant Aspo Management Oy an interest bearing loan, worth EUR 2,800,000, to finance the share purchase. In 2011, Aspo Management Oy subscribed to 62,452 shares in Aspo's rights issue and raised an additional loan of EUR 324,750.40 from Aspo to finance the purchases. At the end of the year the loan amounted to EUR 2,934,750.40. The program is valid until the spring of 2014. After that, it will be dissolved in a manner to be decided upon at a later date. The program will be extended for one year at a time if the share price of Aspo at the beginning of 2014, 2015 or 2016 is below the average price at which Aspo Management Oy acquired the Aspo shares it owns. There are restrictions on the right of disposal of the shares for the duration of the program. As a rule, the participants' holding in Aspo Management Oy remains valid until the arrangement is dissolved.

Key Figures

	IFRS 2012	IFRS 2011	IFRS 2010	IFRS 2009	IFRS 2008
Net sales, MEUR	**481.6**	476.3	395.9	329.4	358.2*
Operating profit, MEUR	**10.6**	21.5	17.9	15.3	14.1*
Share of net sales, %	**2.2**	4.5	4.5	4.6	3.9
Profit before taxes, MEUR	**7.4**	17.4	14.1	11.7	9.5*
Share of net sales, %	**1.5**	3.7	3.6	3.6	2.7
Group					
Return on investment (ROI), %	**5.4**	12.5	12.7	11.1	18.5
Return on equity (ROE), %	**11.8**	16.4	15.2	13.0	24.1
Equity ratio, %	**29.2**	35.2	33.2	34.6	30.6
Equity ratio excluding deferred tax liabilities, %	**32.7**	40.1	39.6	41.6	37.1
Gearing, %	**131.6**	94.1	101.5	87.9	124.9
Gross investments in fixed assets, MEUR	**30.5**	42.7	13.2	7.4	21.1
Share of net sales, %	**6.3**	9.0	3.3	2.2	5.8
Personnel, Dec. 31	**871**	814	712	717	827
Average number of personnel	**858**	797	736	723	882
Share-specific indicators					
Earnings/share (EPS), EUR, Continued	**0.36**	0.45	0.38	0.31	0.26
Earnings/share (EPS), EUR, Discontinued					0.31
Earnings/share (EPS), EUR, Group	**0.36**	0.45	0.38	0.31	0.57
Diluted earnings/share, EUR, Continued	**0.37**	0.45	0.39	0.31	0.25
Diluted earnings/share, EUR, Discontinued					0.28
Diluted earnings/share, EUR, Group	**0.37**	0.45	0.39	0.31	0.53
Group					
Equity/share, EUR	**2.95**	3.05	2.49	2.46	2.42
Nominal dividend/share, EUR (2012 proposed by Board of Directors)	**0.42**		0.42	0.42	0.42
Share issue adjusted dividend/share, EUR			0.40	0.40	0.40
Dividend/earnings, %	**117.9**		106.2	126.6	70.1
Effective dividend yield, %	**6.6**		5.1	7.1	10.4
Repayment of capital/share, EUR		0.42			
Share issue adjusted repayment of capital/share, EUR		0.42			
Repayment of capital/earnigs, %		95.2			
Effective repayment of capital yield, %		6.2			
Price/earnings ratio (P/E)	**17.9**	15.1	20.7	17.8	6.7
Diluted price/earnings ratio (P/E)	**17.4**	15.1	20.3	18.1	7.2
Share price development					
average price, EUR	**6.63**	7.39	7.05	5.15	5.51
lowest price, EUR	**5.70**	6.32	5.60	3.73	3.38
highest price, EUR	**7.95**	8.82	7.88	5.88	6.54
Closing price on the last day of trading during the fiscal year, EUR	**6.39**	6.80	7.83	5.59	3.82
Market cap, Dec. 31, MEUR	**197.9**	210.5	221.7	155.8	106.4
excluding treasury shares, MEUR **	**193.5**	204.9	216.0	152.1	103.9
Development of share turnover, 1,000	**2 704**	3 716	5 145	2 262	3 404
Development of share turnover, %	**8.7**	12.0	19.2	8.6	12.9
Total share trading, EUR 1,000	**17 625**	27 334	38 703	12 259	19 764
Registered share capital, number of shares, Dec 31, 1,000	**30 967**	30 959	26 837	26 406	26 406
Total number of shares, adjusted,1,000	**30 967**	30 959	28 313	27 858	27 858
outstanding, Dec. 31	**30 284**	30 125	27 583	27 204	27 204
outstanding, average	**30 255**	29 507	27 316	27 204	27 247
diluted number of shares, average	**31 974**	31 259	29 295	29 638	29 996

* Continued operations
** Treasury shares include the shares of Aspo Management Oy.
The key figures for the comparison years have been adjusted for rights issue. The rights issue was in 2011 and the rights issue factor is 1.054997.

Calculation Principles of Key Figures

Return on investment, % (ROI) =

$$\frac{\text{(Profit before taxes + Interest and other financial expenses) x 100}}{\text{Balance sheet total – Interest-free liabilities (average)}}$$

Return on equity, % (ROE) =

$$\frac{\text{(Profit before taxes – Taxes) x 100}}{\text{Shareholders' equity + Non-controlling interest (average)}}$$

Equity ratio, % =

$$\frac{\text{(Shareholders' equity + Non-controlling interest) x 100}}{\text{Balance sheet total – Advances received}}$$

Gearing, % =

$$\frac{\text{(Interest-bearing liabilities – Liquid funds) x 100}}{\text{Shareholders' equity + Non-controlling interest}}$$

Average number of personnel = Average number of personnel at the end of each month

Earnings per share (EPS), EUR =

$$\frac{\text{Profit before taxes –Income taxes on ordinary activities – Non-controlling interest}}{\text{Adjusted average number of shares during the fiscal year}}$$

Shareholders' equity per share, EUR =

$$\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares on balance sheet date}}$$

Adjusted dividend per share, EUR =

$$\frac{\text{Dividend per share paid for the financial year}}{\text{Share issue multiplier}}$$

Dividend / earnings, % =

$$\frac{\text{Adjusted dividend per share x 100}}{\text{Earnings per share}}$$

Effective dividend yield, % =

$$\frac{\text{Adjusted dividend per share x 100}}{\text{Average share price on closing day weighted with trading volume}}$$

Share issue adjusted repayment of capital/share, EUR =

$$\frac{\text{Repayment of capital per share paid for the fiscal year}}{\text{Share issue multiplier}}$$

Repayment of capital/earnings, % =

$$\frac{\text{Share issue adjusted repayment of capital per share x 100}}{\text{Earnings per share}}$$

Effective repayment of capital yield, % =

$$\frac{\text{Share issue adjusted repayment of capital per share x 100}}{\text{Average share price on closing day weighted with trading volume}}$$

Price / earnings ratio (P/E) =

$$\frac{\text{Adjusted average share price on closing day}}{\text{Earnings per share}}$$

Market value of shares, EUR = Number of shares outside the Group x Average share price on closing day weighted with trading volume

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

Parent Company's Income Statement

1 000 EUR	Notes	Jan. 1–Dec. 31, 2012	Jan. 1–Dec. 31, 2011
Other operating income	1.1	**2 788**	2 429
Personnel costs	1.2	**-2 624**	-2 728
Depreciation and impairment	1.3	**-10**	-19
Other operating expenses	1.4	**-4 717**	-4 301
Operating loss		**-4 563**	-4 619
Financial income and expenses	1.5	**23 090**	627
Profit/loss before extraordinary items		**18 527**	-3 992
Extraordinary items	1.6	**1 920**	3 540
Profit/loss before appropriations and taxes		**20 447**	-452
Income taxes	1.7	**1**	2
Profit/loss for the period		**20 448**	-450

Parent Company's Balance Sheet

Assets

1 000 EUR	Notes	Dec. 31, 2012	Dec. 31, 2011
Non-current assets			
Tangible assets	2.1	83	93
Investments	2.2	82 071	12 967
Total non-current assets		82 154	13 060
Current assets			
Current receivables	2.3	58 040	103 439
Cash and bank deposits		8 283	4 038
Total current assets		66 323	107 477
Total assets		148 477	120 537

Shareholders´ equity and liabilities

1 000 EUR	Notes	Dec. 31, 2012	Dec. 31, 2011
Shareholders' equity			
Share capital	2.4	17 692	17 692
Premium fund	2.4	4 351	4 351
Invested unrestricted equity fund	2.4	16 480	29 196
Retained earnings	2.4	-478	-960
Profit/loss for the period		20 448	-450
Total shareholders' equity		58 493	49 829
Mandatory provisions	2.5		774
Liabilities			
Long-term liabilities			
Loans from financial institutions	2.6	15 000	35 000
Convertible capital loan	2.6	10 300	10 350
Total long-term liabilities		25 300	45 350
Short-term liabilities			
Loans from financial institutions	2.7	48 000	5 000
Debts to Group companies	2.7	15 096	18 379
Accounts payable	2.7	404	92
Other liabilities	2.7	107	50
Deferred liabilities	2.7	1 077	1 063
Total short-term liabilities		64 684	24 584
Total liabilities		89 984	69 934
Total shareholders' equity and liabilities		148 477	120 537

Parent Company's Cash Flow Statement

1 000 EUR	Jan. 1–Dec. 31, 2012	Jan. 1–Dec. 31, 2011
Operational cash flow		
Operating loss	**-4 563**	-4 619
Adjustments to operating loss	**182**	397
Change in working capital	**511**	-262
Interest paid	**-2 456**	-2 866
Interest received	**341**	452
Dividends received	**22 755**	1 756
Taxes paid	**2 217**	-2 184
Operational cash flow	**18 987**	-7 326
Investments on other shares	**-39**	
Gains on the sale of other shares	**20**	
Cash flow from investments	**-19**	0
Cash flow from financing		
Rights issue		19 958
Repurchase of shares		-1 995
Disposal of treasury shares	**686**	1 499
New long-term loans		15 000
Repayments of long-term loans	**-20 000**	-14 000
Change in short-term receivables	**-25 426**	-8 073
Change in short-term liabilities	**39 405**	-3 738
Loans from financial institutions, Cash pool accounts		-965
Group contributions received	**3 540**	14 955
Dividends distributed		-11 284
Repayment of capital	**-12 928**	
Cash flow from financing	**-14 723**	11 357
Change in liquid funds	**4 245**	4 031
Liquid funds Jan. 1	**4 038**	7
Liquid funds from merger	**1**	
Liquid funds Dec. 31	**8 283**	4 038

Notes to the Parent Company's Financial Statements

Accounting principles
Aspo Plc's financial statements have been compiled in accordance with FAS. The accounting principles have not changed from the previous year. When compiling the financial statements, the management of the company must, in accordance with valid regulations and good accounting practice, make estimates and assumptions that affect the valuation and allocation of financial statement items. The actual figures may differ from the estimates.

Foreign currency transactions
Foreign currency denominated transactions are recorded at the exchange rates valid on the transaction date. On the closing date, the receivables and liabilities on the balance sheet are valued at the exchange rates of the closing date. Outstanding hedging instruments for foreign currency denominated items are valued at the rate of the day, taking into account interest rates. Foreign exchange gains and losses related to business operations are recognized as net sales and operational expense adjustment items. Financing related foreign exchange gains and losses are recognized in financial income and expenses.

Pensions
The company's pension coverage is arranged through pension insurance.

Receivables
Receivables are valued at acquisition cost or probable value, if lower.

Non-current assets and depreciations
Non-current assets are recognized in the balance sheet at direct acquisition cost, less depreciations made. The depreciation periods for non-current assets are:

- Other long-term costs 3–10 years
- Buildings 15–40 years
- Machinery and equipment 3–8 years
- Other tangible assets 5–40 years

Leasing
Leasing payments are treated as rent expenses.

Extraordinary items
Extraordinary income and expenses include items outside actual business operations, such as group contributions.

Mandatory provisions
Mandatory provisions on the balance sheet include items that are either based on contracts or otherwise binding obligations, but have not yet materialized. Changes to mandatory provisions are included in the income statement.

Income taxes
The income taxes in the income statement include taxes calculated on profit for the period based on Finnish tax legislation and adjustment of taxes from previous financial periods.

Dividends
No recognition of the dividend proposed by the Board of Directors to the Annual Shareholders' Meeting was made in the financial statements. The dividends are only taken into account after the decision by the Annual Shareholders' Meeting.

1.1 OTHER OPERATING INCOME

1 000 EUR	2012	2011
Other operating income, Group	1 070	902
Rents, Group	1 259	1 295
Other rents	446	230
Other operating income	13	2
Total	2 788	2 429

1.2 NOTES CONCERNING PERSONNEL AND BOARD MEMBERS

Personnel costs

1 000 EUR	2012	2011
Salaries and benefits	1 818	1 708
Share-based payments	101	377
Profit bonus paid to the personnel fund	1	3
Pension costs	615	546
Other personnel costs	89	94
Total	2 624	2 728

Management salaries and benefits

1 000 EUR	2012	2011
CEO, salaries	320	296
CEO, remunerations	147	152
CEO, share-based payments	339	
Members of the Board of Directors, remunerations	297	270
Total	1 103	718

1.3 DEPRECIATION AND IMPAIRMENT

1 000 EUR	2012	2011
Machinery and equipment	10	12
Intangible assets		7
Total	10	19

1.4 OTHER OPERATING EXPENSES

1 000 EUR	2012	2011
Rents	2 195	2 182
Other expenses	2 522	2 119
Total	4 717	4 301

Auditors' fees

1 000 EUR	2012	2011
Auditing	61	50
Tax advice	26	21
Other services	27	81
Total	114	152

1.5 FINANCIAL INCOME AND EXPENSES

1 000 EUR	2012	2011
Dividend income		
From Group companies	22 750	1 750
From others	5	6
Income from long-term investments	22 755	1 756
Other interest and financial income		
From Group companies	922	1 640
From merger	1 819	
From others	1	6
Total interest and other financial income	2 742	1 646
Interest expenses and other financial expenses		
To Group companies	-1	-234
To others	-2 406	-2 541
Total interest and other financial expenses	-2 407	-2 775
Total financial income and expenses	23 090	627

1.6 EXTRAORDINARY ITEMS

1 000 EUR	2012	2011
Income		
Group contributions	1 920	3 540

1.7 INCOME TAXES

1 000 EUR	2012	2011
Taxes from previous fiscal period	-1	-2
Income taxes on extraordinary items	470	920
Income taxes on ordinary activities	-470	-920
Total	-1	-2

2.1 INTANGIBLE AND TANGIBLE ASSETS

1 000 EUR	Intangible rights	Total intangibles	Land	Buildings	Machinery and equipment	Other tangible assets	Total tangibles
Acquisition cost, Jan. 1	539	539	1	467	506	125	1 099
Acquisition cost, Dec. 31, 2012	**539**	**539**	**1**	**467**	**506**	**125**	**1 099**
Accumulated depreciation, Jan. 1	-539	-539		-466	-488	-52	-1 006
Depreciation during the period					-10		-10
Accumulated depreciation, Dec. 31, 2012	**-539**	**-539**		**-466**	**-498**	**-52**	**-1 016**
Book value, Dec. 31, 2012	**0**	**0**	**1**	**1**	**8**	**73**	**83**
Book value, Dec. 31, 2011	**0**	**0**	**1**	**1**	**18**	**73**	**93**

2.2 INVESTMENTS

1 000 EUR	Subsidiary shares	Other shares	Total
Acquisition cost, Jan. 1	12 809	158	12 967
Increases, merger	69 072		69 072
Increases		39	39
Decreases		-7	-7
Acquisition cost, Dec. 31, 2012	**81 881**	**190**	**82 071**
Acquisition cost, Dec. 31, 2011	**12 809**	**158**	**12 967**

2.3 RECEIVABLES

Current receivables

1 000 EUR	2012	2011
Receivables from Group companies		
Group contribution receivables	**2 470**	3 540
Cash pool accounts	**3 792**	1 307
Loan receivables	**51 657**	96 176
Deferred receivable	**15**	18
	57 934	101 041
Deferred receivables*	**106**	2 398
Total current receivables	**58 040**	103 439
* Main item		
Tax receivable		2 217

2.4 SHAREHOLDERS' EQUITY

Aspo Plc has a total of EUR 10,300,000 in equity-based convertible capital loan. The loan will be repaid in one installment on June 30, 2014, provided that the repayment conditions outlined in Chapter 12 of the Finnish Companies Act and the loan terms are met. The loan has a fixed interest rate of 7%. The loan units can be converted into Aspo shares. Each EUR 50,000 loan unit entitles its holder to convert the loan unit to 8,074 Aspo shares. The conversion rate is EUR 6.19. The loan can be converted annually between January 2 and November 30. The conversion period ends on June 15, 2014.

A total of 8,074 new shares corresponding to one loan unit were subscribed in 2012.

1 000 EUR	2012	2011
Share capital, Jan. 1	17 692	17 692
Share capital, Dec. 31	17 692	17 692
Premium fund, Jan. 1	4 351	4 351
Premium fund, Dec. 31	4 351	4 351
Invested unrestricted equity fund, Jan. 1	29 196	5 889
Conversions of convertible capital loan	50	1 850
Rights issue		19 958
Repayment of capital	-12 928	
Share-based payments	162	
Disposal of treasury shares		1 499
Invested unrestricted equity fund, Dec. 31	16 480	29 196
Retained earnings, Jan. 1	-1 410	12 319
Repurchase of shares		-1 995
Share-based payments	932	
Dividend payment		-11 284
Retained earnings, Dec. 31	-478	-960
Profit/loss for the period	20 448	-450
Total shareholders' equity	58 493	49 829

Distributable unrestricted equity totals EUR 36,450,487.45 (27,786,442.11).

2.5 MANDATORY PROVISIONS

1 000 EUR	2012	2011
Share-based incentive program		774

2.6 LONG-TERM LIABILITIES

1 000 EUR	2012	2011
Convertible capital loan	10 300	10 350
Total	10 300	10 350
Loans from financial institutions	15 000	35 000
Total	15 000	35 000
Total long-term liabilities	25 300	45 350

2.7 SHORT-TERM LIABILITIES

1 000 EUR	2012	2011
Loans from financial institutions	48 000	5 000
Unpaid dividend 2005–2010	8	8
Accounts payable	404	92
Other liabilities	107	50
Deferred liabilities*	1 069	1 055
Total	49 588	6 205
Debts to Group companies		
Cash pool accounts	15 088	18 378
Deferred liabilities	8	1
Total	15 096	18 379
Total short-term liabilities	64 684	24 584
* Main items		
Accrued interests	391	412
Accrued salaries	628	608

2.8 OTHER NOTES

Unpaid lease payments

1 000 EUR	2012	2011
Payable in the next fiscal year	239	262
Payable later	265	426
Total	504	688
Remainder value liabilities	13	76
Total leasing liabilities	517	764

Other rental liabilities

1 000 EUR	2012	2011
Payable in the next fiscal year	1 546	1 500
Payable later	7 730	8 999
Total	9 276	10 499

Guarantees on behalf of Group companies

1 000 EUR	2012	2011
Guarantees	98 392	68 957

Guarantees on behalf of associated companies

1 000 EUR	2012	2011
Guarantees		50

Shares and Shareholders

Share capital
On December 31, 2012, Aspo Plc's registered share capital totaled EUR 17,691,729.57 (2011: 17,691,729.57), consisting of 30,967,450 shares (30,959,376). During the financial year, a total of 8,074 shares were subscribed on the basis of the loan units in the convertible capital loan. At the end of the year, the company's own shareholding was 183,891 shares (334,529); in other words, 0.6% (1.1) of the share capital.

Shares
Aspo Plc has one share series. Each share entitles the shareholder to one vote at the Shareholders' Meeting. The company shares are quoted on NASDAQ OMX Helsinki Ltd in the medium-sized companies category and under the GICS classification Industrials. The trading code of the share is ASU1V.

Dividend
Aspo Plc has an active, cash flow-based dividend distribution policy, the goal of which is to distribute, on average, at least half of the Group's annual earnings to shareholders. Aspo Plc's Board of Directors proposes to the Annual Shareholders' Meeting that a dividend of EUR 0.42 per share be paid for the financial year 2012, representing 117.9% of the Group's earnings.

Authorizations
The Annual Shareholders' Meeting in 2012 authorized the Board of Directors to decide on the acquisition of a maximum of 500,000 company-held shares using non-restricted shareholders' equity. The authorization is valid until the Annual Shareholders' Meeting in 2013.

The shareholders authorized the Board of Directors to decide on a share issue involving one or more installments, carried out through the transfer of treasury shares. A maximum of 834,529 shares may be transferred on the basis of the authorization. The authorization is valid until September 30, 2015.

The shareholders authorized the Board to decide on a rights issue. The authorization also includes the right to decide on a directed share issue. The total number of new shares to be offered for subscription

Major shareholders on December 31, 2012

	Number of shares	Share of stock and voting rights %	Less own shares %
Havsudden Oy Ab	3 142 941	10.15	10.21
Vehmas A.E.	1 643 394	5.31	5.34
Nyberg H.B.	1 400 000	4.52	4.55
Vehmas Tapio	1 375 827	4.44	4.47
Ilmarinen Mutual Pension Insurance Co	1 288 601	4.16	4.19
Vehmas Liisa	1 230 693	3.97	4.00
Investment fund Nordea Nordic Small Cap	721 040	2.33	2.34
Estlander Henrik	711 717	2.30	2.31
Nyberg Gustav	635 305	2.05	2.06
Varma Mutual Pension Insurance Company	529 412	1.71	1.72
Ten major shareholders, total	**12 678 930**	**40.94**	**41.19**
Nominee registrations	539 729	1.74	
Other shares	17 564 900	56.72	
Total shares outstanding	**30 783 559**	**99.41**	
Own shares	183 891	0.60	
Shares, total	**30 967 450**	**100.0**	

Distribution of ownership on December 31, 2012, by number of shares

Number of shares	Number of owners	Share of owners %	Total shares	Share of stock %	Less own shares %
1 – 100	708	10.90	41 350	0.13	0.13
101 – 500	2 237	34.43	615 967	1.99	2.00
501 – 1 000	1 187	18.27	862 425	2.79	2.80
1 001 – 5 000	1 859	28.61	3 934 265	12.70	12.78
5 001 – 10 000	267	4.11	1 862 920	6.02	6.05
10 001 – 50 000	183	2.82	3 461 010	11.18	11.25
50 001 – 100 000	20	0.31	1 351 452	4.36	4.39
100 001 – 500 000	26	0.40	6 154 667	19.88	19.40
500 001 –	10	0.15	12 678 930	40.94	41.19
Total in joint accounts			4 464	0.01	0.01
Total	**6 497**	**100.0**	**30 967 450**	**100.0**	**100.0**

Distribution of ownership on December 31, 2012, by owner groups

%	Ownership	Shares
1. Households	93.5	60.8
2. Companies	4.8	21.7
3. Financial and insurance institutions	0.4	5.9
4. Non-profit organizations	0.9	4.9
5. Public organisations	0.1	6.4
6. Non-domestic	0.3	0.3

may not exceed 1,500,000. The authorization is valid until September 30, 2015.

The Board has not used its authorizations given in 2012.

Share trading and share price development

In 2012, a total of 2,704,413 Aspo Plc shares were traded at EUR 17.6 million; in other words, 8.7% of the shares changed hands. The share reached a high of EUR 7.95 and a low of EUR 5.70 during the year. The average share price was EUR 6.63 and the closing price at year-end was EUR 6.39. The company has a liquidity providing agreement regarding its share with Nordea Bank Finland Plc.

At year-end, the market value of the share capital excluding the treasury shares was EUR 196.7 million. For the latest trading information, please visit: www.aspo.com.

Share ownership

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

During the year, Aspo's shareholders announced three flagging notifications. Havsudden Oy Ab announced on June 12, 2012 that its holdings had exceeded five per cent (5%) of the share capital in Aspo Plc. Henrik Nyberg announced on June 27, 2012 that his holdings had decreased below five per cent (5%) of the share capital and voting rights in Aspo Plc. Havsudden Oy Ab announced on June 27, 2012 that its holdings had exceeded ten per cent (10%) of the share capital and five per cent (5%) of the voting rights in Aspo Plc. Following the transfer Havsudden Oy Ab became the largest single shareholder in Aspo Plc.

At the end of 2012, the number of shareholders at Aspo totaled 6,497. Of these, 98.3% represented direct shareholding and 1.7% nominee registrations. A total of 0.3% of the shares was held by foreign entities.

On December 31, 2012, ten largest shareholders owned a total of 40.94% of the company's shares and voting rights.

A list of major shareholders with monthly updates is shown on the corporate website at: www.aspo.com.

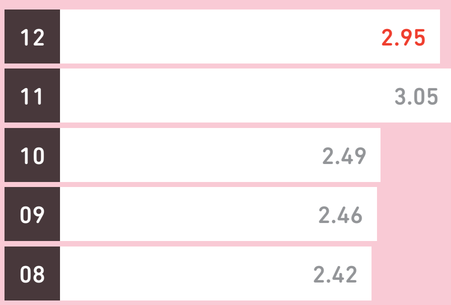
Shareholding by CEO and Board of Directors

On December 31, 2012, the total number of shares owned by the members of Aspo Plc's Board of Directors with their related parties was 4,867,797 shares, which represents 15.72% of the shares and voting rights.

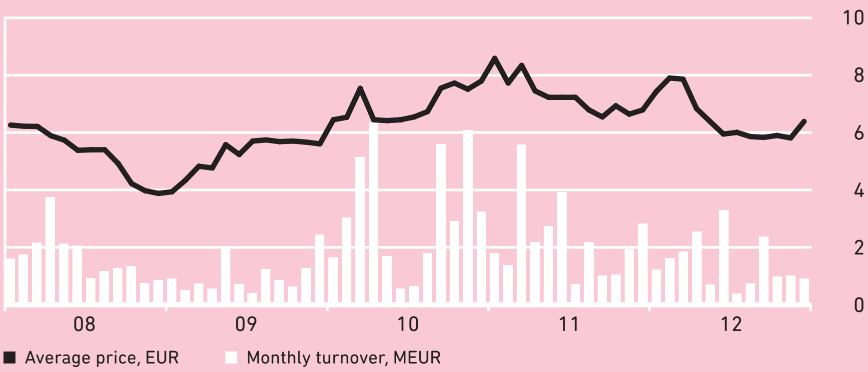
In 2010, six persons from the Group's management established Aspo Management Oy, one of the Aspo's related parties and controlled by the company. These six persons own its entire share capital. On December 31, 2012, Aspo Management Oy owned a total of 499,612 shares, which represents 1.61% of the share capital. The CEO at Aspo Plc accounted for 28.57% of Aspo Management Oy's shares.

Share price performance EUR

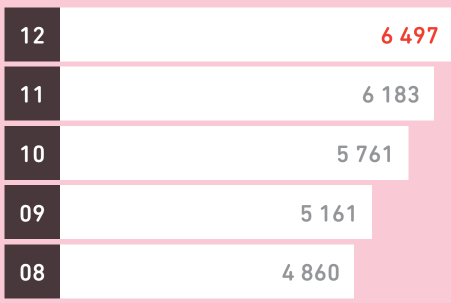
Equity/share EUR



Share trading and average prices



Number of shareholders



Proposal of the Board for the Distribution of Earnings

The parent company's distributable earnings totaled EUR 36,450,487.45 with the profit for the financial year totaling EUR 20,447,818.31.

The company's registered share capital on December 31, 2012 was 30,967,450 shares, of which the company held 183,891. After the financial year no convertible capital loan units have been converted into new shares. The company's registered share capital on March 7, 2013 is 30,967,450 shares, of which 183,891 are held by the company.

The Board proposes that the company's distributable earnings be distributed as follows:

– A dividend of EUR 0.42 per share be paid out on 30,783,559 shares	EUR 12,929,094.78
– to be held in shareholders' equity	EUR 23,521,392.67
	EUR 36,450,487.45

No significant changes have taken place in the company´s financial position since the end of the financial year. The company´s liquidity is good and in the opinion of the Board of Directors the proposed dividend will not put the company´s solvency at risk.

Helsinki, March 7, 2013

Gustav Nyberg	Matti Arteva
Mammu Kaario	Esa Karppinen
Roberto Lencioni	Kristina Pentti-von Walzel
Risto Salo	Aki Ojanen CEO

Auditor's Report

TO THE ANNUAL GENERAL MEETING OF ASPO PLC

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Aspo Plc for the period 1 January–31 December 2012. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 11 March 2013

PricewaterhouseCoopers Oy
Authorised Public Accountants

Mikko Nieminen
Authorised Public Accountant

Information for Investors

Basic share information

- Listed on: NASDAQ OMX Helsinki
- Industry sector: Industrials
- Category: Mid Cap
- Trading code: ASU1V
- ISIN code: FI0009008072

Annual Shareholders' Meeting

The Aspo Plc Annual Shareholders' Meeting will be held in the Stock Exchange Building at Fabianinkatu 14, 00100 Helsinki on Wednesday, April 10, 2013 at 14:00 p.m. The record date of the Annual Shareholders' Meeting is March 27, 2013.

Shareholders intending to participate in the Annual Shareholders' Meeting should register for the meeting no later than on April 5, 2013 by 16:00 p.m. Please register:

- Through Aspo's website, at www.aspo.com
- By e-mail to ilmoittautuminen@aspo.com,
- By telephone on +358 9 521 41 00,
- By fax on +358 9 521 49 99, or
- By letter to Aspo Plc, P.O. Box 70, FI-00501 Helsinki.

In connection with the registration, shareholders are requested to notify the company of any proxies authorized to exercise their voting rights. The proxies should be delivered to the company within the registration period.

Dividend payments

Aspo's dividend policy is to distribute approximately at least half of the year's earnings in dividends. The Board of Directors will propose at the Annual Shareholders' Meeting that a dividend of EUR 0.42 per share be paid for 2012 on shares outstanding and that no dividend be paid for treasury shares.

- Ex-dividend date April 11, 2013
- Dividend record date April 15, 2013
- Dividend payment date April 22, 2013

Financial reporting in 2013

- Financial Statements Bulletin February 14, 2013
- Annual Report for 2012 week 14
- Interim Report January–March on April 29, 2013
- Interim Report January–June on August 20, 2013
- Interim Report January–September on October 24, 2013

Aspo's financial information is published on company's website at www.aspo.com, including annual reports, interim reports and stock exchange releases in Finnish and in English. Aspo's printed annual report will be published in Finnish and English. Reports can also be ordered by phone +358 9 521 40 50, by fax +358 9 521 49 99 or by e-mail from jamima.lofstrom@aspo.com.

Further investor information

Aspo's website at www.aspo.com offers also versatile further investor information, such as the latest share information and consensus estimates based on expectations and predictions by the analysts following Aspo.

At the web address www.aspo.com > media > news > news service it is possible to order all stock exchange releases and press releases to your e-mail.

Address changes

Material will be sent to shareholders to the address shown in the shareholder register maintained by Euroclear Finland Ltd. Shareholders are advised to notify changes of address to the bank or brokerage firm where the shareholder has a book-entry account.

Aspo Plc's investor relations

Aspo organizes frequent investor meetings with various stakeholder groups. The target is to provide for versatile information about Aspo and its operations to institutional and private investors, analysts and media representatives.

Aspo observes a three-week silent period preceding the publication of its results. During this time the company's representatives will not comment on the company's financial position.

Contact information

For any further information concerning Aspo's investor relations issues, please contact

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