ASPO

Aspo Q1

May 8, 2019

CEO Aki Ojanen

Aspo Q1

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Net sales increased and were EUR 141.5 (115.3) million.

Net sales grew by 23%.

Operating profit increased and was EUR 4.9 (3.7) million.

Operating profit improved by 32%.

Profit for the period increased and stood at EUR 3.5 (2.0.) million.

Earnings per share increased and were EUR 0,10 (0,05).

ESL Shipping and Telko increased net sales and improved operating profit.

The organic growth continued in eastern markets, where net sales increased by 16%.

As a result of the adoption of the IFRS 16 standard, gearing increased by approximately 30 percentage points.

Kauko is reported as part of Telko segment.

Guidance for year 2019:

Aspo's operating profit will be EUR 28–33 (20,6) million in 2019.

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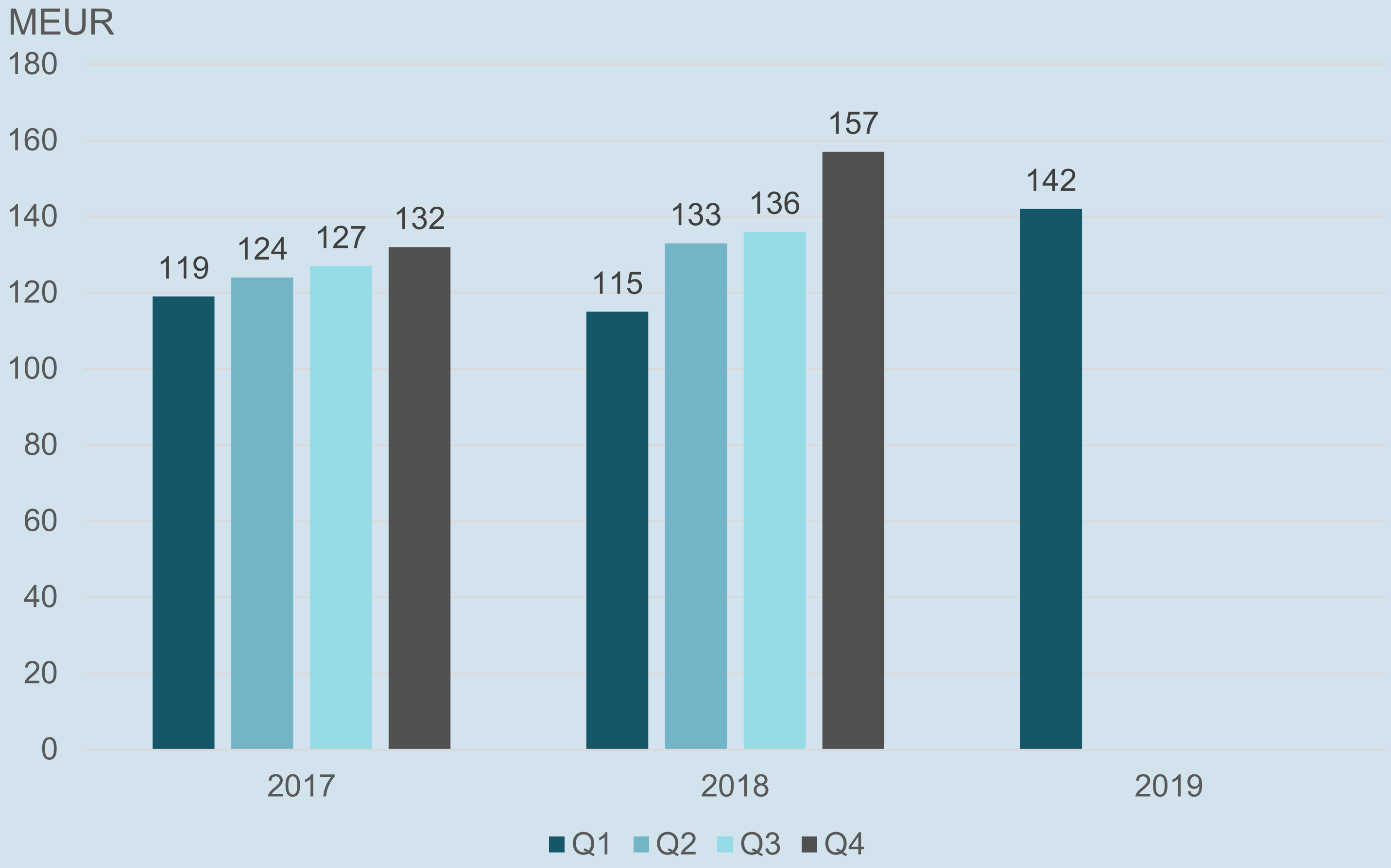
Net sales by quarter

Aspo's net sales increased by 23%.

The most significant growth in net sales was in ESL Shipping.

Finland is Aspo's largest market area where net sales increased by 29%.

In Scandinavia, net sales grew by 64%.



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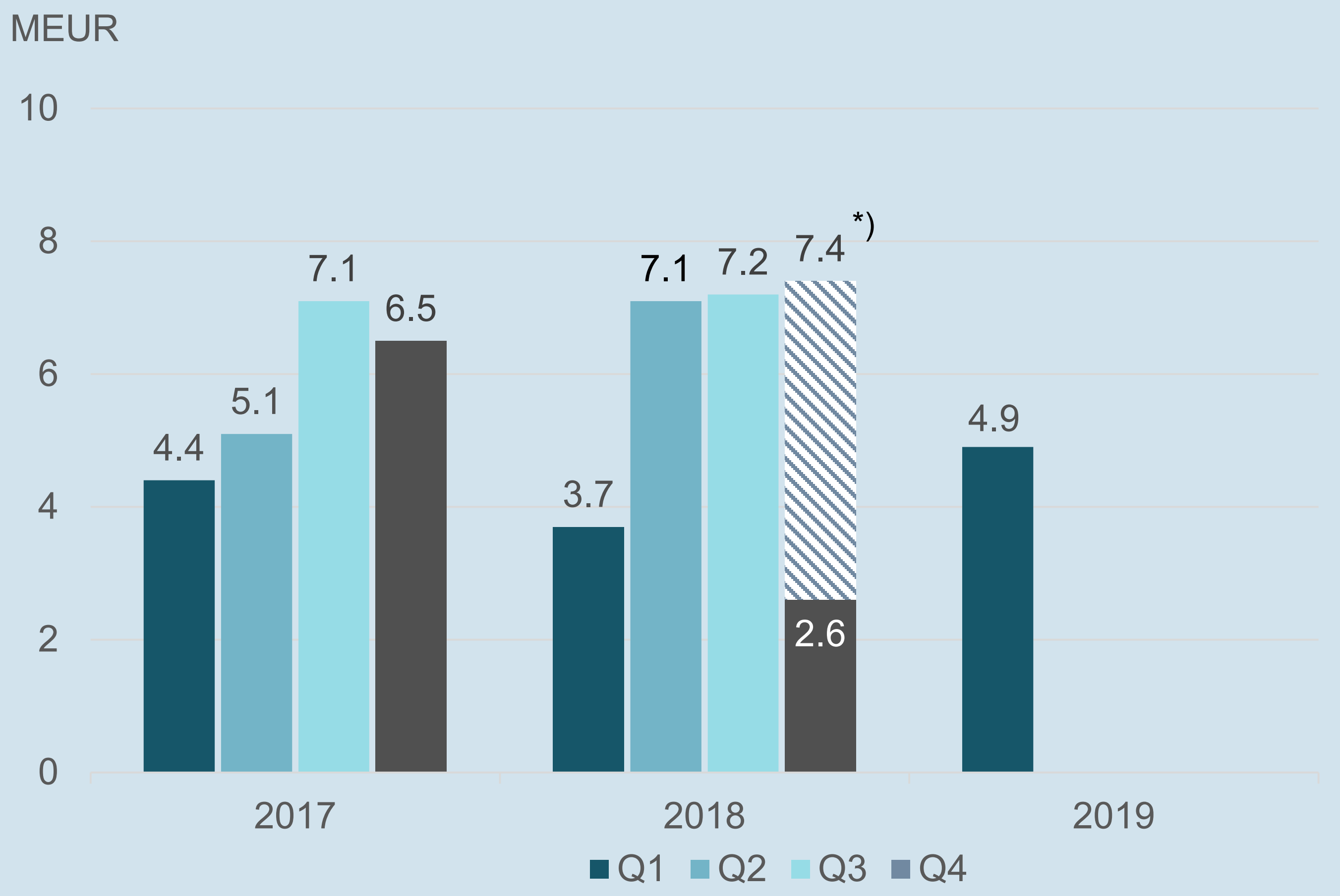
Operating profit by quarter

Operating profit was EUR 4.9 (3.7) million.

Operating profit increased by 32%, reaching a new record high.

ESL Shipping ja Telko improved operating profit.

Due to the cyclicality, Q1 is usually the weakest quarter of the year.



*) Operating profit, adjusted by an impairment loss recognized on goodwill, was EUR 7.4 million.

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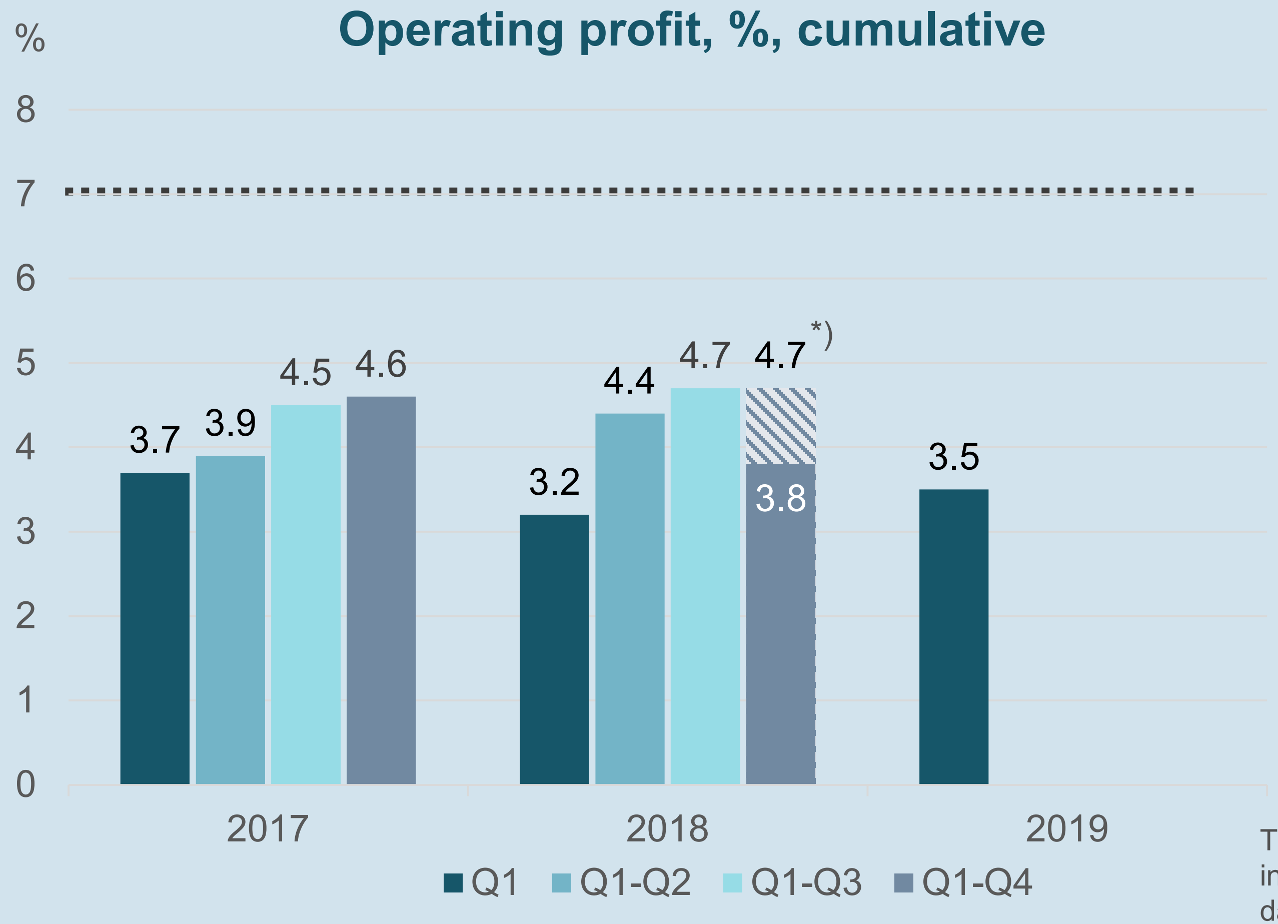
Long-term financial targets

Operating margin was 3.5% (3.2).

The target level is 7% by 2020.

The effect of the adoption of IFRS 16 standard to operating profit is approximately EUR 0.8 million on an annual basis.



The target level is indicated by the dashed line.

*) Operating profit rate, adjusted by an impairment loss recognized on goodwill, was 4.7%.

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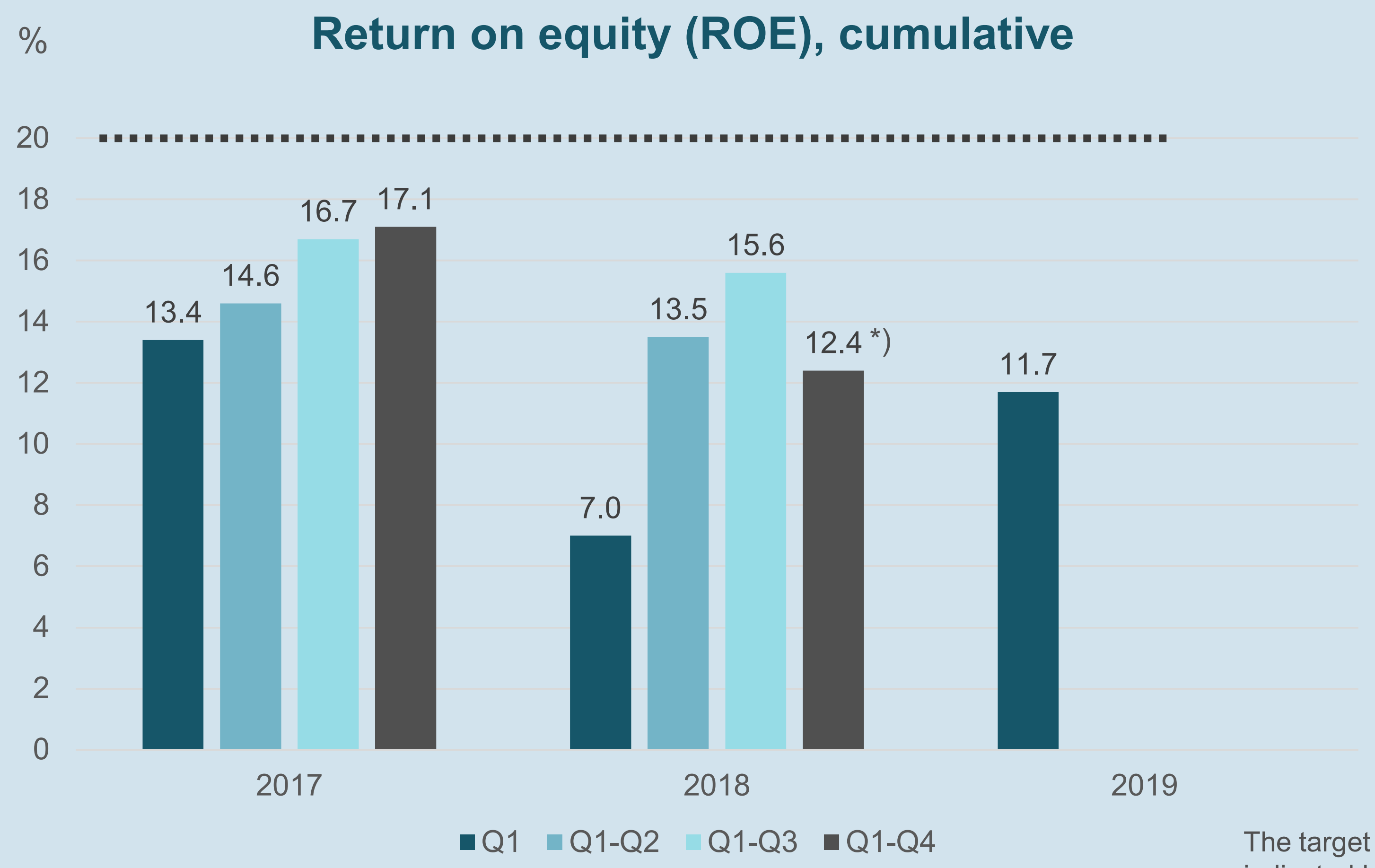
Long-term financial targets

ROE improved and was 11.7% (7.0).

Target level is over 20% on average by 2020.



*) ROE, adjusted by an impairment loss recognized on goodwill, was 16.2%.

The target level is indicated by the dashed line.

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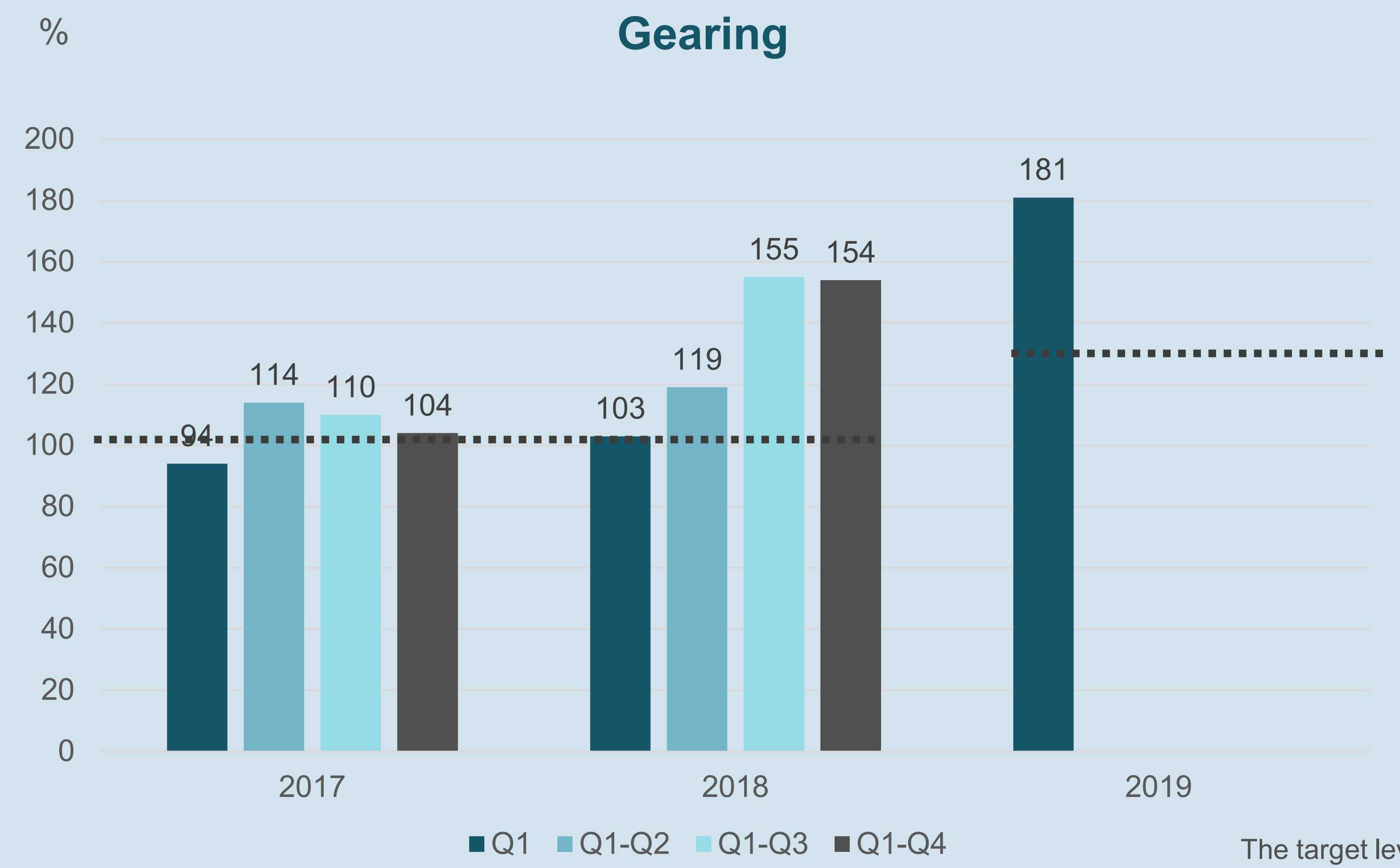
Long-term financial targets

Gearing increased to 181.1% (103.3).

Gearing increased as a result of investments in new vessels and the acquisition in 2018.

Due to the adoption of the IFRS 16 standard, gearing increased by approximately 30 percentage points.

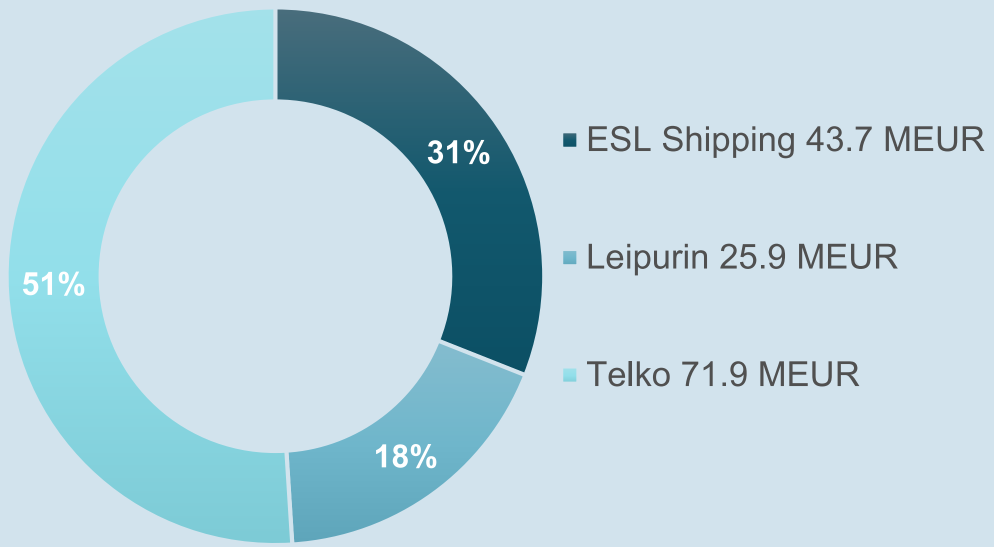
New target level is up to 130% by 2020.



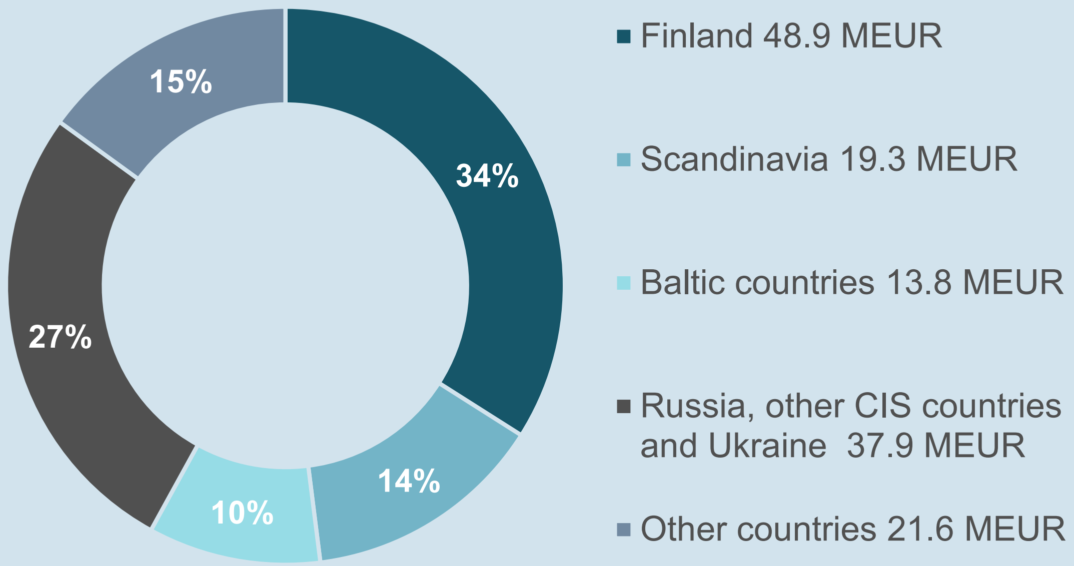
The target level is indicated by the dashed line.

Aspo represents a balanced entity

Net sales by segment, Q1 2019



Net sales by market area, Q1 2019

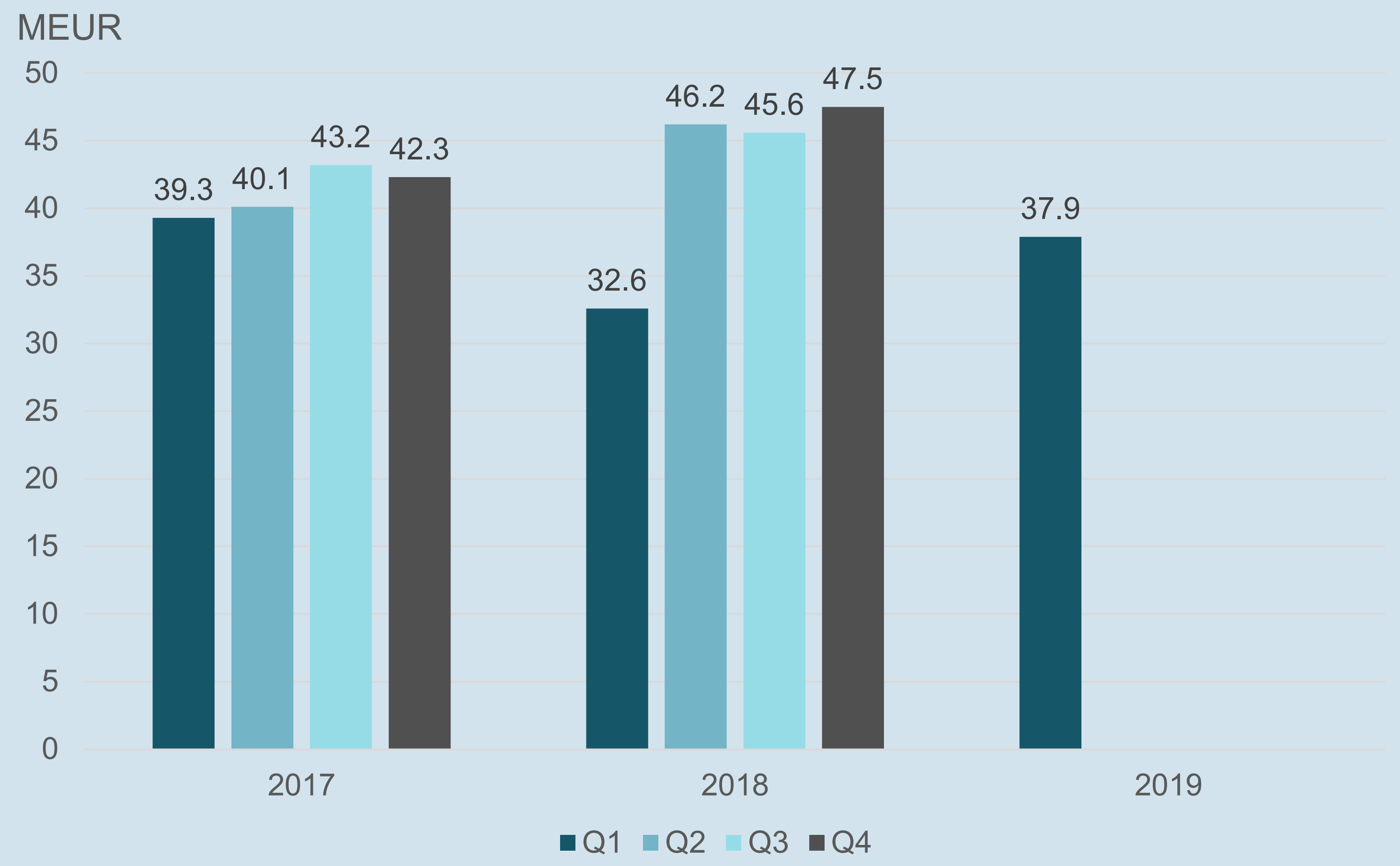


Russia, other CIS countries and Ukraine

In the eastern markets, net sales increased and were EUR 37.9 (32.6) million.

Net sales of both Telko and Leipurin increased in the eastern markets.

Total net sales growth 16%.



ESL Shipping

Leading marine logistics provider for bulk cargo

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ESL Shipping Q1

Freight rates of dry bulk cargo dropped steeply in January and February.

Freight rates began to rise again in March, but at the end of Q1 still remained clearly lower than in the previous year.

Net sales increased significantly and were EUR 43.7 (20.5) million. Net sales grew by 113%.

The growth was mainly due to the acquisition of AtoB@C and the deployment of new LNG-fueled vessels.

Operating profit increased and was EUR 3.2 million (2.6).

Operating profit was reduced by problems with the cranes of the new LNG-fueled vessels, while earnings of AtoB@C increased it.

Action plan to obtain synergy benefits following the acquisition of AtoB@C proceeded as planned during Q1.

Further loss of income or additional costs related to the crane problems of LNG-fueled vessels are not expected in H2 2019.

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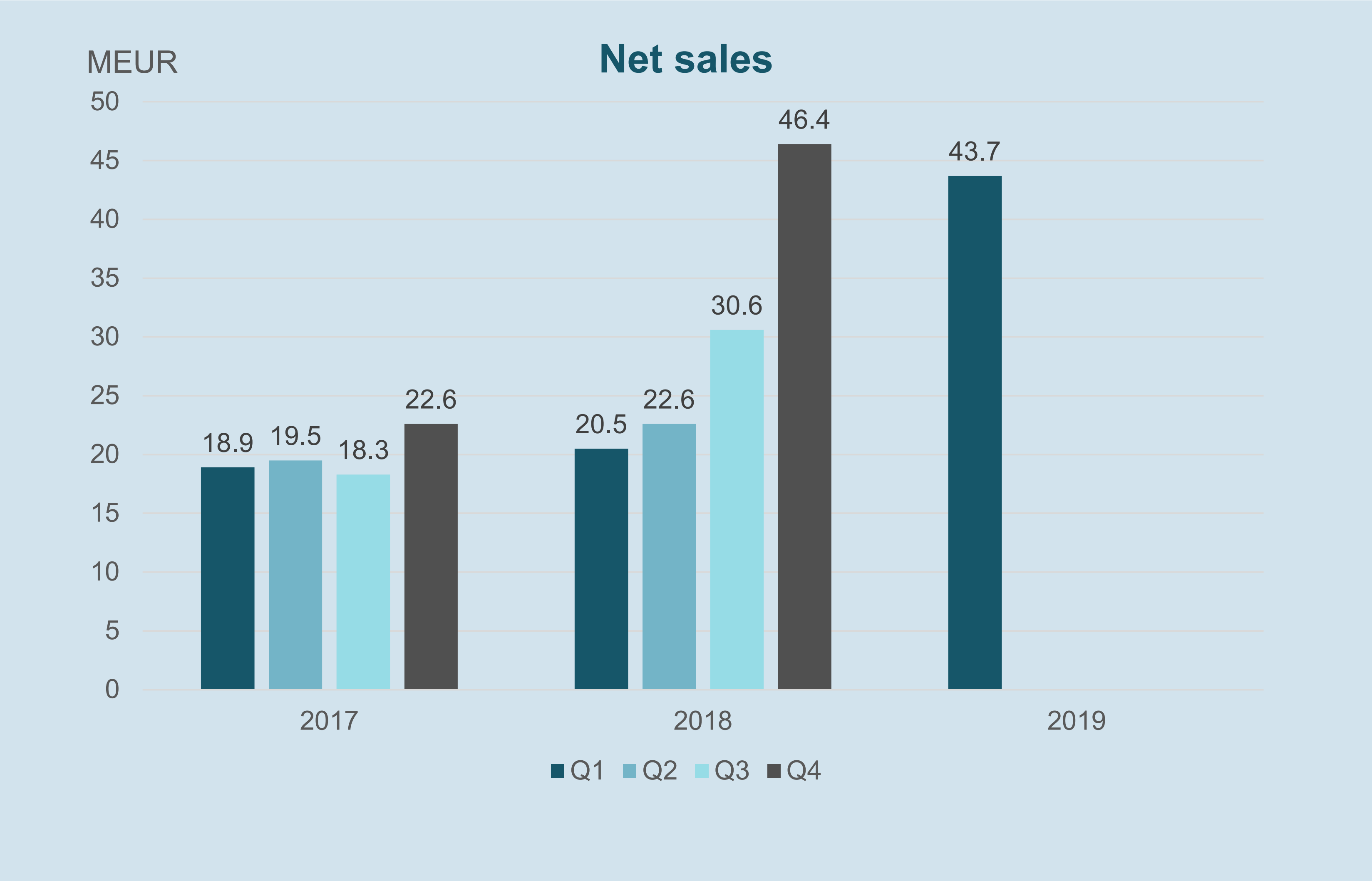
ESL Shipping key figures Q1

Net sales increased by 113% and were EUR 43.7 (20.5) million.

The impact of the acquisition on the increase was EUR 19.9 million.

Net sales increased significantly as a result of the vessel capacity brought by the AtoB@C acquisition, the deployment of the two new LNG-fueled vessels and higher transportation volumes.



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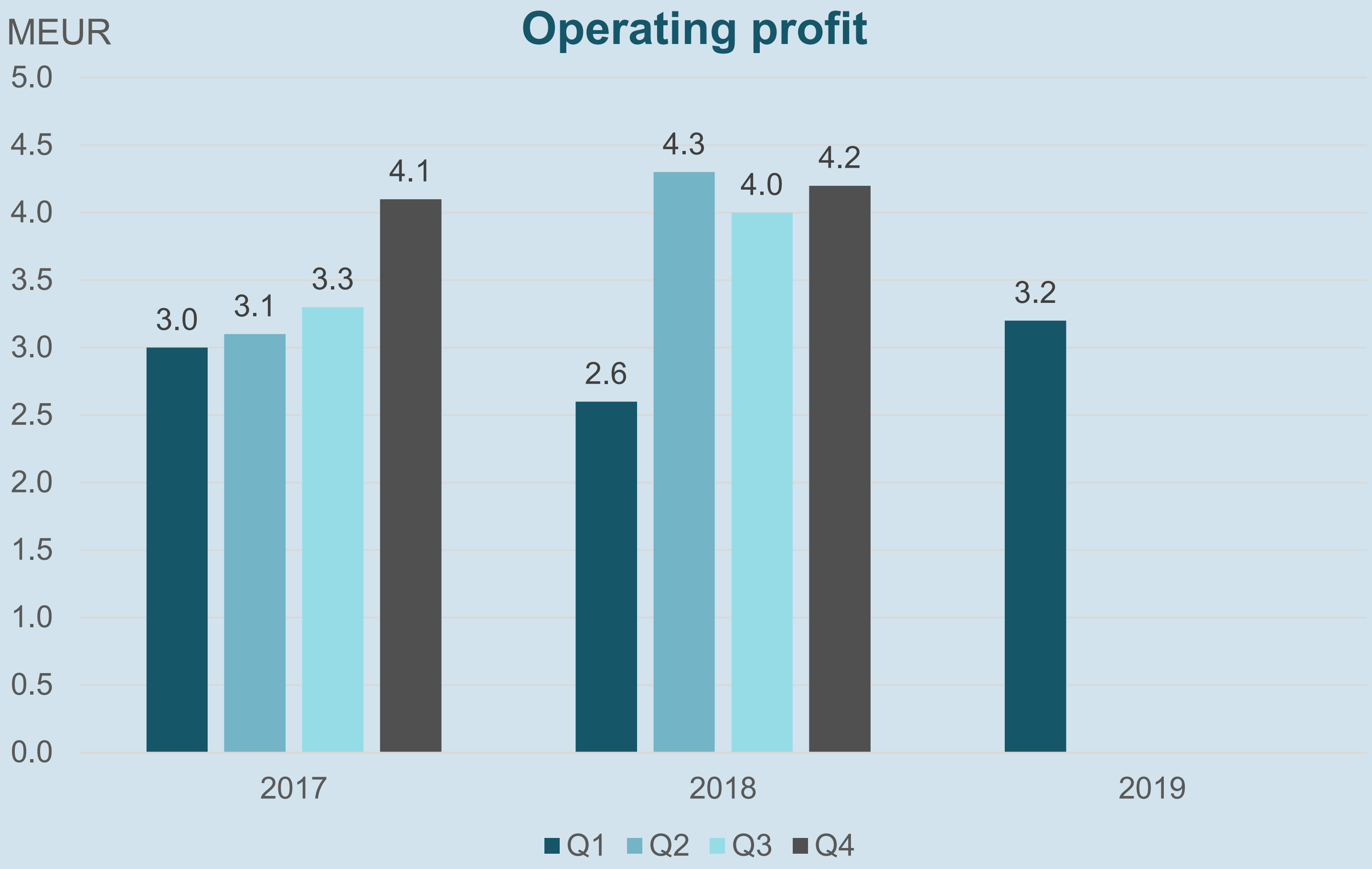
ESL Shipping key figures Q1

Operating profit increased and was EUR 3.2 (2.6) million.

Operating margin was 7.3% (12.7).

Problems with the cranes of the new LNG-fueled vessels reduced the operating profit, while the earnings of AtoB@C increased it.



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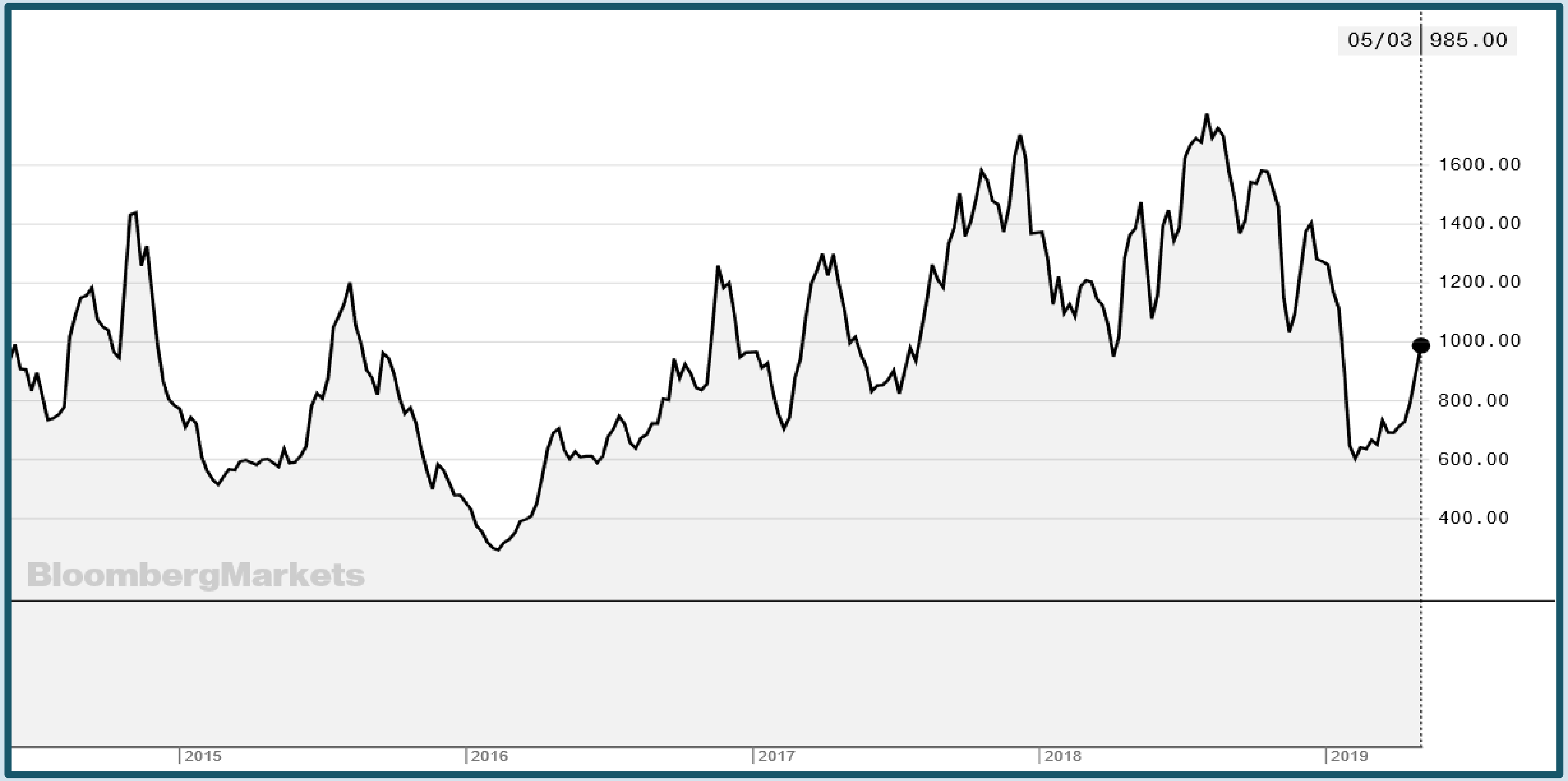
Baltic Dry Index



Source: Bloomberg

Leipurin

From bread and recipes to a comprehensive selection

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Leipurin Q1

The market for industrially packed bread continues to decline in the western market. The market of in-store bakeries and baking units continued to grow.

The market of in-store bakeries is growing in Russia, and Leipurin has gained a good market position in this sector.

Net sales decreased and was EUR 25.9 (30.2) million.

The decrease in net sales was mainly due to the timing of project deliveries in machinery operations.

Sales growth was slowed down due to Easter falling on Q2 this year.

Operating profit was EUR 0.5 (0.8) milloin.

Operating profit was not at the target level.

In eastern markets, net sales increased and were EUR 8.3 (8.2) million.

Operating margin was 1.9% (2.6).

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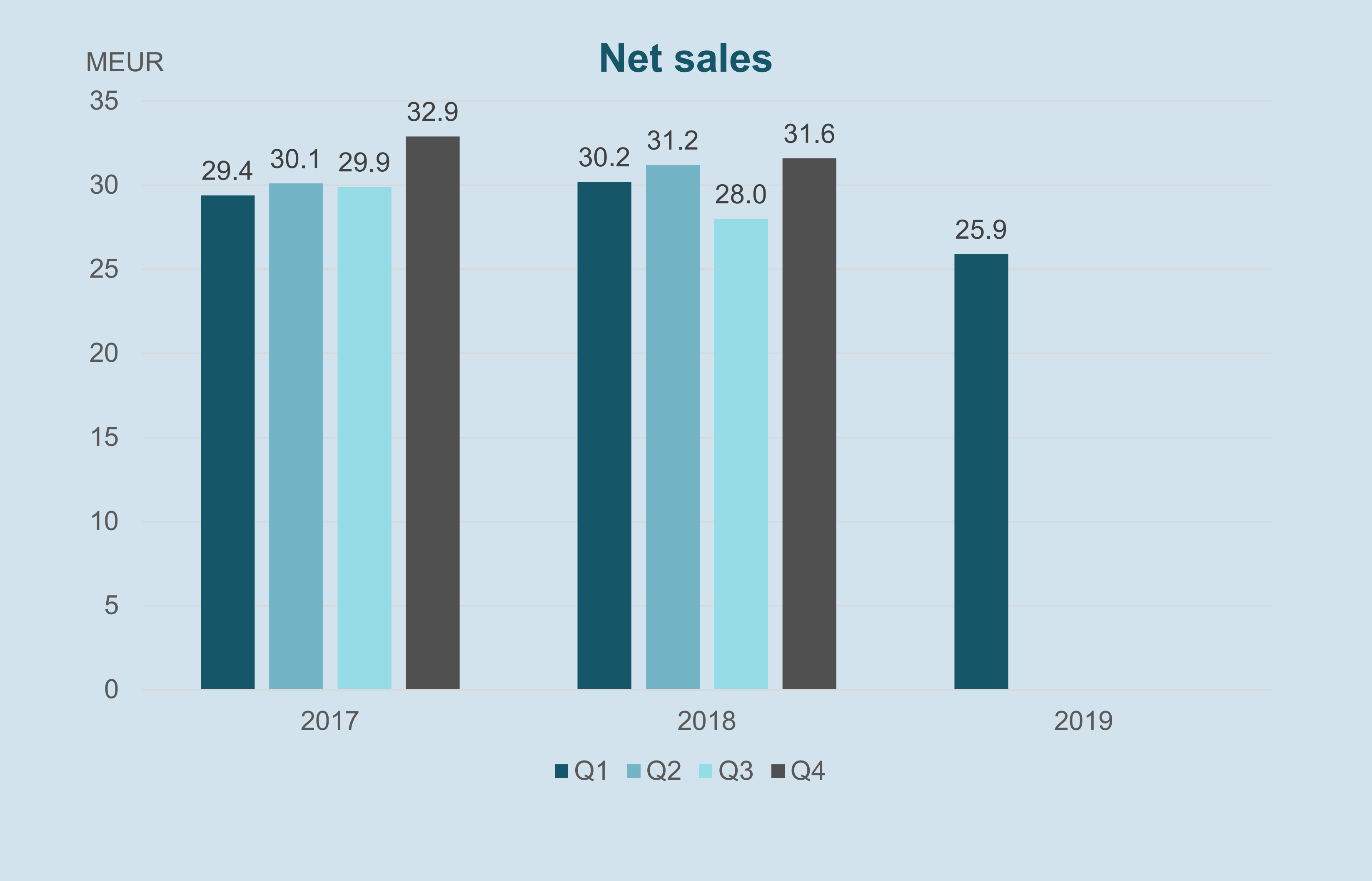
Leipurin key figures Q1

Net sales decreased and were EUR 25.9 M (30,2) million.

Net sales of cyclical machinery operations decreased about 50%.

In western markets, net sales of bakery raw material and foodservice operations was lower than in the comparative period mainly due to the discontinued raw material operations in Poland.



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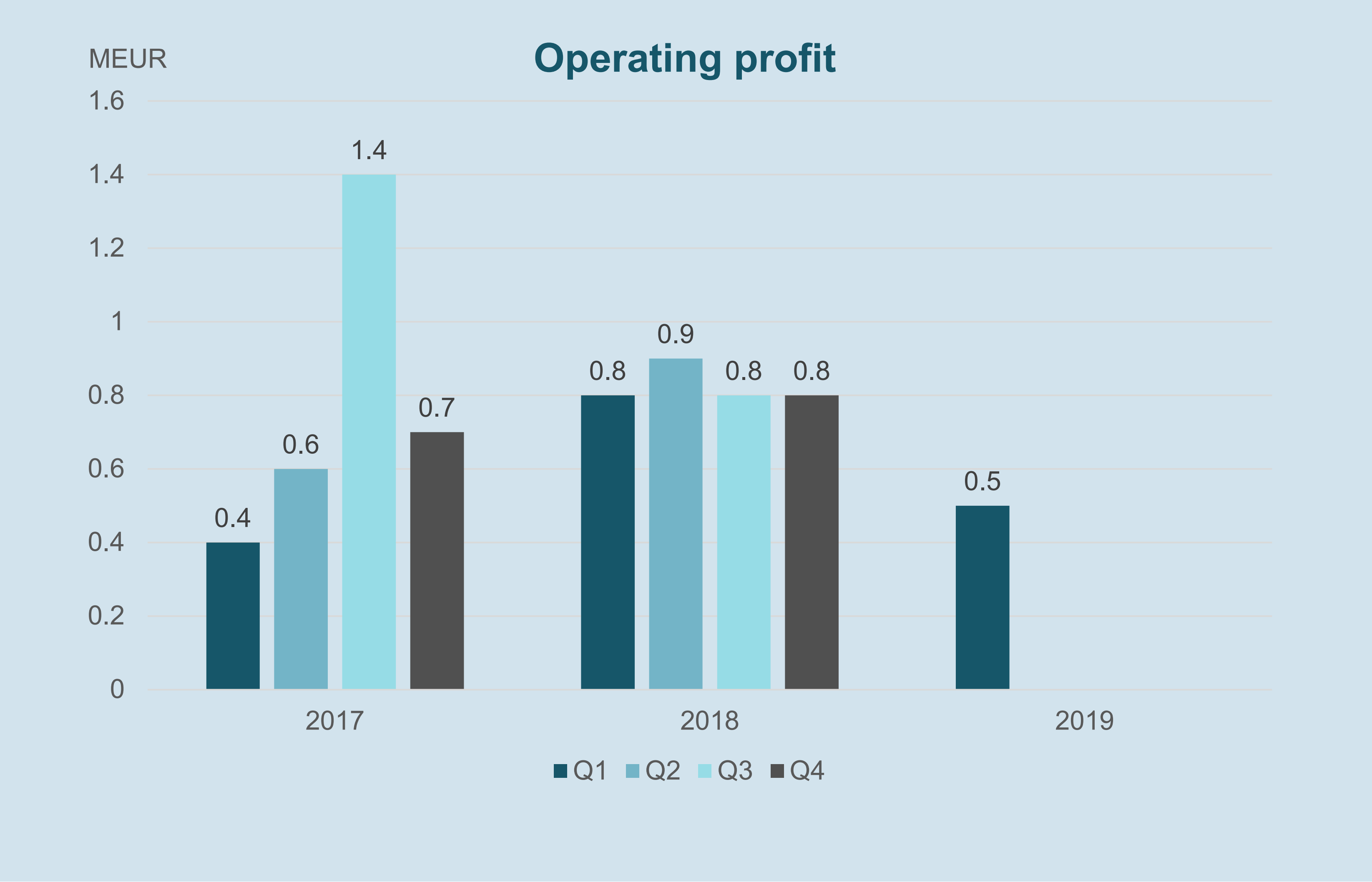
Leipurin key figures Q1

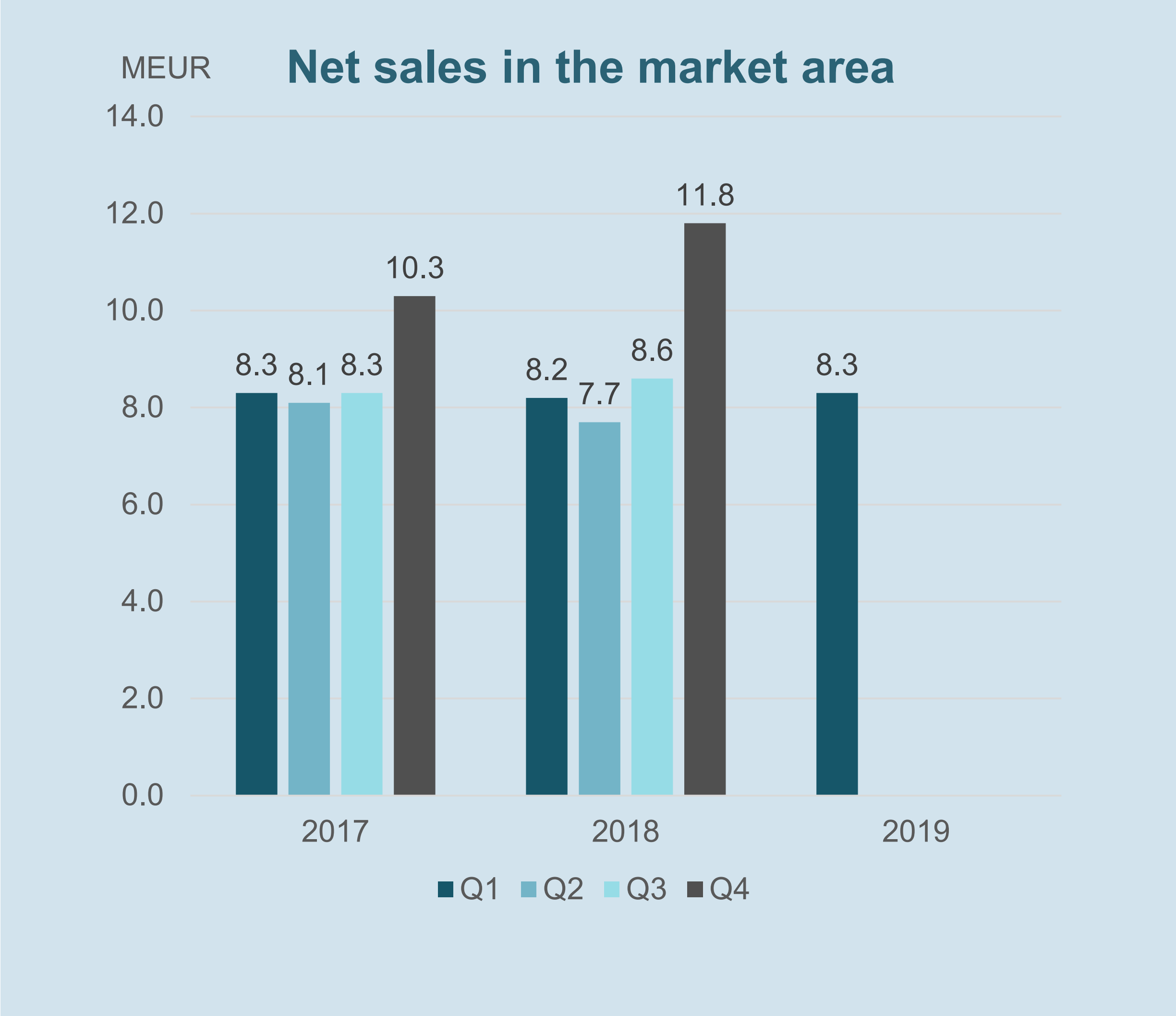
Operating profit was EUR 0.5 (0.8) million.

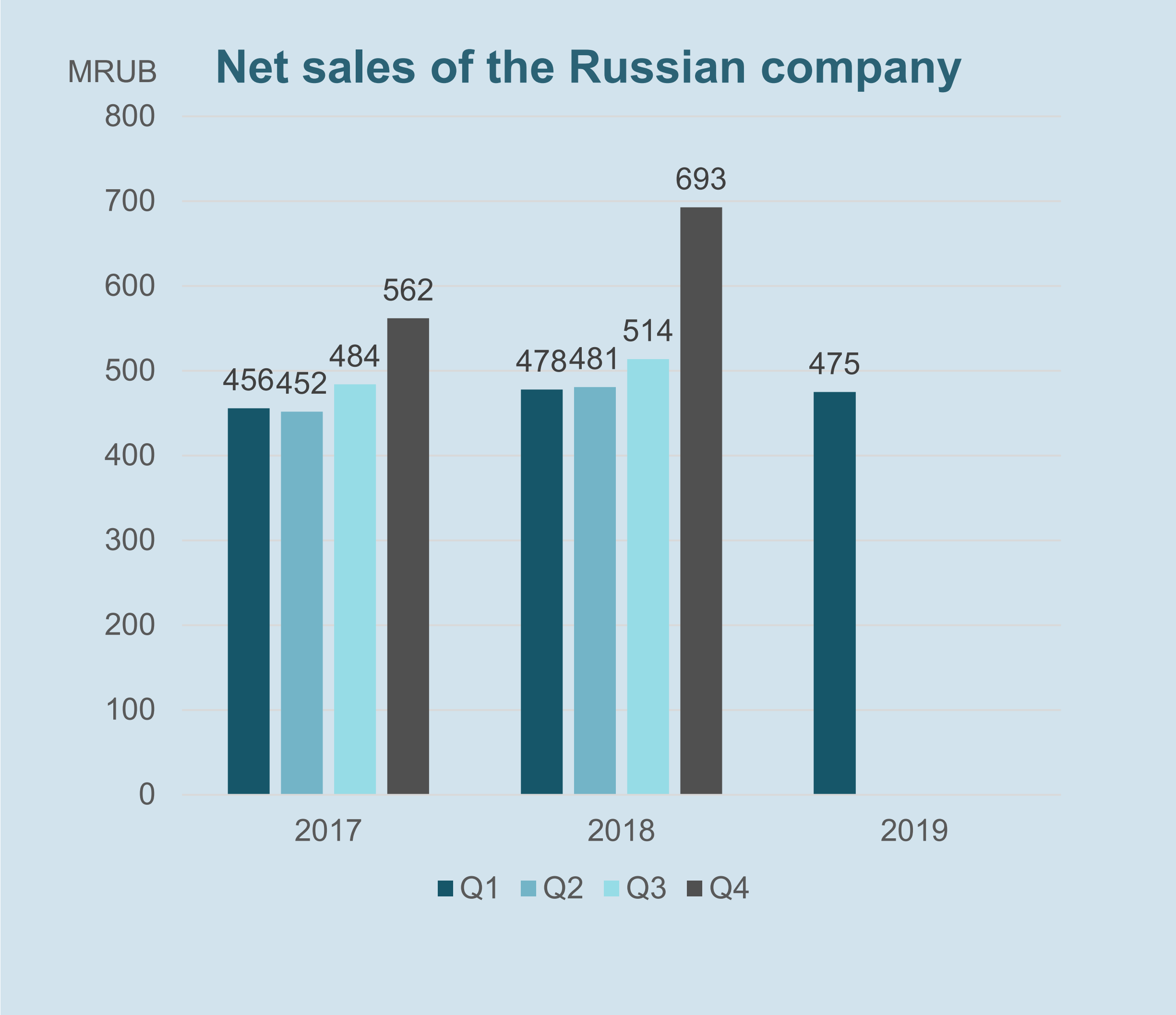
Operating margin was 1.9% (2.6).

Operating profit fell short of the target mainly due to loss-producing machine operations.



Net sales in Russia, other CIS countries and Ukraine





Telko

Raw material solutions for the industry

Aspo has changed its segment reporting so that Kauko is reported as part of the Telko segment starting from January 1, 2019.

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Telko Q1

International economic growth slowed down in Telko’s market areas.

Demand for industrial raw materials continued fairly high. Moderate economic growth in eastern markets continued, and demand has been high.

Net sales of Telko segment increased by 11% and were EUR 71.9 (64.6) million.

Net sales of Telko operations increased by 14% and were EUR 65.8 (57.7) million.

Operating profit of Telko segment increased by 50% and was EUR 2.4 (1.6) million.

Operating profit of Telko operations increased by 5% and was EUR 2.3 (2.2) million.

In eastern markets, Telko’s operating margin still remains at below 5%. The main reason for the decrease in profitability was the steep decline in raw material prices, which particularly impacts the sales margins from stored raw materials.

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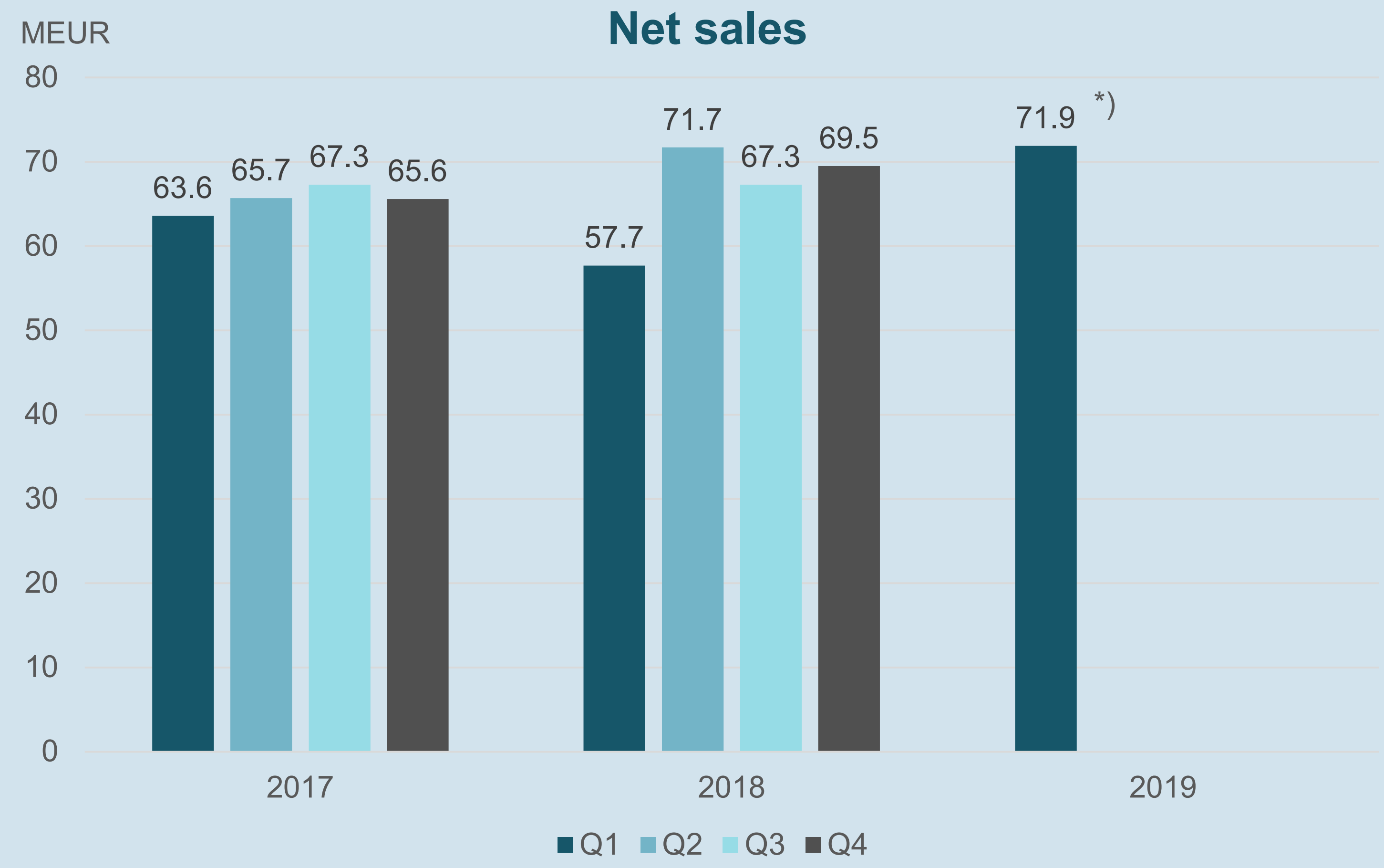
Telko key figures Q1

Net sales of Telko segment were EUR 71.9 (64.6) milloin.

The increase in net sales in Telko's operations was driven by growth in sales volume in several market areas.

The growth of net sales was limited by the clearly decreased prices of raw materials.



*) As of January 1, 2019 Kauko is reported as part of Telko segment. Kauko's Q1 2019 net sales were EUR 6.1 million.

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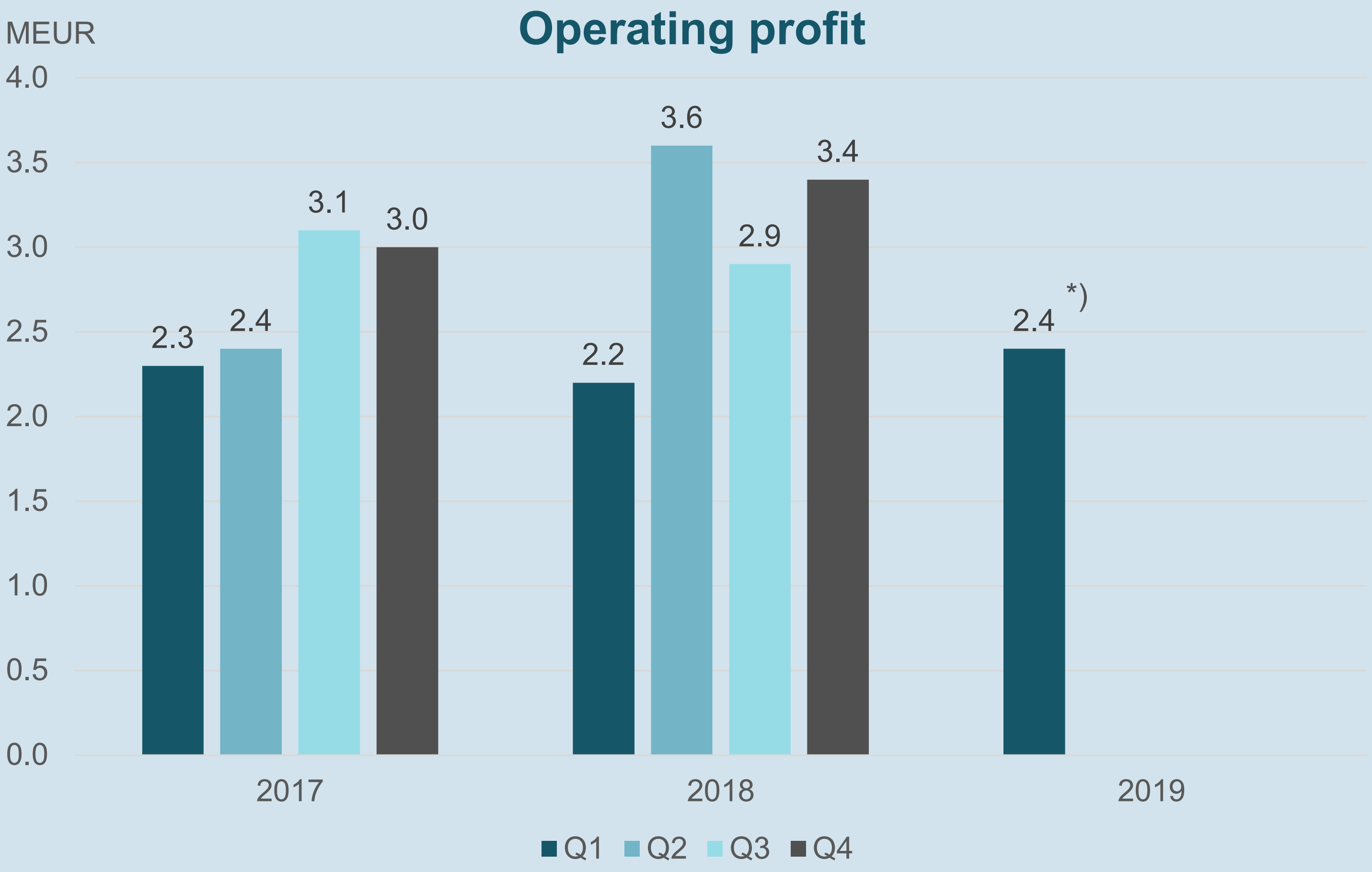
Telko key figures Q1

Operating profit of Telko segment increased and was EUR 2.4 (1.6) million.

Operating profit of Telko operations was EUR 2.3 (2.2) million and the operating margin was approximately 3.6% (3.8).

Operating profit of Kauko operations was slightly positive.



*) As of January 1, 2019 Kauko is reported as part of Telko segment.

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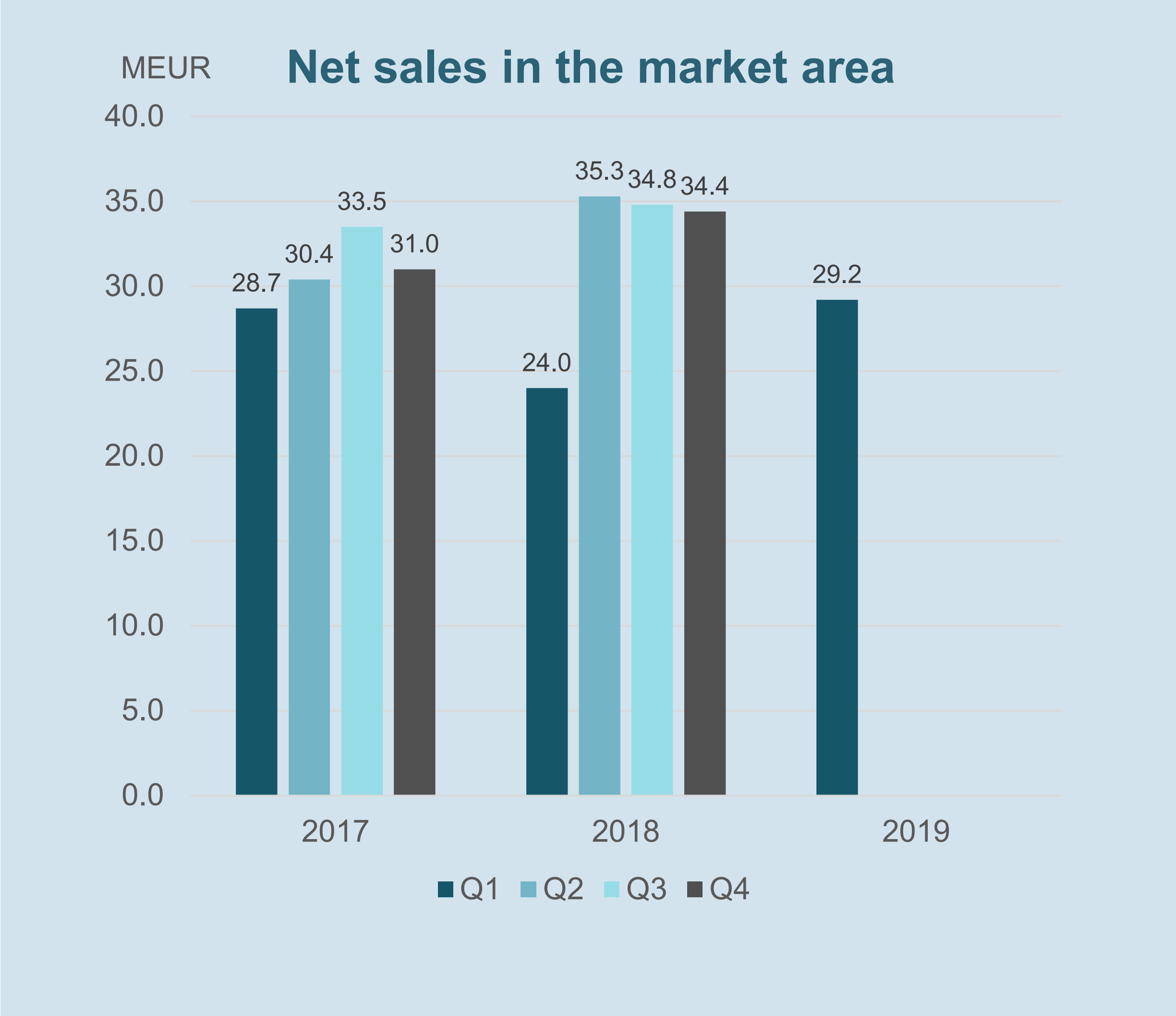
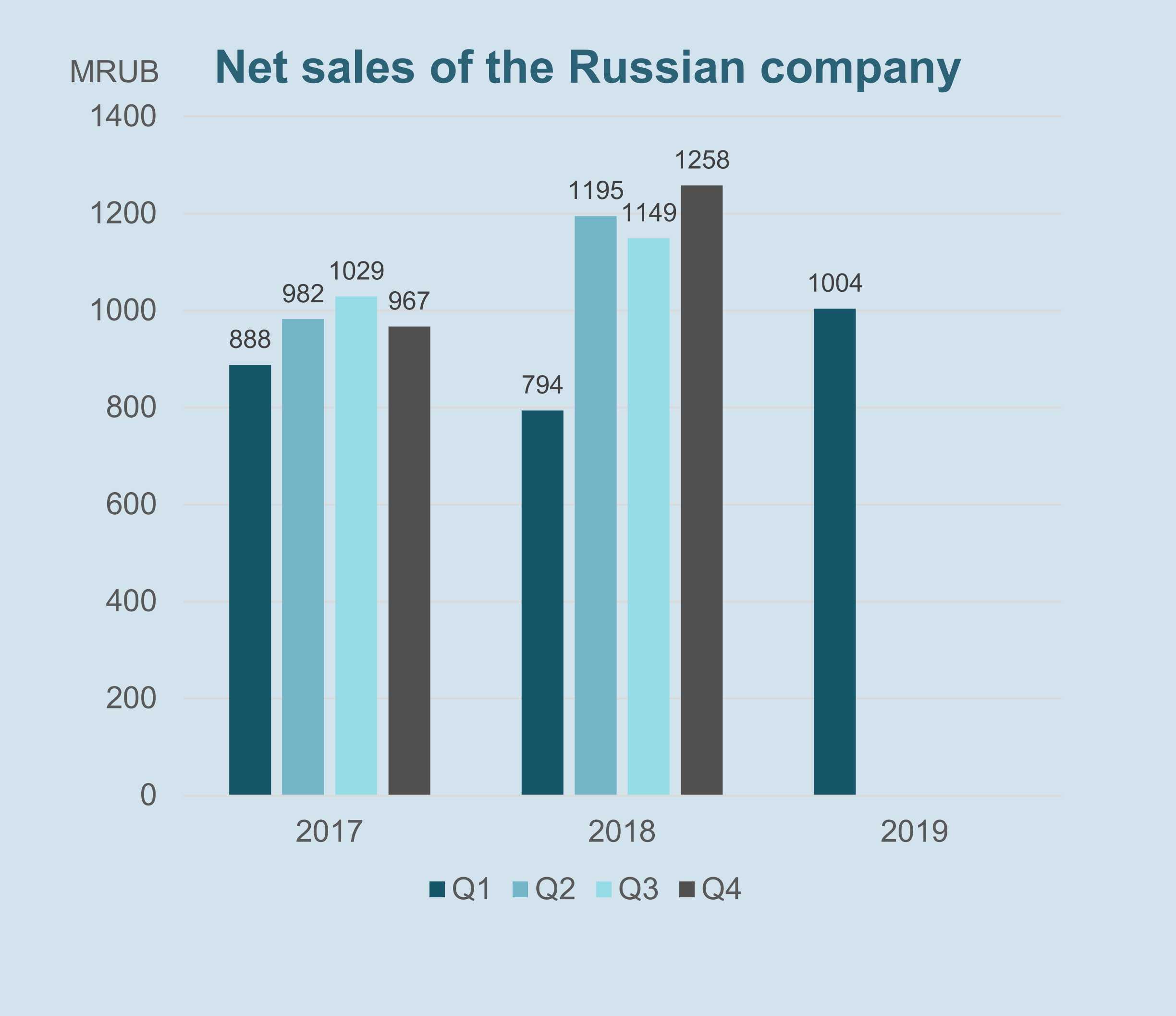
Net sales in Russia, other CIS countries and Ukraine





Guidance for 2019

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

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Additional material

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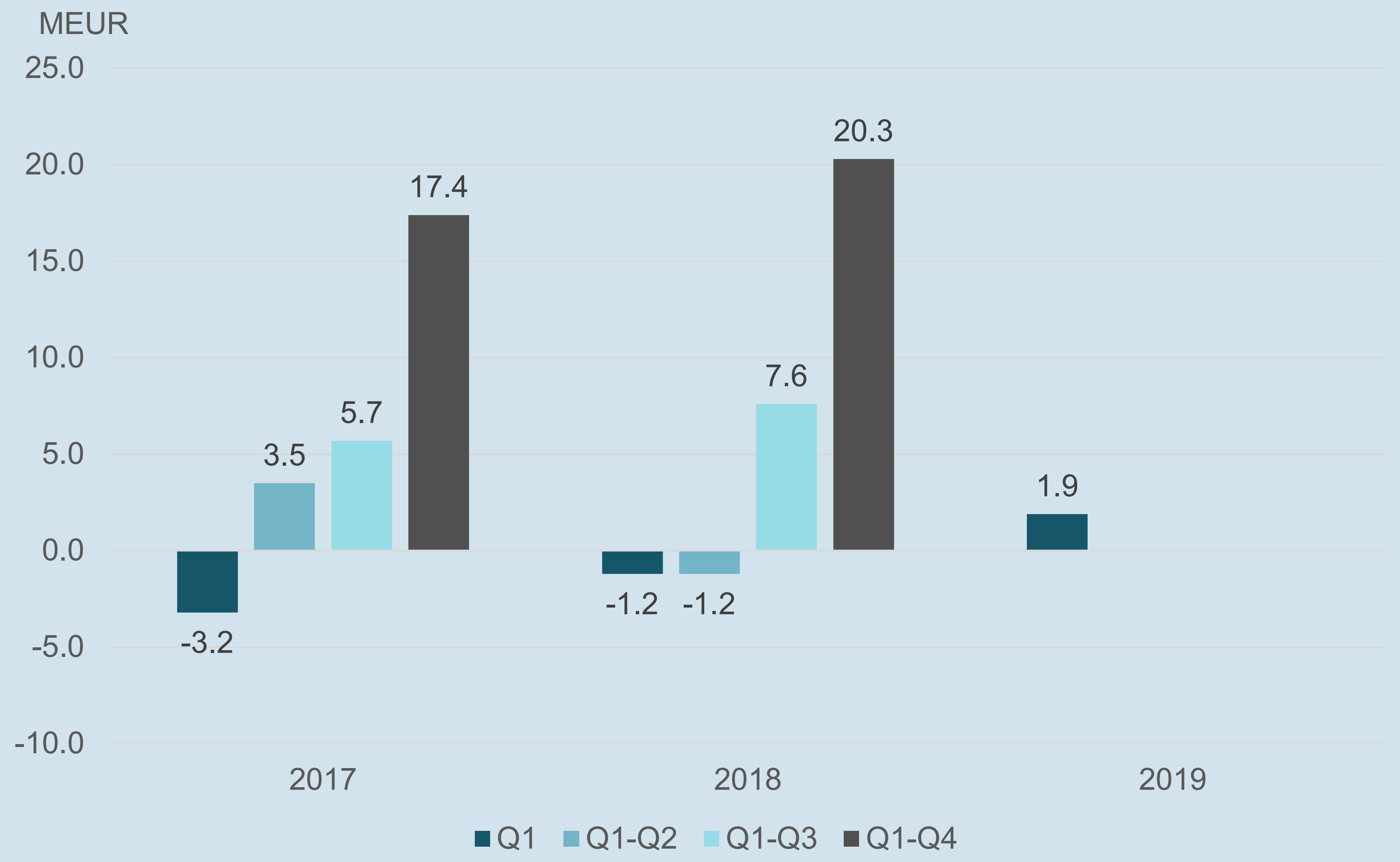
Net cash from operating activities

Net cash from operating activities was EUR 1.9 (-1.2) million.

Adoption of IFRS 16 increased the Group's net cash from operating activities by approximately EUR 3.8 million.



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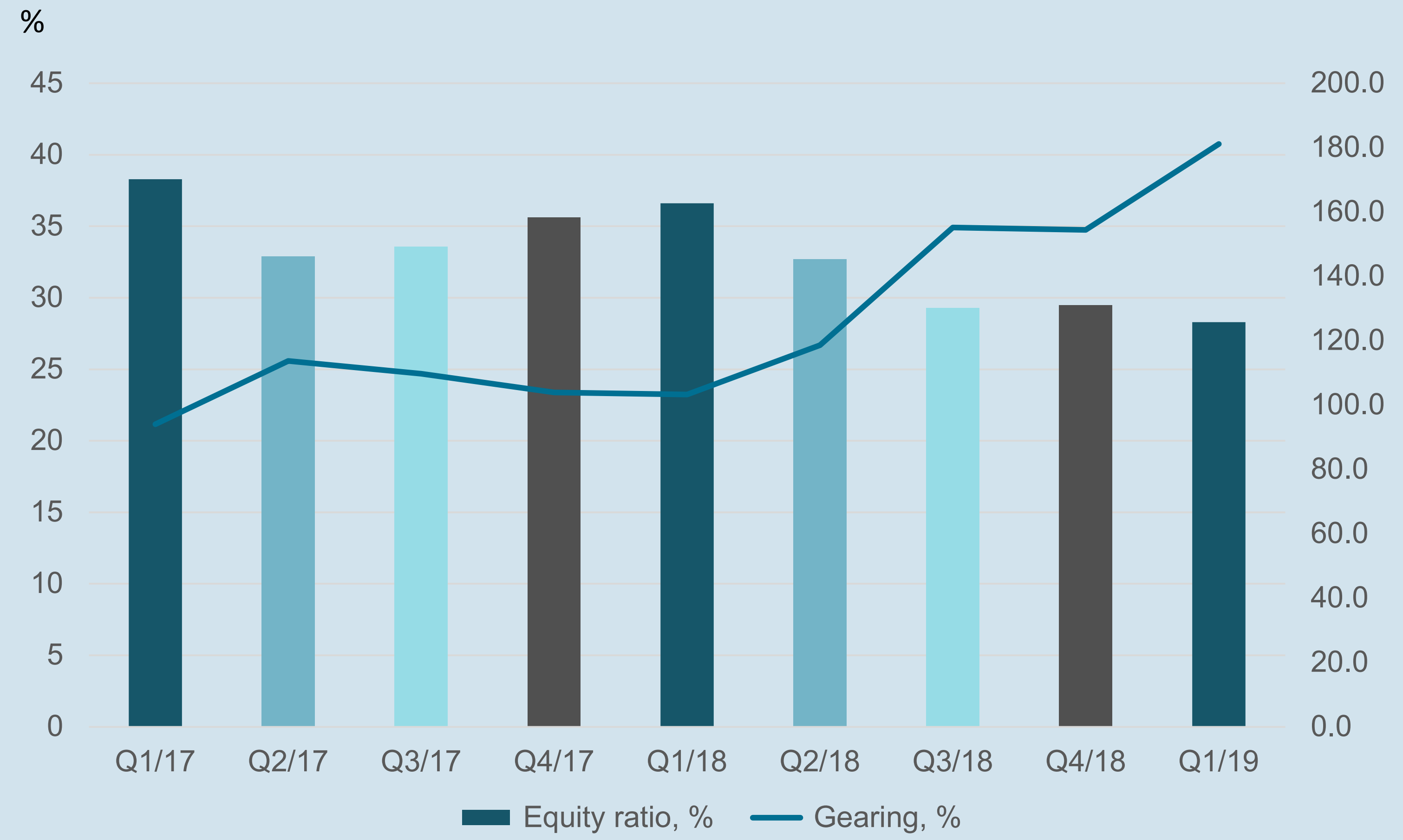
Equity ratio and gearing

Gearing at Aspo Group was 181% (103).

Equity ratio was 28% (37).

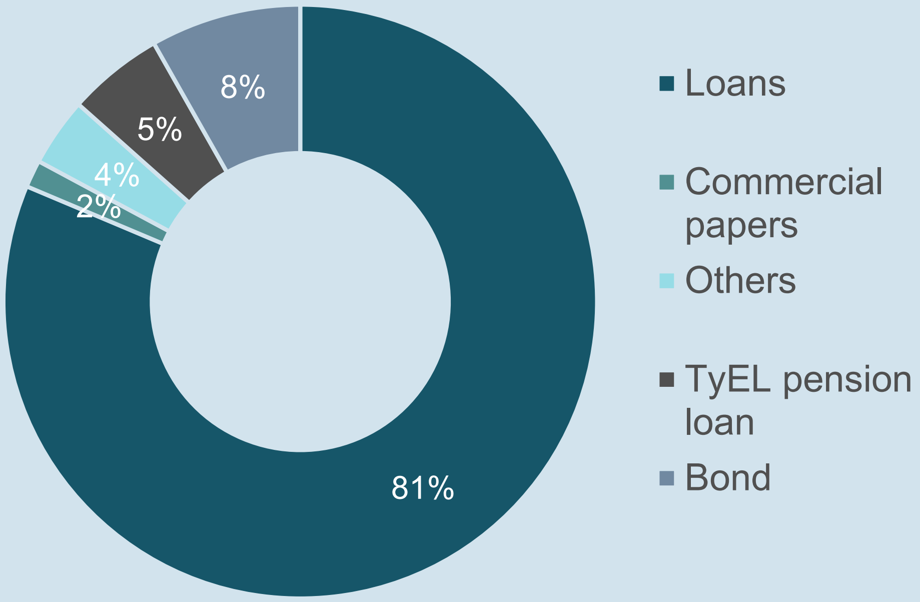
As a result of the adoption of IFRS 16, gearing increased by approximately 30 percentage points and the equity ratio decreased by one percentage point.



Structure of liabilities

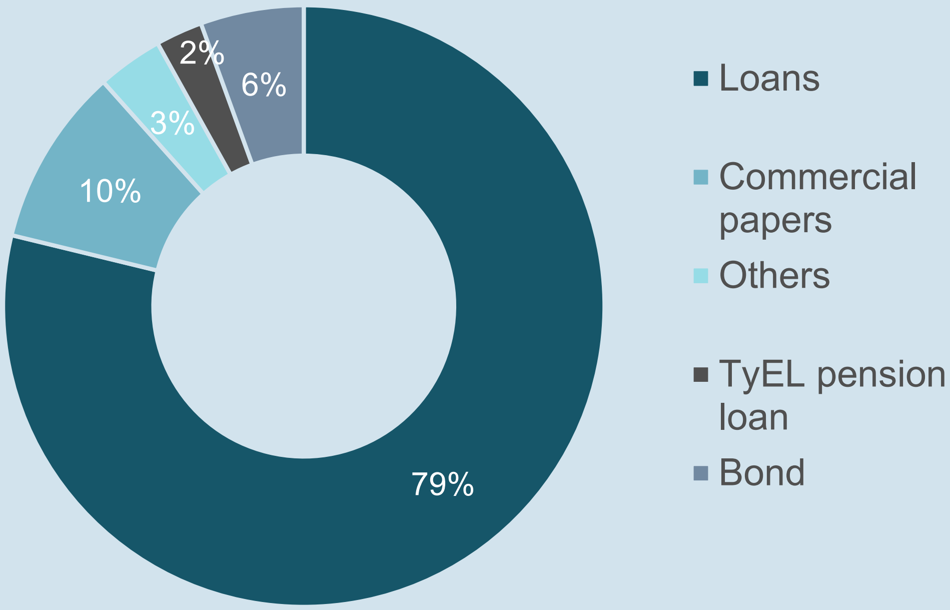
Interest bearing liabilities without lease liabilities

March 31, 2018: 134 MEUR



Interest bearing liabilities without lease liabilities

March 31, 2019: 198 MEUR



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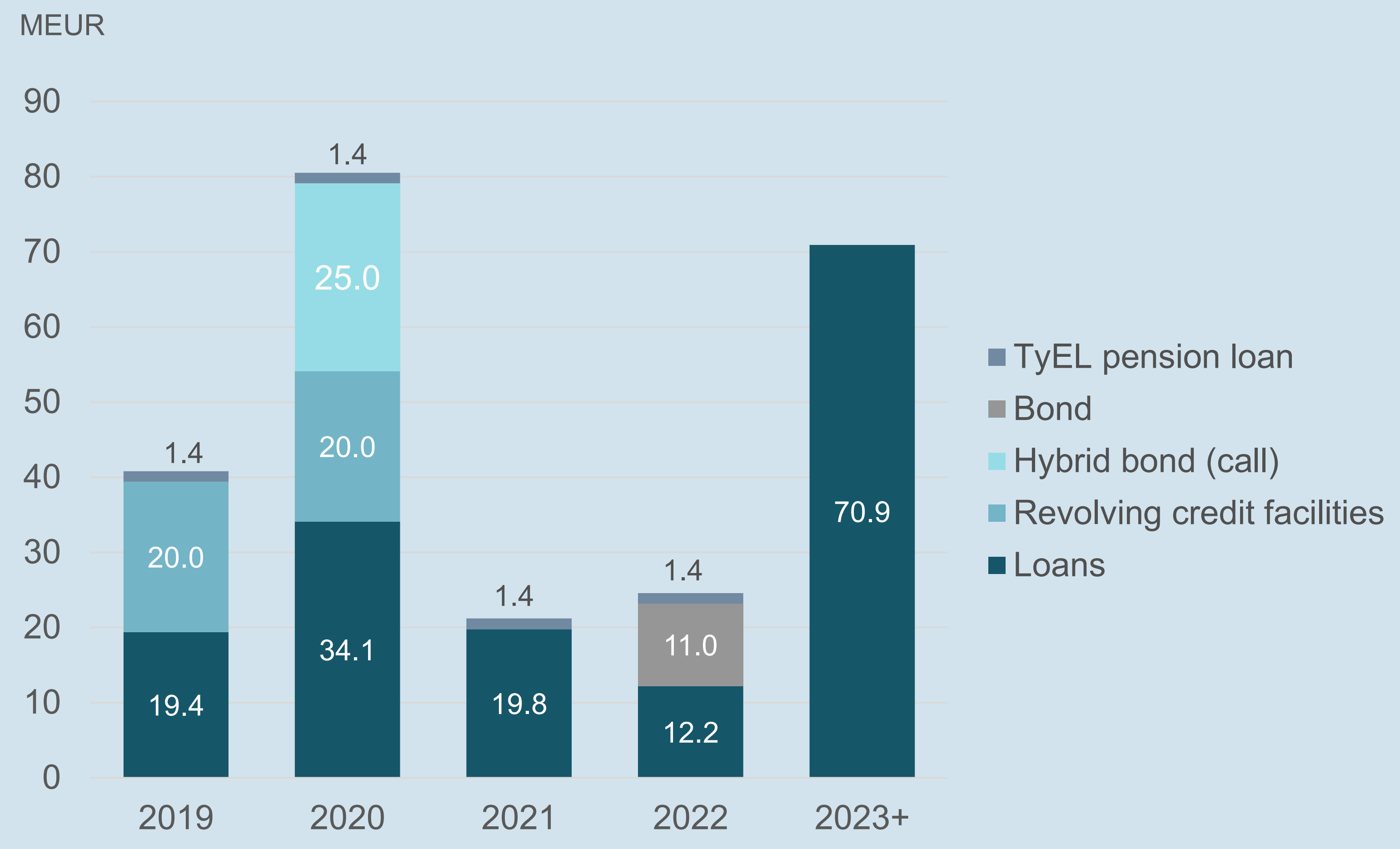
Maturity of significant loan agreements

The average interest rate of interest-bearing liabilities, excluding lease liabilities, was 1.6% (1.6)

In 2019, a total of approximately EUR 35 million in financing agreements will fall due.

In addition, ESL Shipping has an option to acquire m/s Alppila in August 2019.



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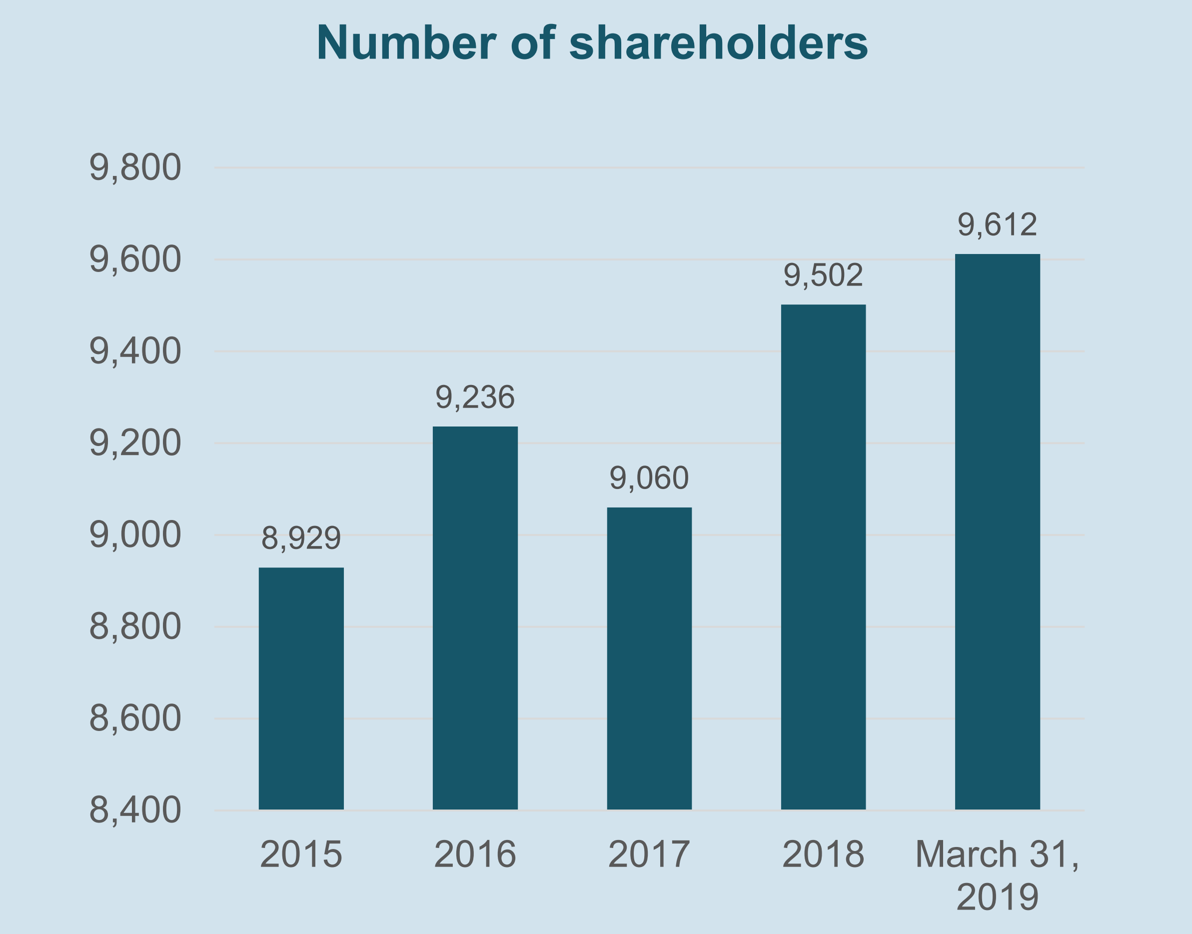
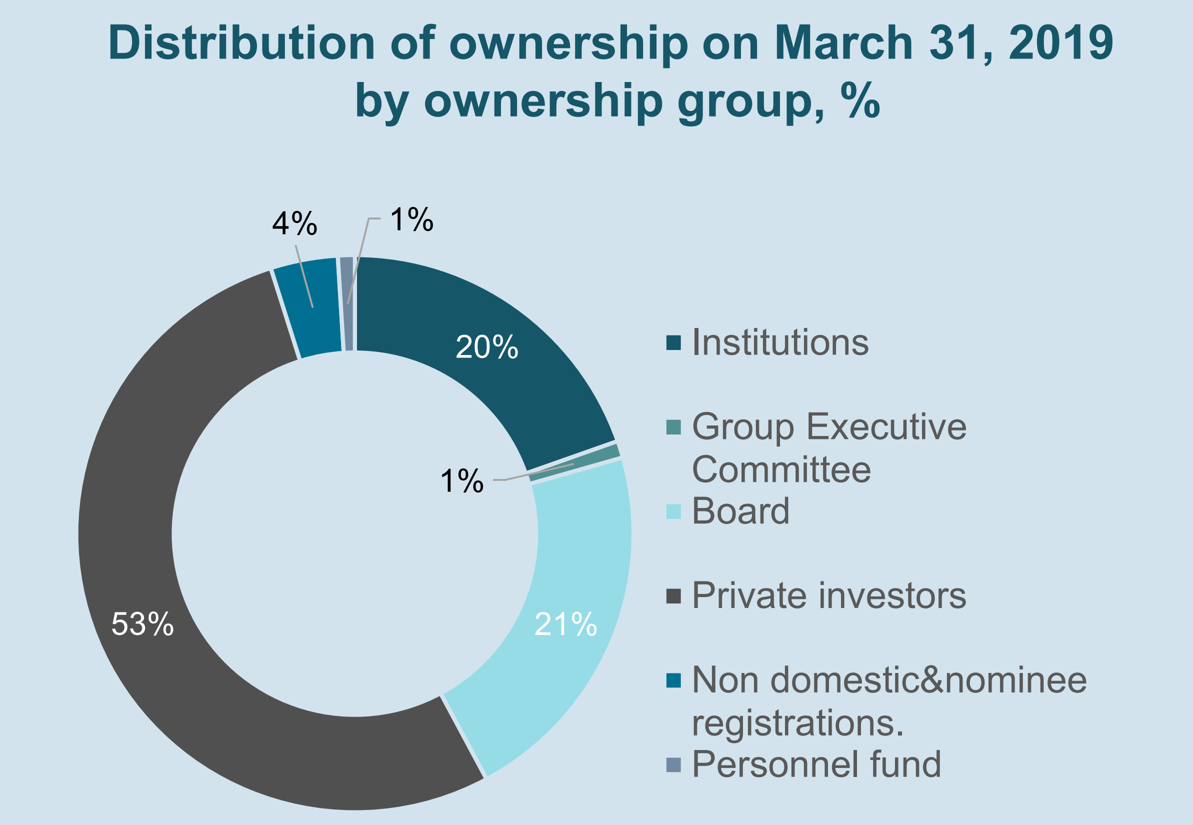
Shareholders / allocation





IFRS 16 Leases standard, as of January 1, 2019

Interest-bearing debt (-) and right-of-use assets (+) recognized in balance sheet for a total increase of approximately EUR 37 million

Gearing ratio to increase by approximately 30 percentage points

Leases to decrease

Depreciation and interests to increase

Total cash flow to remain unchanged

Lease liabilities to be classified as debt that is recognized *in interest-bearing liabilities in the balance sheet.*

Right-of-use assets related to lease agreements are *recognized in the balance sheet.*

The adoption of the IFRS 16 standard has increased Aspo's *gearing ratio* by approximately 30 percentage points.

In the statement of comprehensive income, leases will decrease but depreciation and impairment losses will correspondingly increase.

In the cash flow statement, *cash flow from operating activities* will increase whereas *cash flow from financing activities* will decrease, keeping the total cash flow unchanged.

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IFRS 16: The impact on the stament of comprehensive income in brief

Amount of leases reduces

EBITDA increases

Depreciation and impairment losses increase

Operating profit increases by the amount of interest expenses on lease liabilities, as these are recognized as financial expenses

Other impacts minor

Aspo Group consolidated statement of comprehensive income
1-3/2019, MEUR

Net sales	141.5
Materials and services	-92.5
Fixed costs incl. leases	-37.2
EBITDA	11.8
Depreciation and impairment losses, right-of-use assets	-3.3
Depreciation, amortization and impairment losses, other	-3.6
Operating profit	**4.9**
Interest expenses on lease liabilities	-0.2
Financial income and expenses, other	-0.8
Profit before taxes	**3.9**

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IFRS 16 impact on balance sheet on March 31, 2019

Assets:

Right-of-use assets related to lease agreements

Equity and liabilities:

Lease liabilities as interest-bearing debt

Main new balance sheet specifications:

- Right-of-use assets related to lease agreements
- Current and non-current lease liabilities
- Further minor changes to finance leases

Intangible assets and goodwill	51.3	Total equity	121.8
Tangible assets	172.2	Non-current liabilities	161.7
Right-of-use assets	36.6	Non-current lease liabilities	8.8
Other non-current assets	4.3	Current liabilities	115.6
Current assets	170.6	Current lease liabilities	27.1
Total assets	**435.0**	**Total equity and liabilities**	**435.0**