Aspo Q2

August 14, 2019

CEO Aki Ojanen

ASPO

Aspo Q2

Net sales grew by 13.9% and were at EUR 151.2 (132.7) million.

Net sales for January-June 2019 stood at EUR 292.7 (248.0) million.

Operating profit decreased and was EUR 4.1 (7.1) million.

Operating profit for H1 was EUR 9.0 (10.8) million.

Profit for Q2 was EUR 4.0 (5.4) million.

Earnings per share for H1 were EUR 0.22 (0.22).

Net sales grew as expected, and net cash from operating activities was strong.

Decrease in operating profit was a clear disappointment.

We expect the financial results to improve considerably during H2 in all businesses.

Guidance for year 2019 has been changed:

Aspo’s operating profit will be EUR 24-30 million in 2019

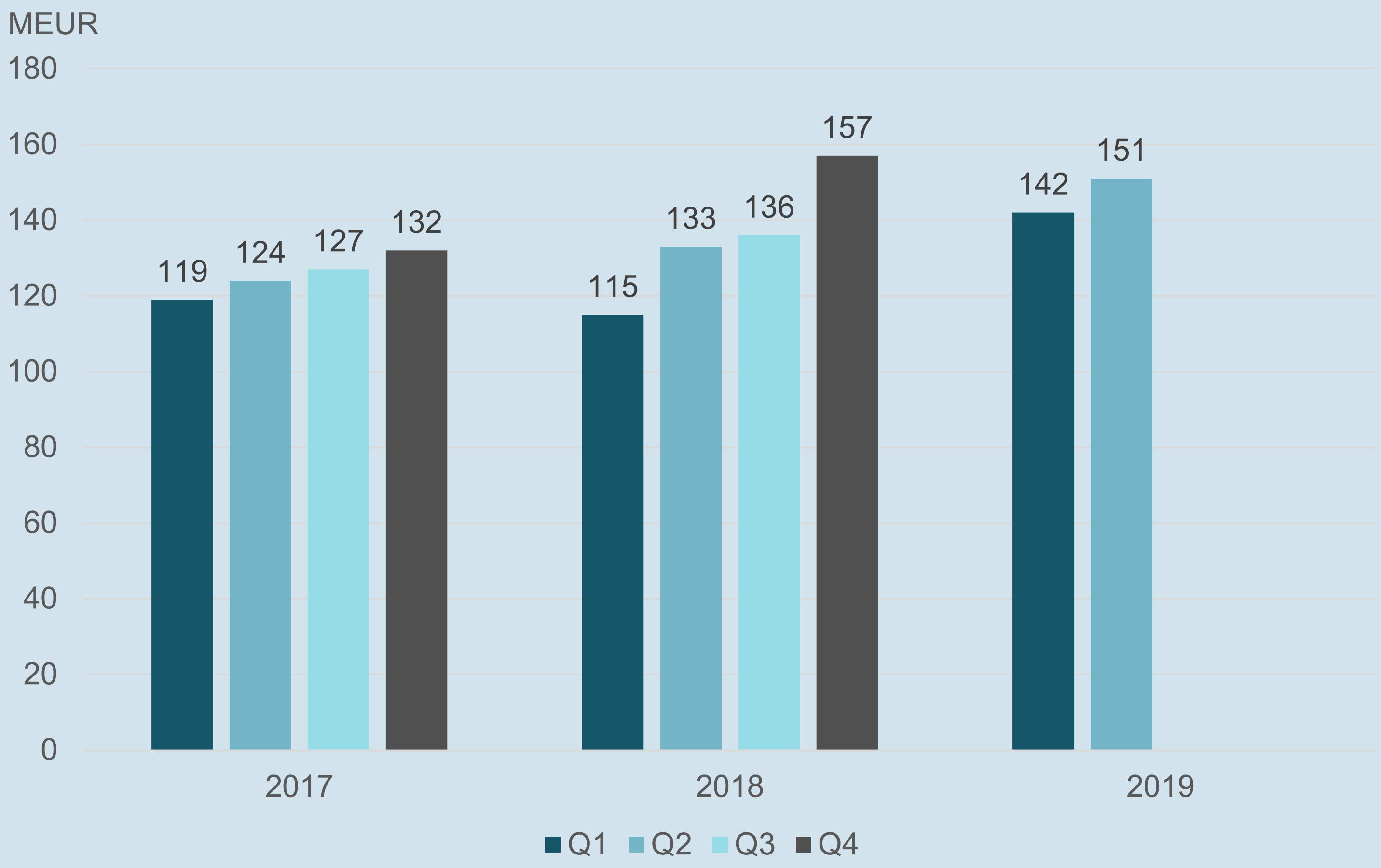
ASPO

Net sales by quarter

Net sales increased and were at EUR 151.2 (132.7) million.

The acquisition of AtoB@C-has increased net sales especially in Scandinavia and Finland.

In H2 2019, both Telko's and Leipurin's net sales in the Eastern markets grew by approximately 9%.



ASPO

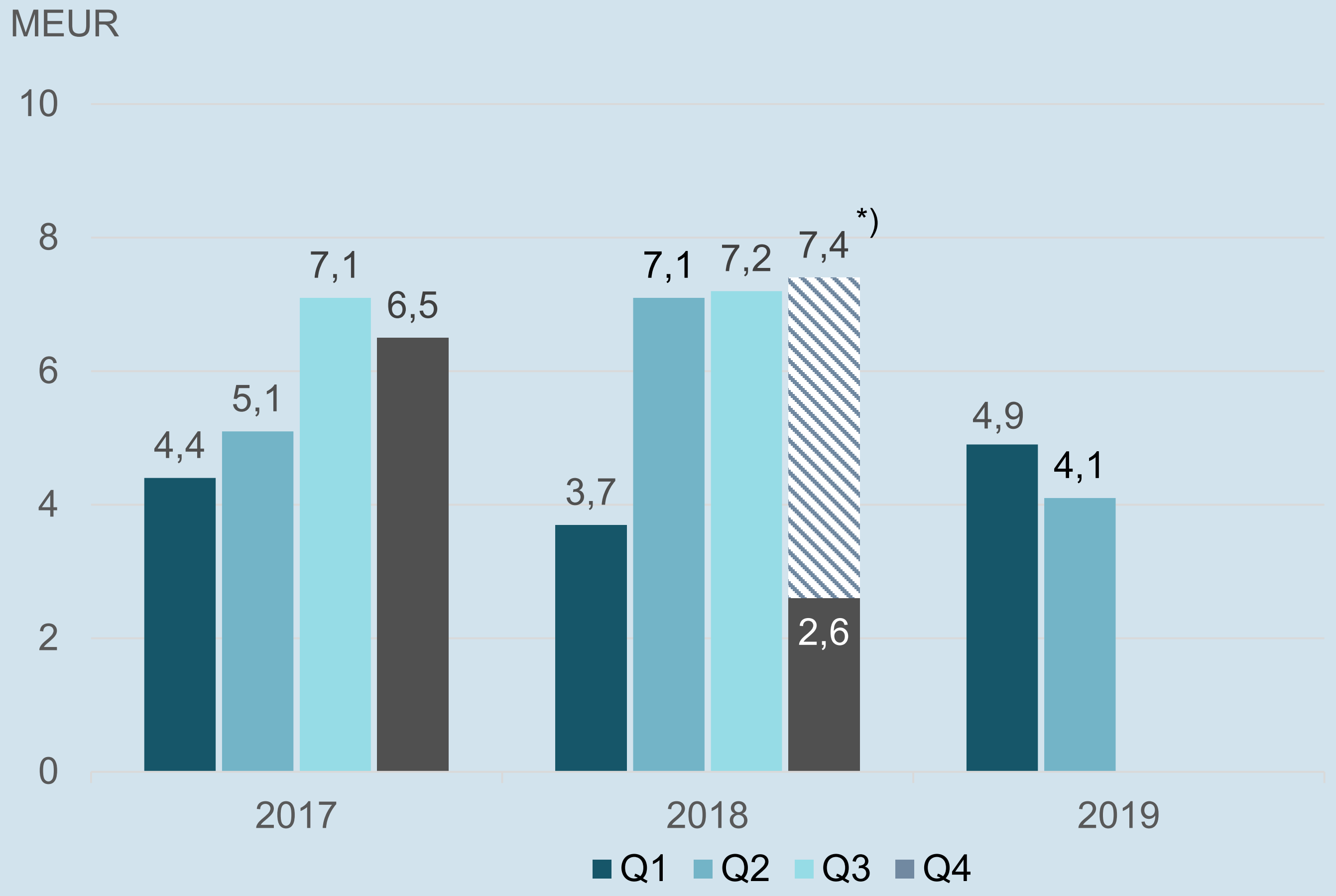
Operating profit by quarter

Operating profit was EUR 4.1 (7.1) million.

The decrease in operating profit was a disappointment, with ESL Shipping significantly missing the target.

Operating profit for H1 2019 was EUR 9.0 (10.8) million

A strong H2 is expected.



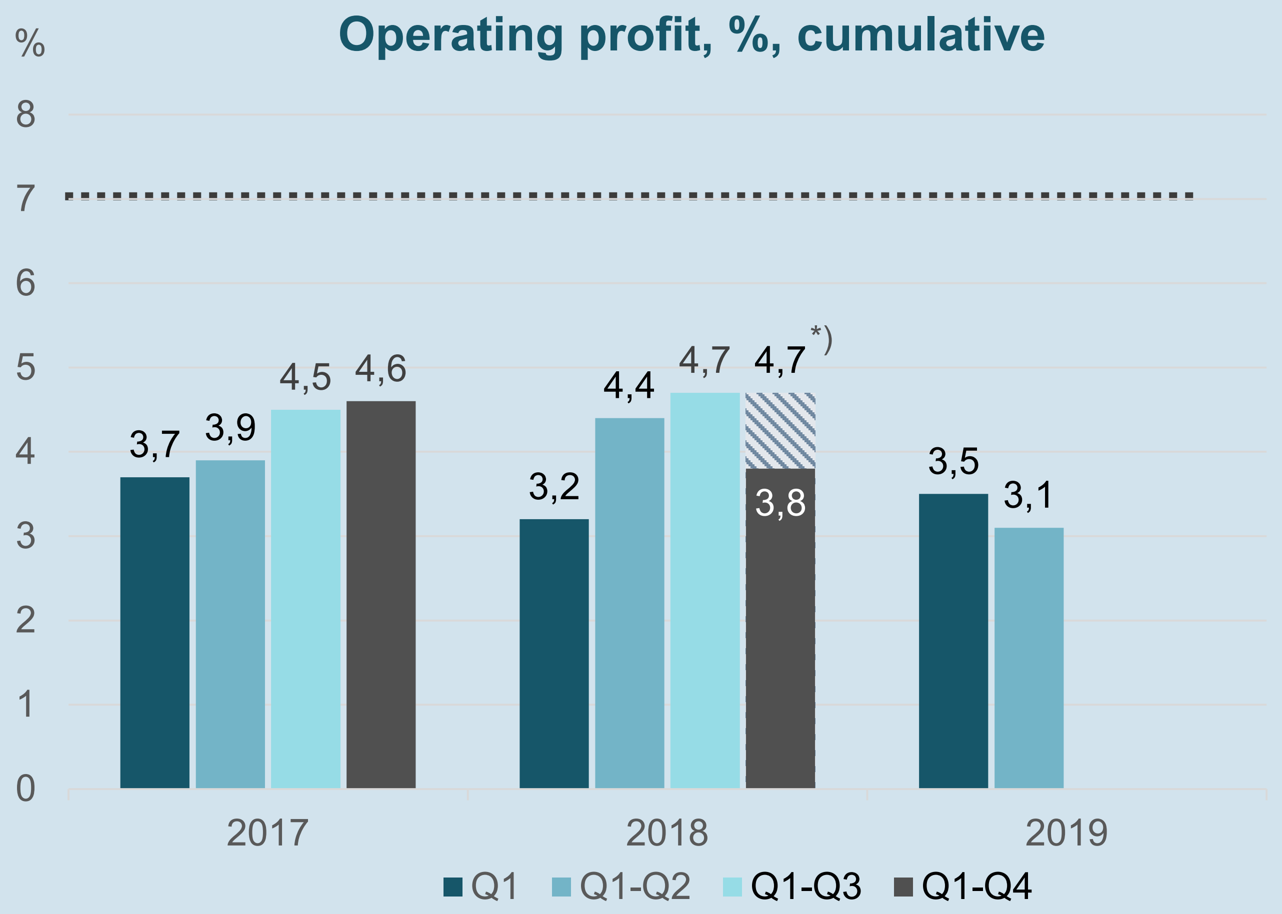
*) Operating profit, adjusted by an impairment loss recognized on goodwill was EUR 7.4 million.

ASPO

Long-term financial targets

Operating profit was 2.7% (5.4)

The target level is 7% by 2020.



The target level is indicated by the dashed line.

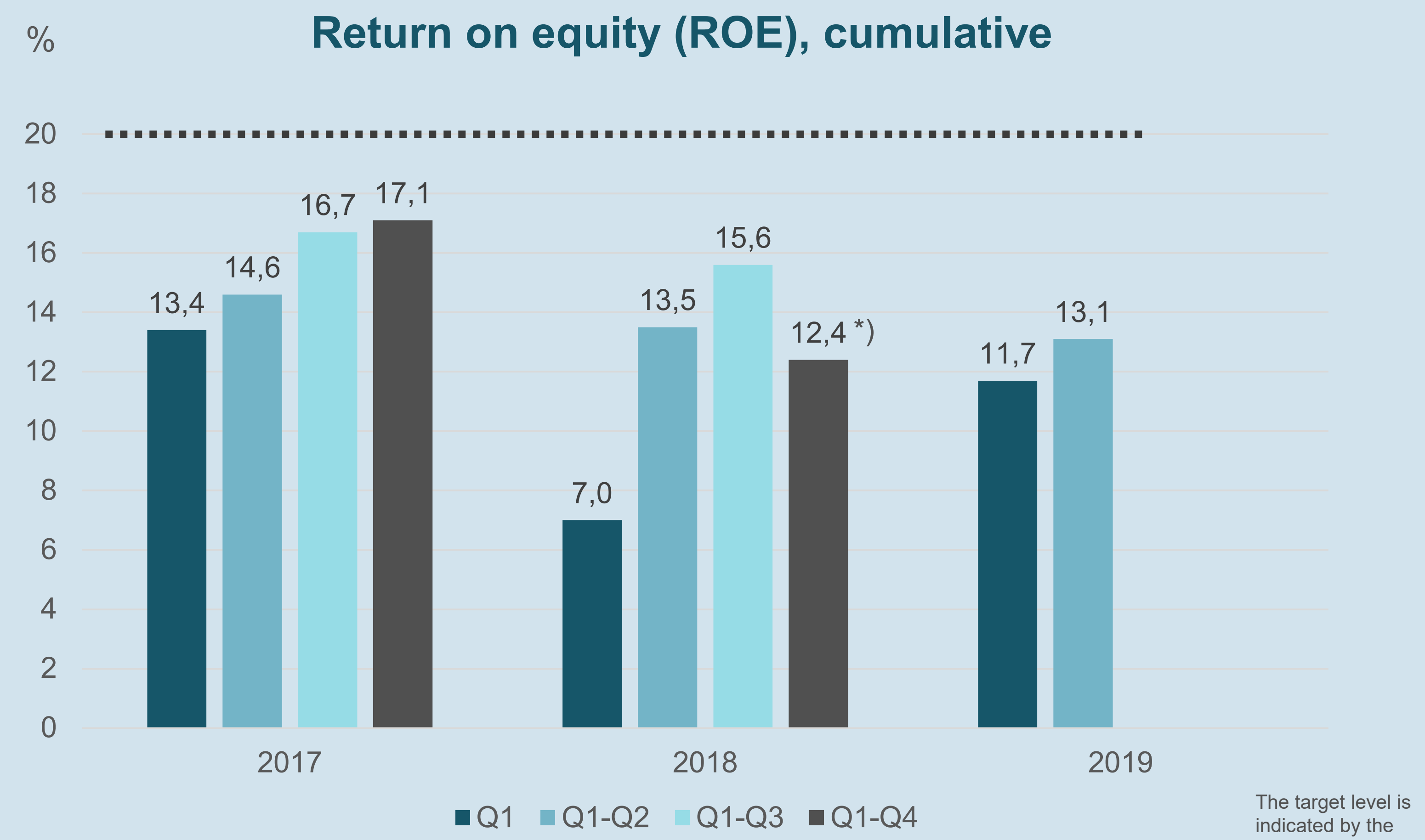
*) Operating profit rate, adjusted by an impairment loss recognized on goodwill, was 4.7%.

ASPO

Long-term financial targets

Return on equity was 13.1% (13.5).

Target level is over 20% on average by 2020.



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

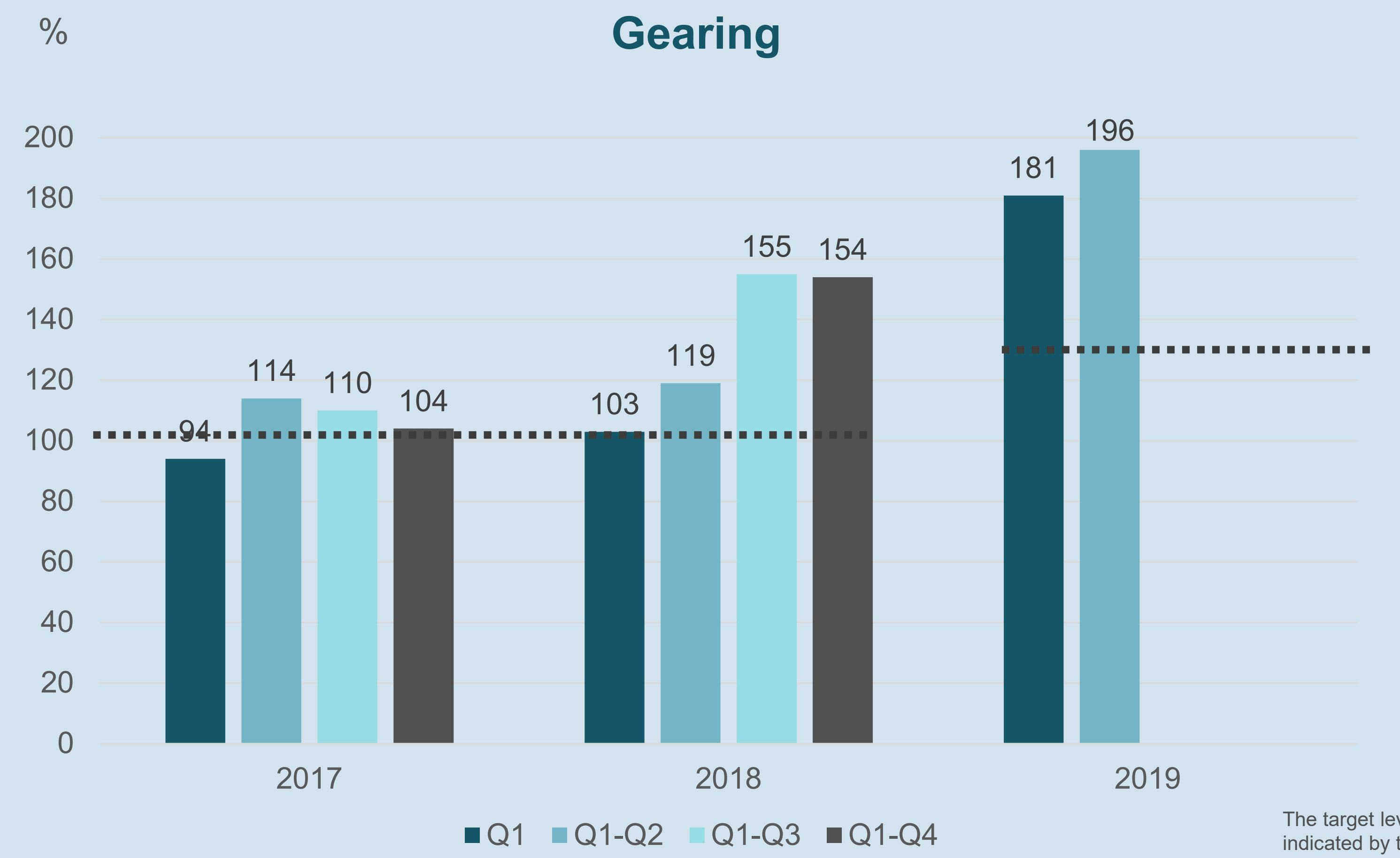
ASPO

Long-term financial targets

Gearing increased to 196.1% (118.6).

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

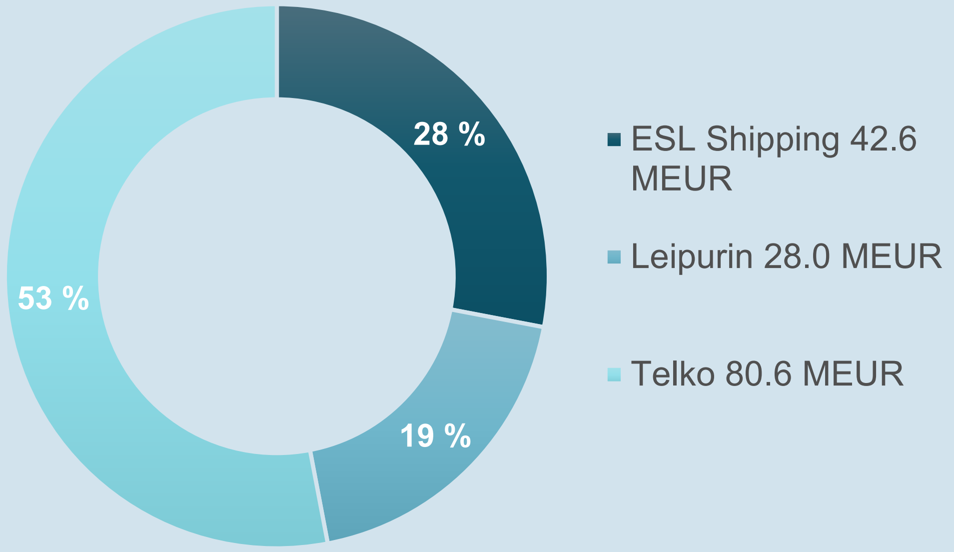
Due to the adoption of the IFRS 16 standard, gearing increased by approximately 30 percentage points.



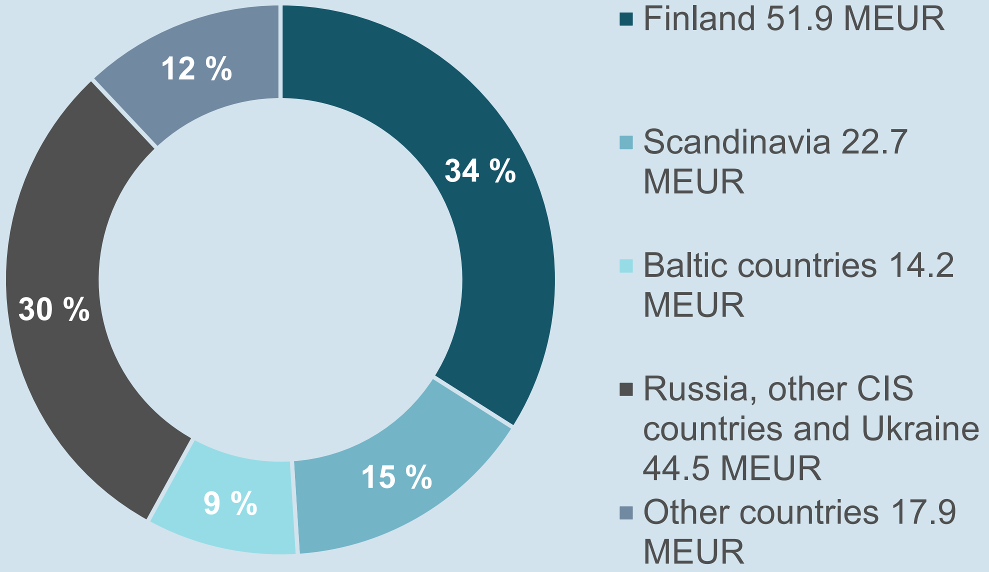
The target level is indicated by the dashed line.

Aspo is a balanced entity

Net sales by segment, Q2 2019



Net sales by market area, Q2 2019



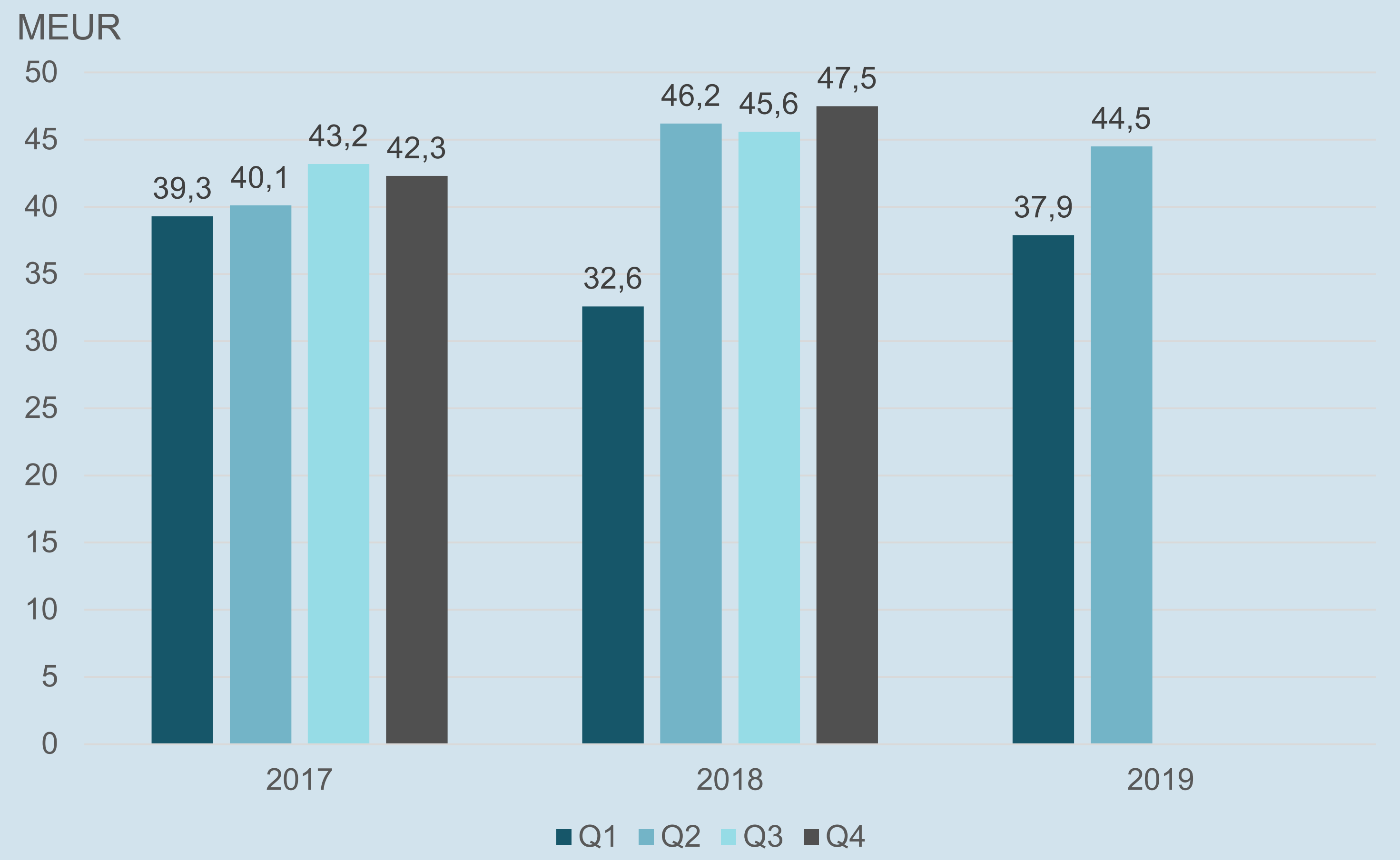
ASPO

Russia, other CIS countries and Ukraine

In the eastern markets, net sales decreased and were EUR 44.5 (46.2) million.

ESL Shipping exceptionally had no net sales in Russia because iron pellet deliveries to Europe were on hold.

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



ESL Shipping

Leading marine logistics provider for bulk cargo

ASPO

ESL Shipping Q2

Freight rates of dry bulk cargo still at a clearly lower level than in Q2 2018.

Steel industry’s transport levels were also down year-on-year.

Net sales increased substantially and were EUR 42.6 (22.6) million. Net sales grew by 89%.

The growth was mainly due to the acquisition of AtoB@C.

Operating profit decreased significantly and was EUR 2.6 (4.3) million in Q2.

Results weakened by the loss made by Supramax vessels, process-related challenges of main customers, and lower than expected transport volumes.

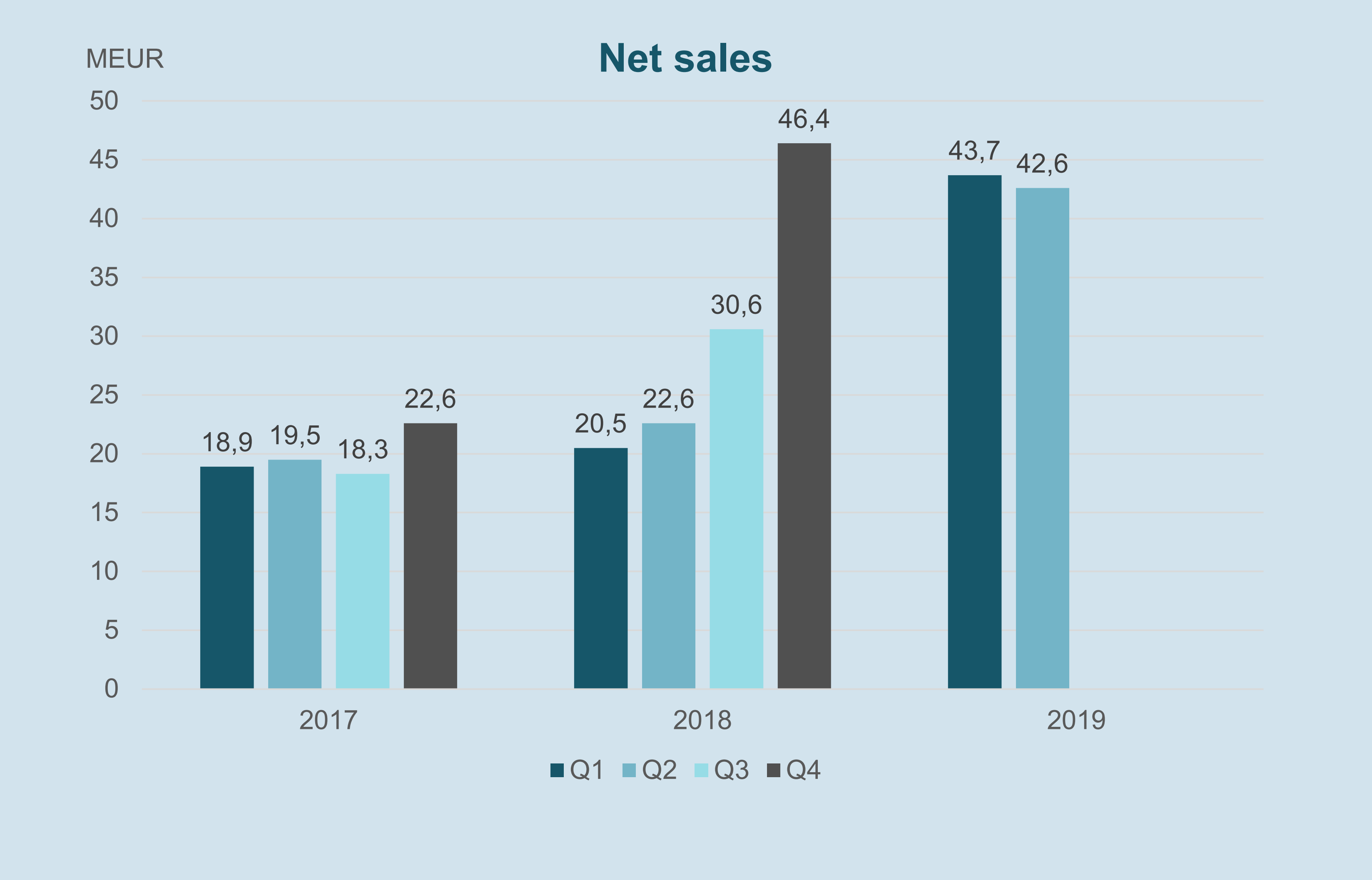
ASPO

ESL Shipping key figures Q2

Net sales increased by 89% and were EUR 42.6 (22.6) million.

The impact of the acquisition on the increase was EUR 20.3 million.

Increase in vessel capacity enables the company to improve its operational efficiency and profitability in H2.

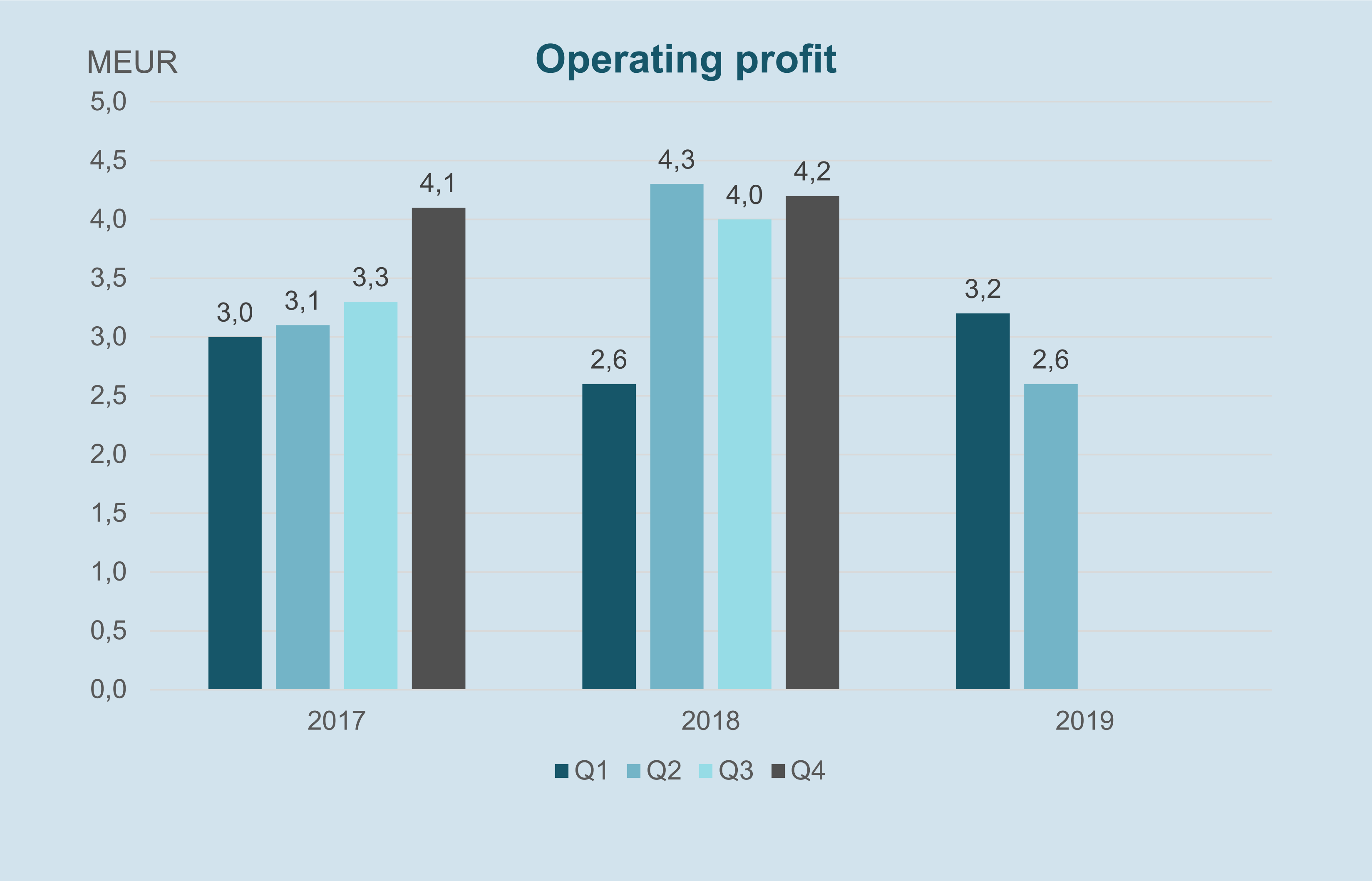


ESL Shipping key figures Q2

Operating profit decreased and was EUR 2.6 (4.3) million.

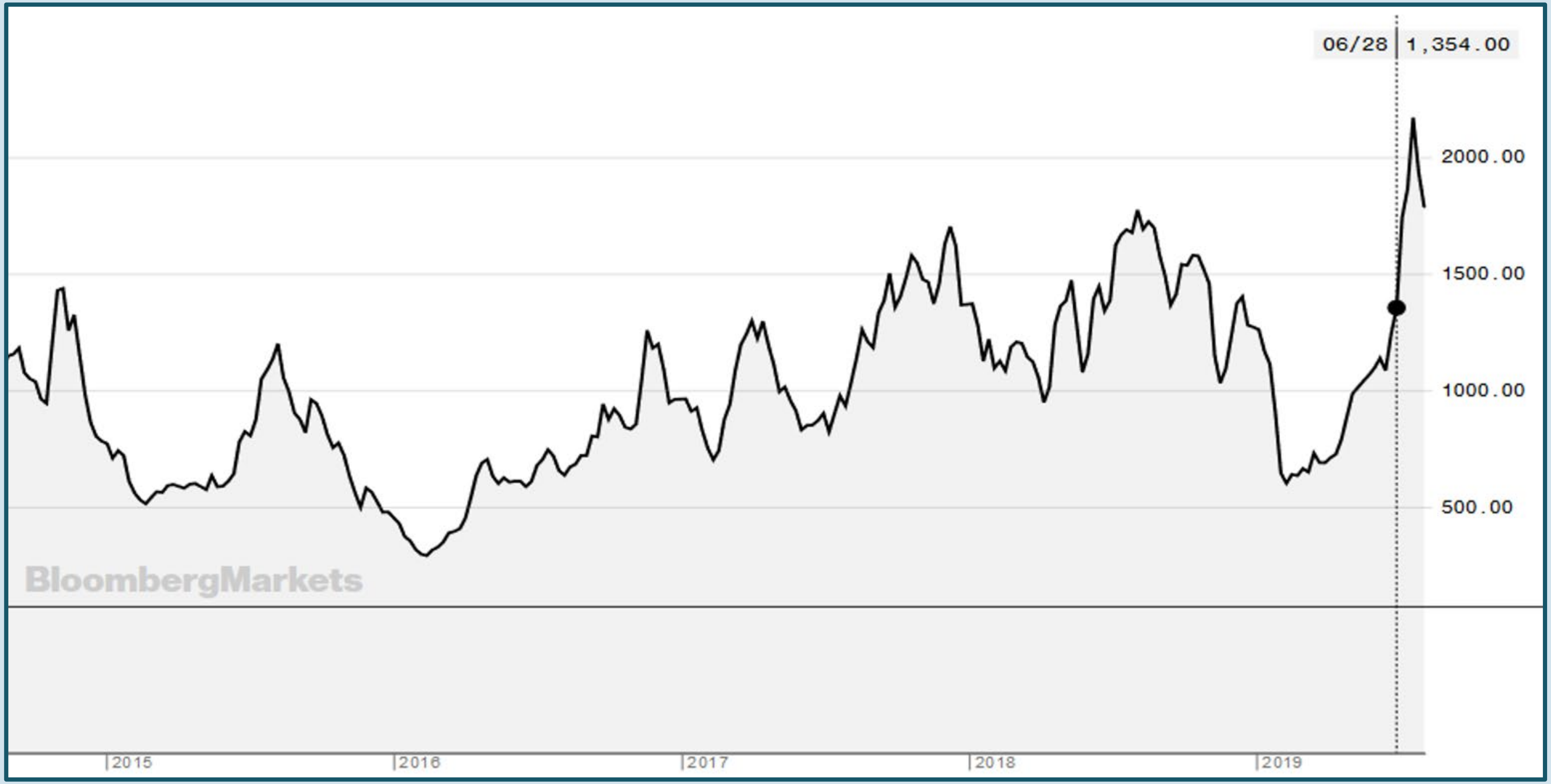
Operating profit rate was 6.1% (19.0).

Operating profit was reduced by the financial result of Supramax vessels that was one million euros weaker than in Q2 2018.



ASPO

Baltic Dry Index



Leipurin

From bread and recipes to a comprehensive selection

ASPO

Leipurin Q2

The market for industrially packed bread continued 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 were EUR 28.0 (31.2) million.

Bakery business net sales increased slightly, but machinery net sales decreased over 50% due to the timing of projects.

Operating profit was EUR 0.6 (0.9) million.

The machinery business made a loss in Q2 and fell considerably short of the very strong Q2 2018.

In the eastern markets, net sales increased by approximately 16% and were EUR 9.0 (7,7) million.

Leipurin’s operating profit rate was 2.1% (2.9).

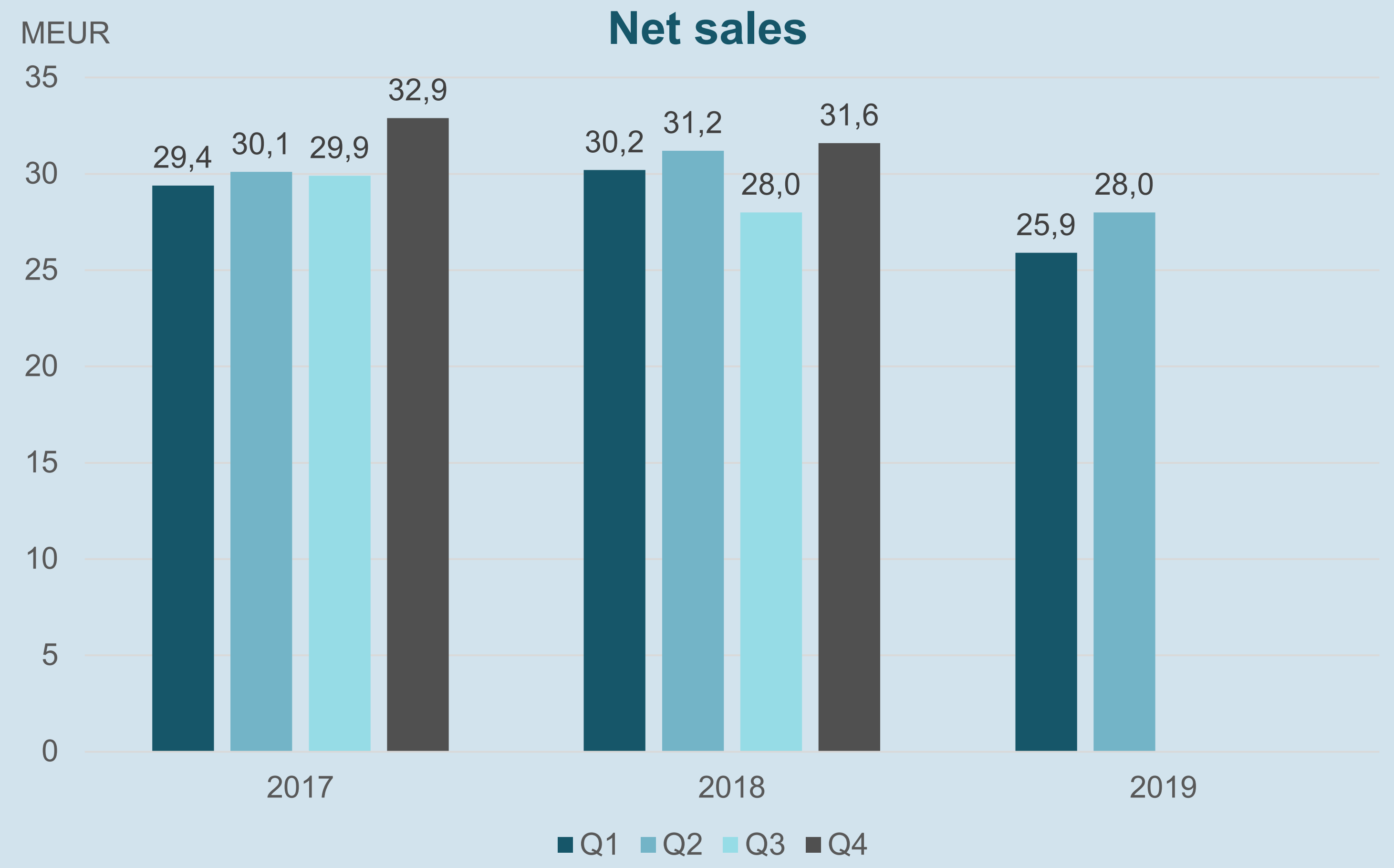
ASPO

Leipurin key figures Q2

Net sales decreased and were EUR 28.0 (31.2) million.

Net sales were impacted by considerable decrease in machinery net sales.

Most of the machinery business orders in 2019 booked for Q4.

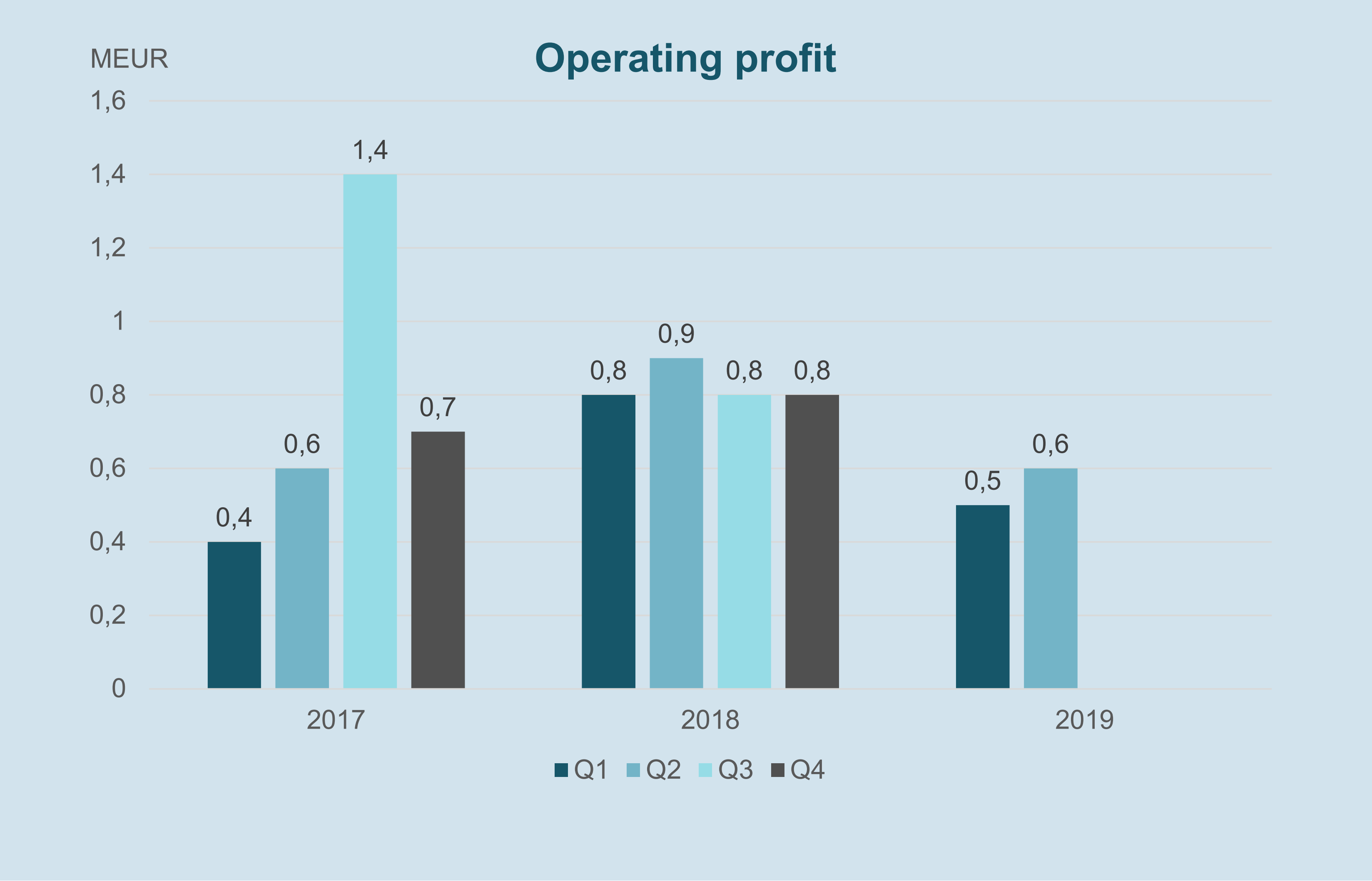


Leipurin key figures Q2

Operating profit was EUR 0.6 (0.9) million.

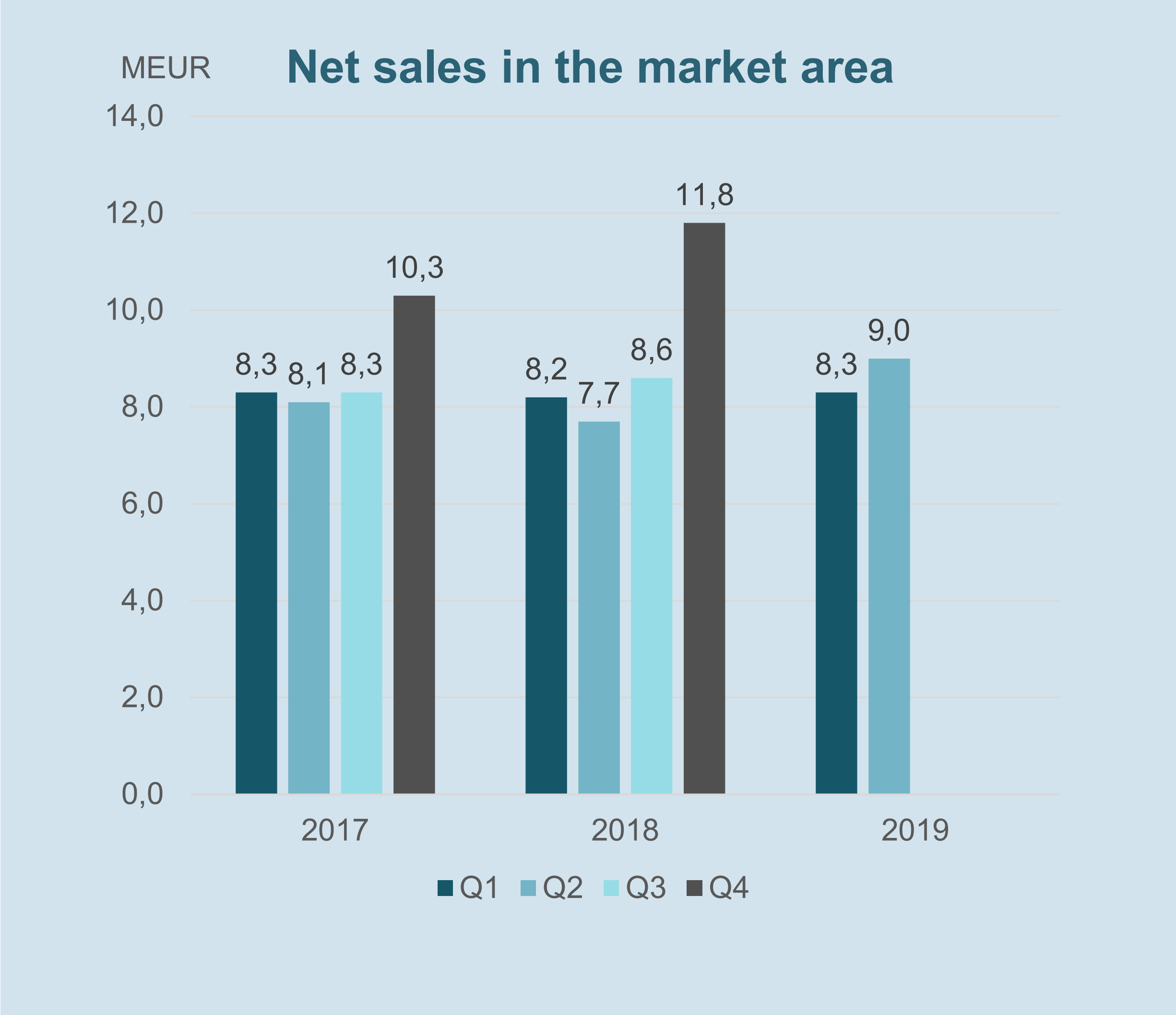
Operating profit rate was 2.1% (2.9).

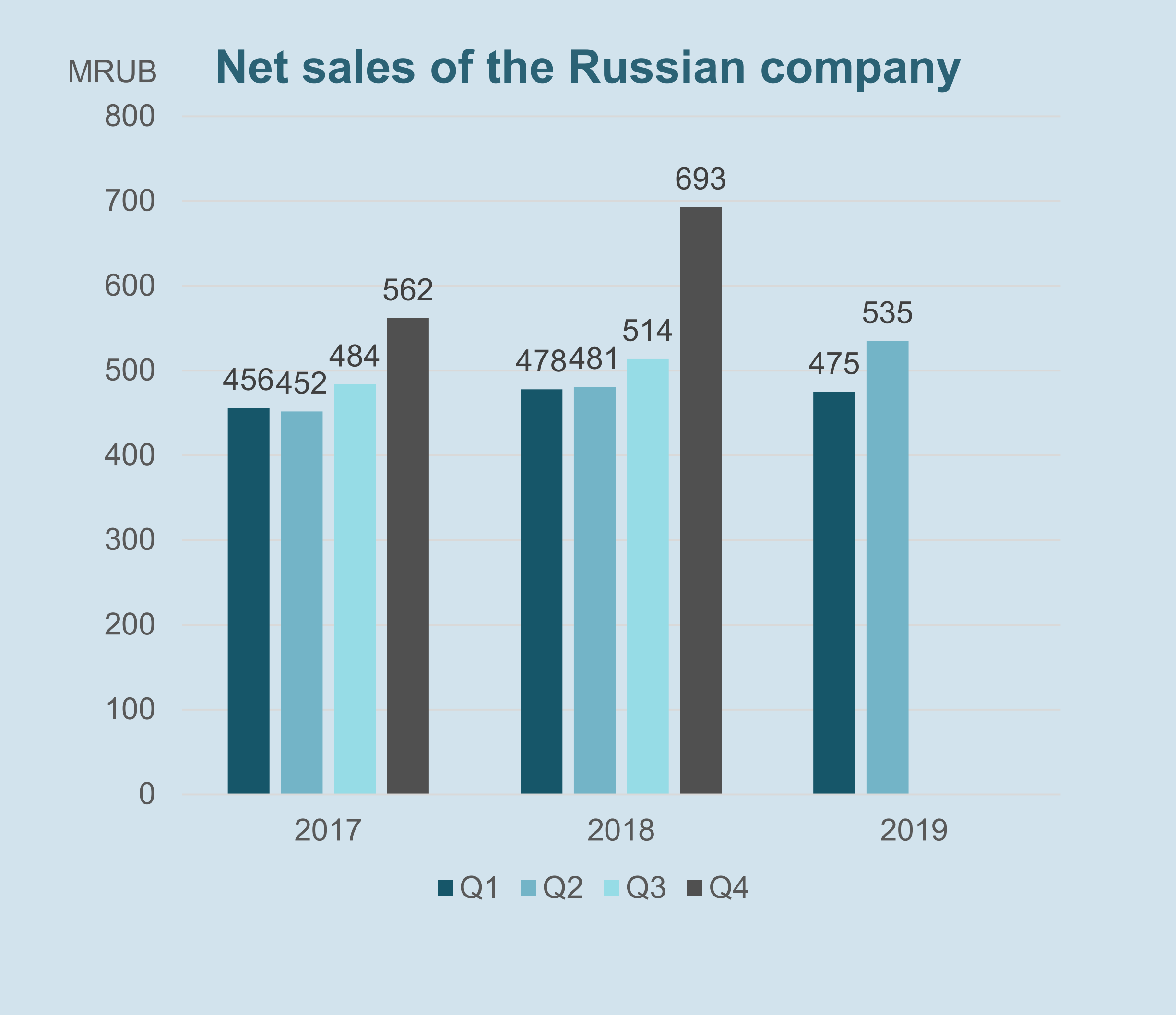
Leipurin's operating profit is expected to increase in 2019.



ASPO

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.

ASPO

Telko Q2

The operating environment mainly remained unchanged although the economic growth in eastern markets showed signs of slowing down.

Process of recruiting a new Managing Director is ongoing.

Net sales of Telko segment increased by 2% and were EUR 80.6 (78.9) million.

The sales volume increase was higher than the increase in net sales, price level of products still lower than in the comparative period.

Operating profit of Telko segment decreased and was EUR 2.3 (3.2) million.

Inventory levels were exceptionally high in the beginning of the year and that has negatively impacted the profitability of H1.

In eastern markets, Telko's net sales in January-June grew by 9%.

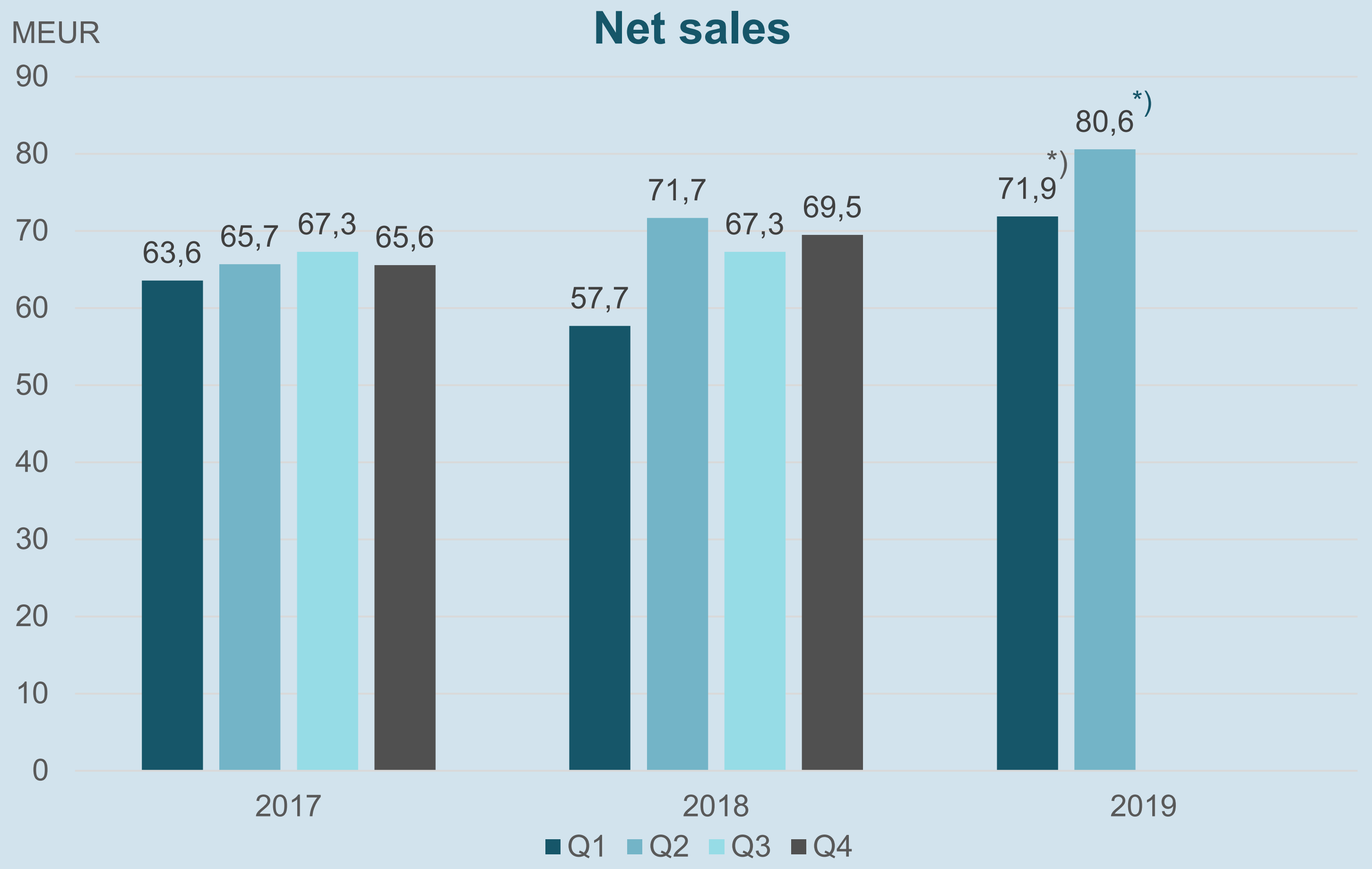
ASPO

Telko key figures Q2

Net sales of Telko segment were EUR 80.6 (78.9) million.

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

Growth was limited by lower 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 and EUR 8.7 million in Q2 2019.

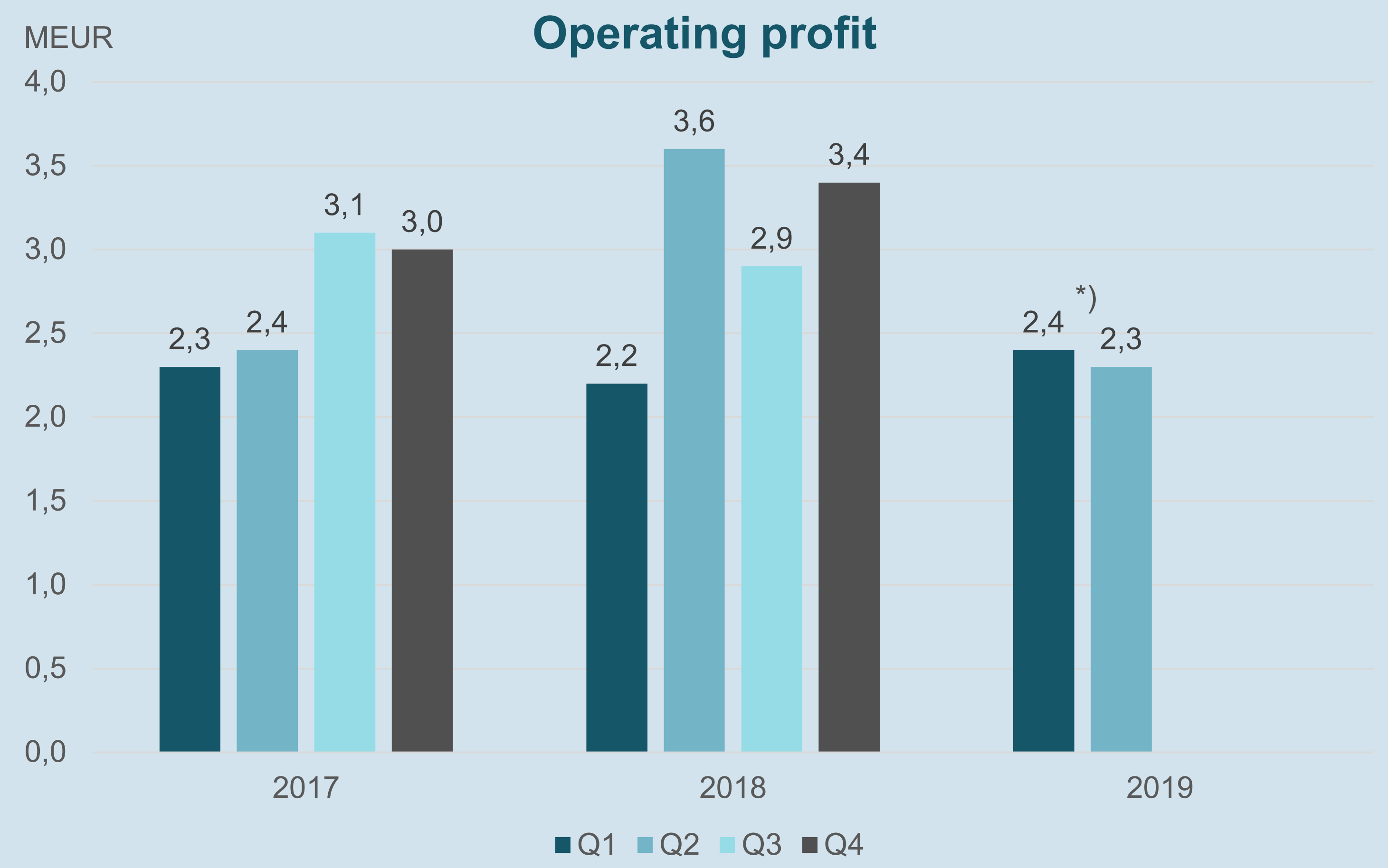
ASPO

Telko key figures Q2

Operating profit for Telko segment decreased and was EUR 2.3 (3.2) million.

Operating profit of Telko operations was EUR 2.2 (3.6) million and the operating profit rate was approximately 3.1% (5.0).

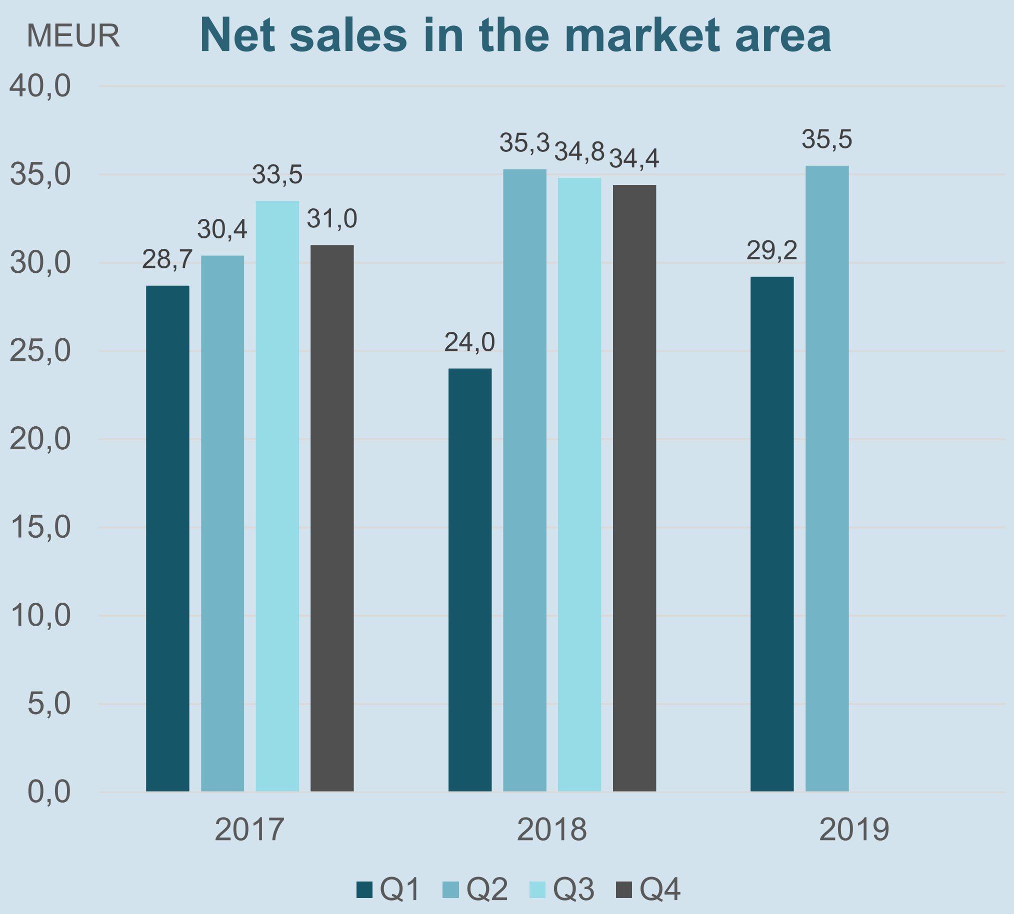
Operating profit of Kauko operations was slightly positive.



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

ASPO

Net sales in Russia, other CIS countries and Ukraine



ASPO

Guidance for 2019

Aspo’s operating profit will be EUR 24–30 (20.6) million in 2019.

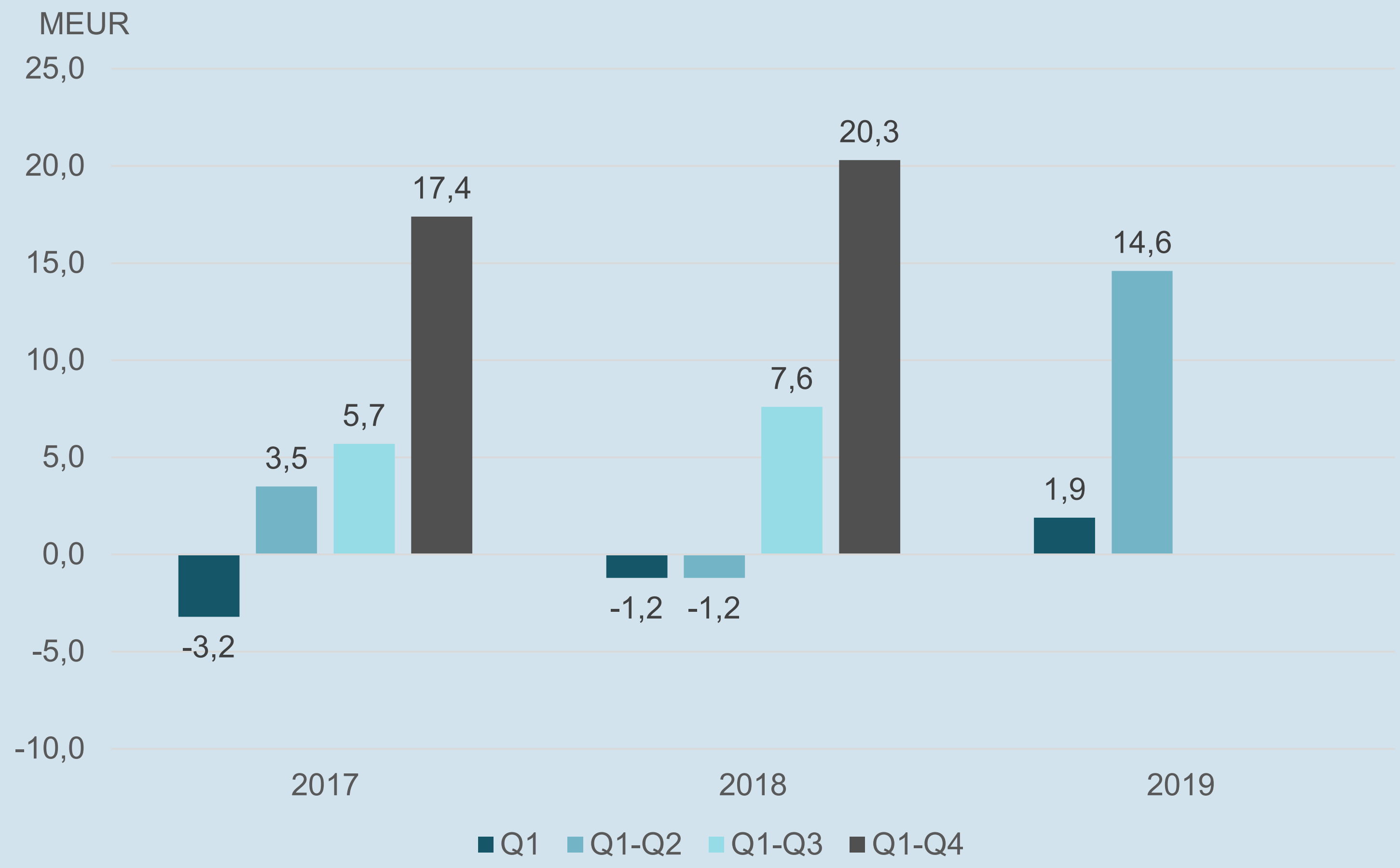
ASPO

Additional material

Net cash from operating activities

Net cash from operating activities was EUR 14.6 (-1.2) million.

Adoption of IFRS 16 increased the Group's net cash from operating activities by approximately EUR 7.0 million.



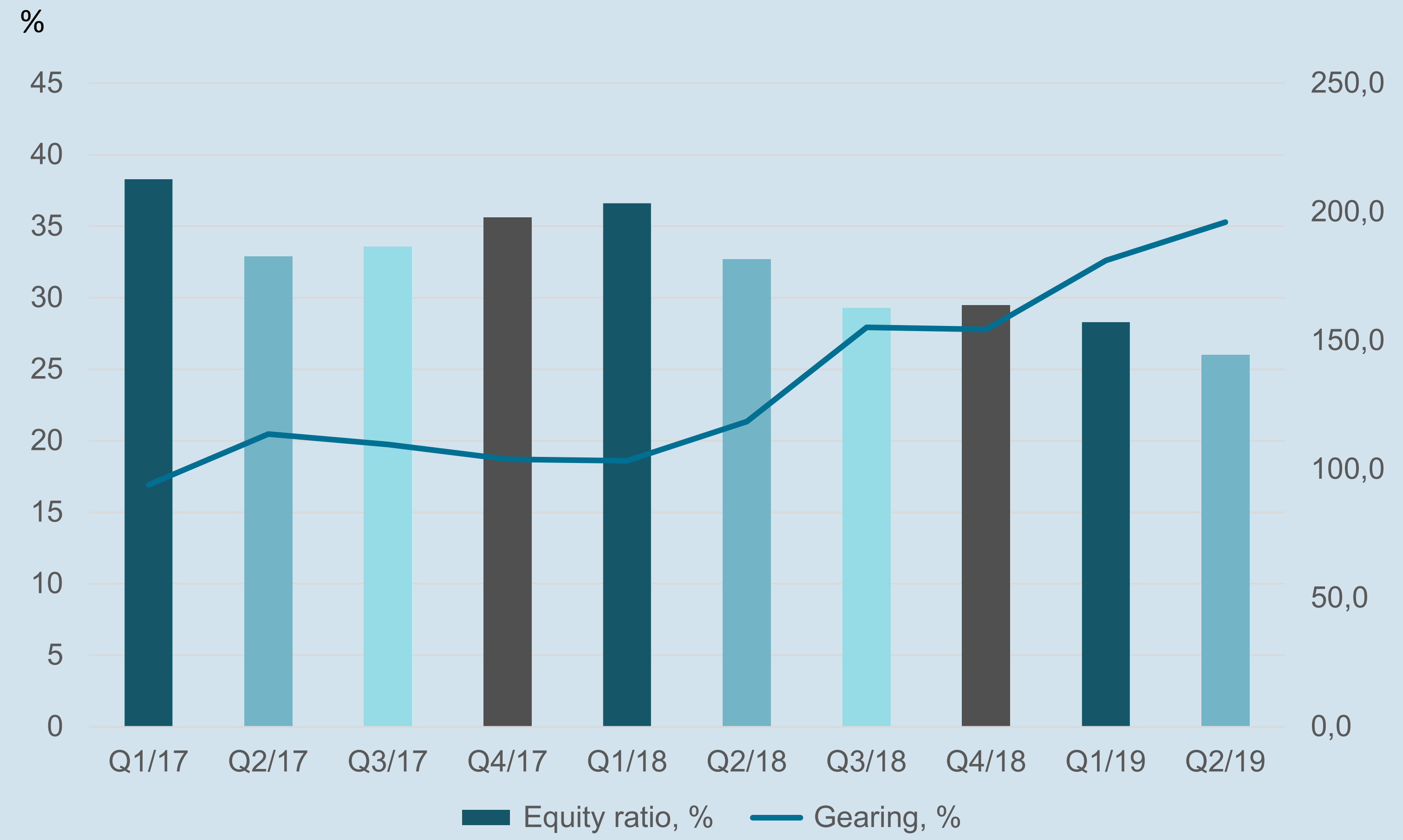
ASPO

Equity ratio and gearing

Gearing at Aspo group was 196% (119).

Equity ratio was 26% (33).

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.

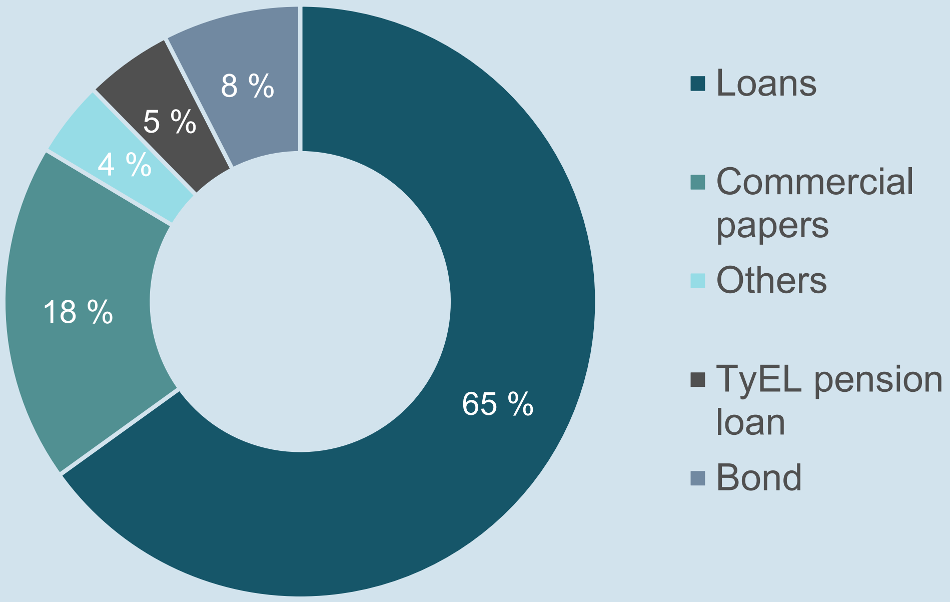


ASPO

Structure of liabilities

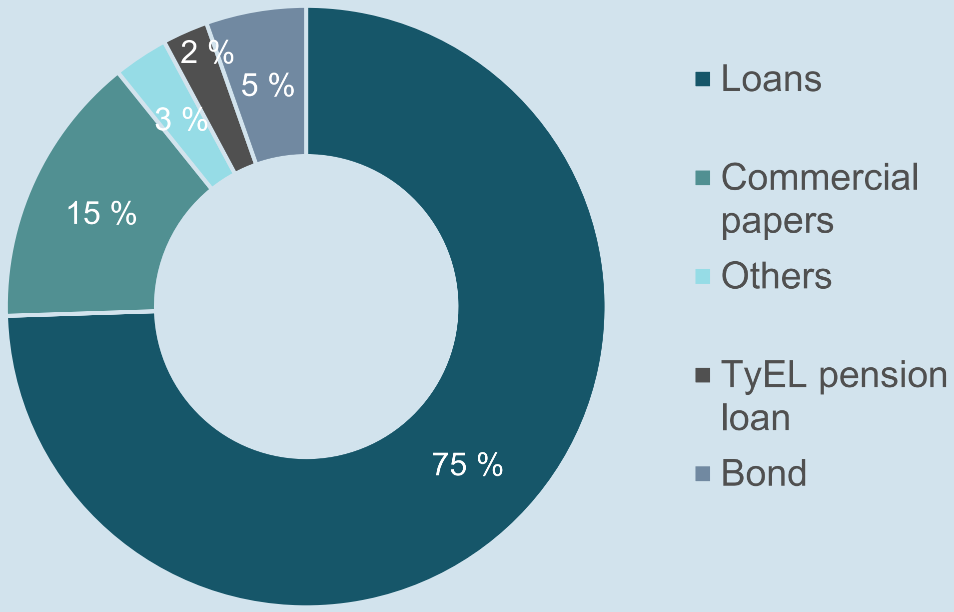
Interest bearing liabilities without lease liabilities

June 30, 2018: 146 MEUR



Interest bearing liabilities without lease liabilities

June 30, 2019: 204 MEUR



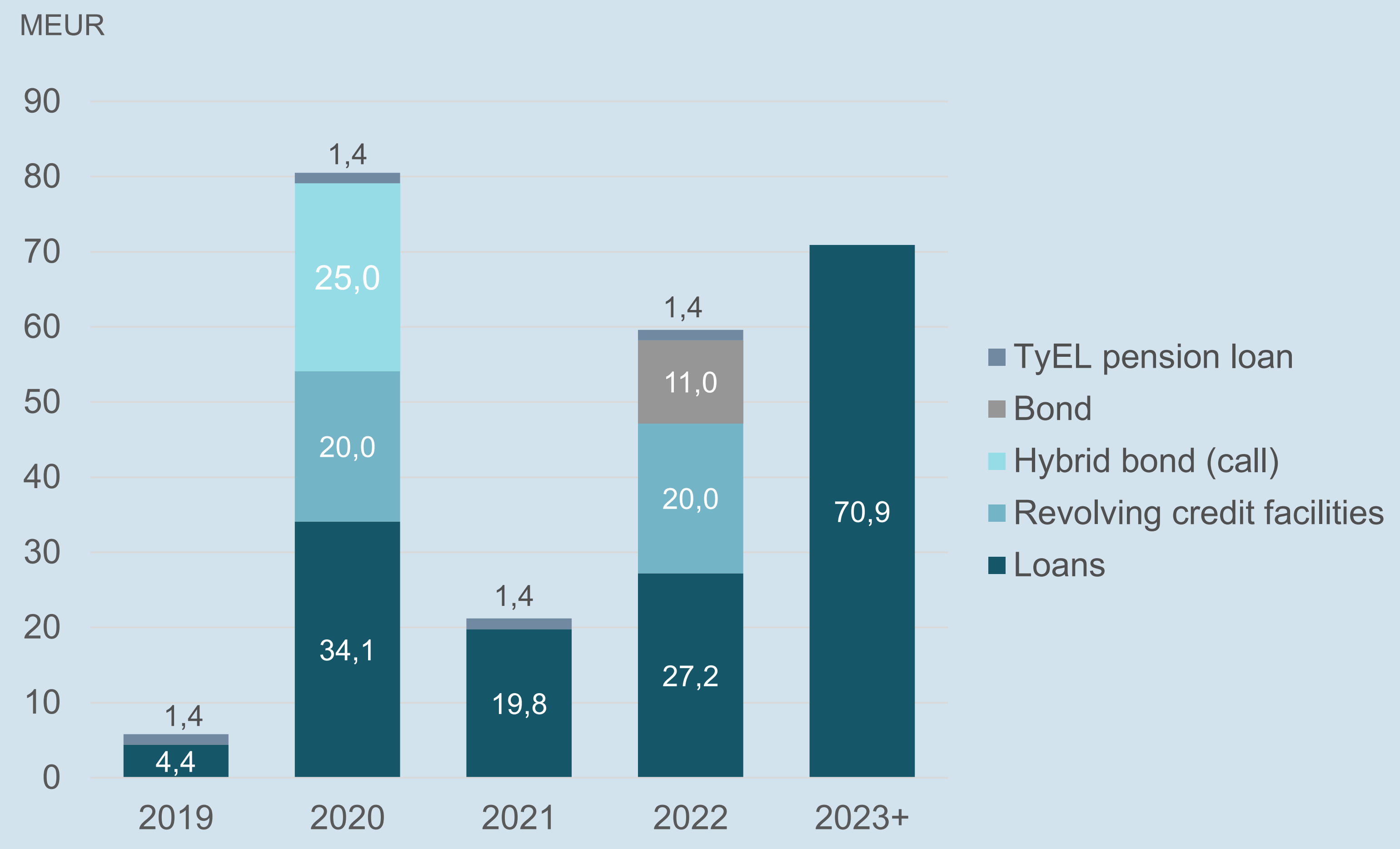
ASPO

Maturity of significant loan agreements

The average interest rate of interest-bearing liabilities, excluding lease liabilities, was 1.5% (1.6 12/2018).

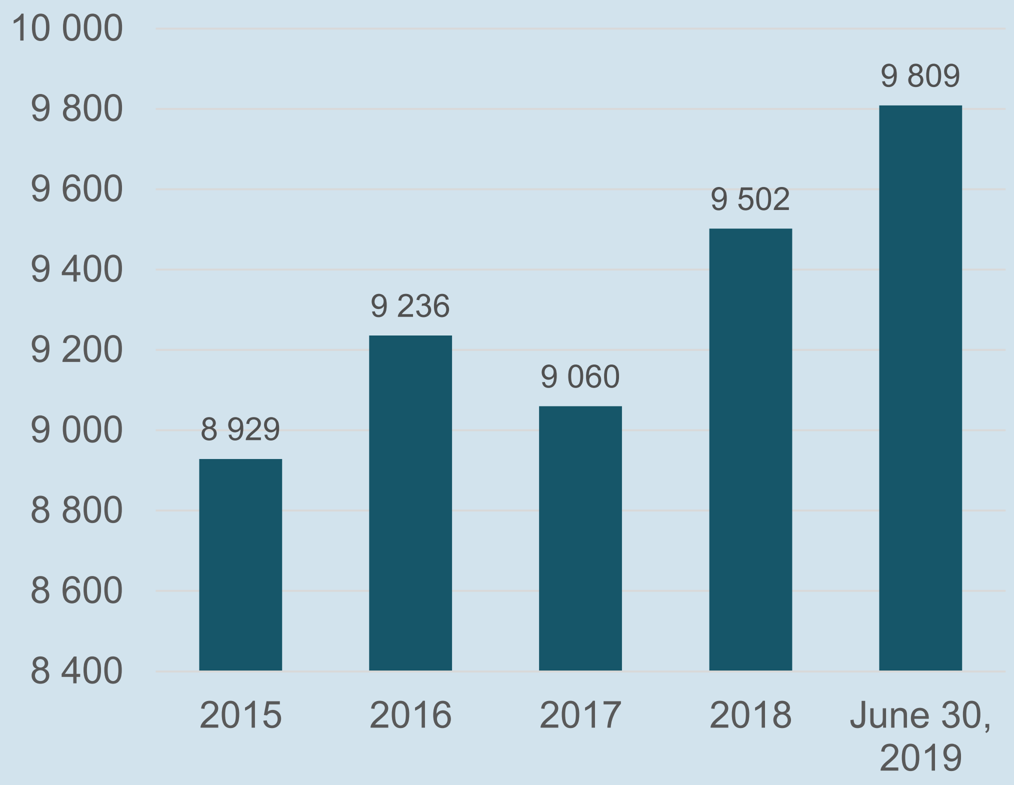
During Q2, a total of EUR 35 million of financing agreements were renewed.

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

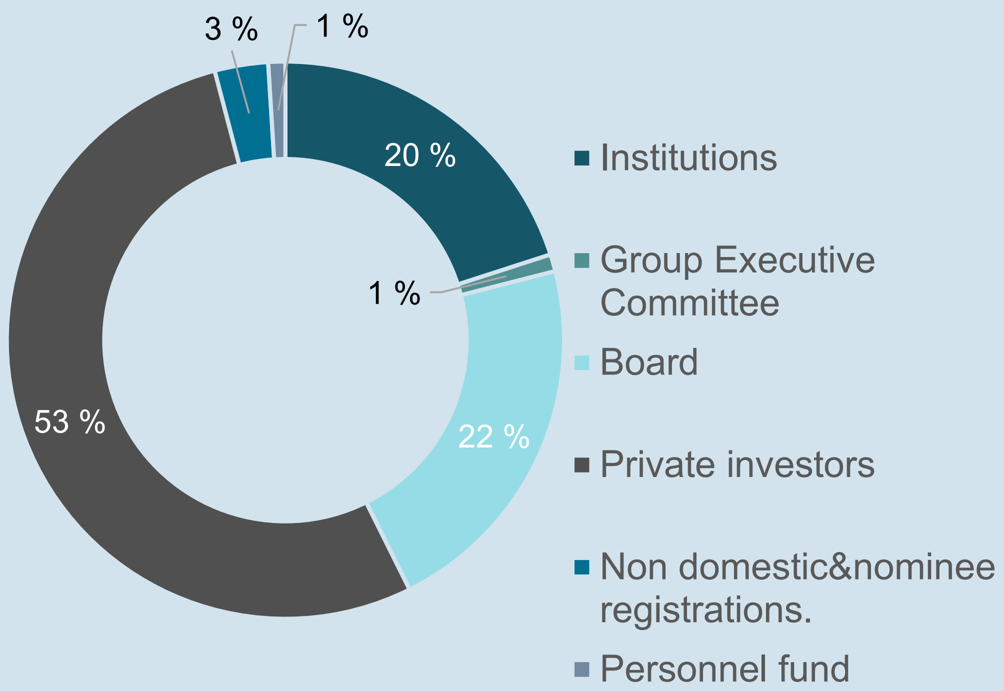


Shareholders / allocation

Number of shareholders



Distribution of ownership on June 30, 2019 by ownership group, %



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.

ASPO

IFRS 16: The impact on the statement 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
1-6/2019, MEUR

Net sales and other income	292.9
Materials and services	-194.8
Fixed costs incl. leases	-75.1
EBITDA	23.0
Depreciation and impairment losses, right-of-use assets	-6.9
Depreciation, amortization and impairment losses, other	-7.1
Operating profit	**9.0**
Interest expenses on lease liabilities	-0.4
Financial income and expenses, other	-0.3
Profit before taxes	**8.3**

ASPO

IFRS 16 impact on balance sheet on June 30, 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	112.4
Tangible assets	170.5	Non-current liabilities	172.4
Right-of-use assets	36.4	Non-current lease liabilities	8.6
Other non-current assets	4.2	Current liabilities	117.8
Current assets	176.2	Current lease liabilities	27.4
Total assets	**438.6**	**Total equity and liabilities**	**438.6**