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ASPO GROUP INTERIM REPORT JANUARY 1 TO JUNE 30, 2014

Aspo: Operating profit continues strong growth
(Figures from the corresponding period in 2013 are presented in brackets.)

January–June 2014
- Aspo Group's net sales decreased slightly to EUR 230.7 million (EUR 235.9 million)
- Operating profit grew significantly to EUR 10.1 million (EUR 2.4 million)
- Profit before taxes totaled EUR 7.6 million (EUR 0.5 million)
- Profit for the period stood at EUR 7.9 million (EUR 0.9 million)
- Earnings per share were EUR 0.24 (EUR 0.03)

April–June 2014
- Aspo Group's net sales were on a par with the previous year, EUR 122.7 million (EUR 123.6 million)
- Operating profit grew significantly and amounted to EUR 6.3 million (EUR 1.5 million)
- Profit for the quarter stood at EUR 5.5 million (EUR 0.7 million)
- Earnings per share were EUR 0.17 (EUR 0.02)

Aspo amended its guidance on August 4, 2014. The guidance is as follows: Aspo's operating profit will increase significantly in 2014 compared to 2013 and amount to EUR 17–20 million (operating profit for 2013: EUR 10.8 million).

The previous guidance was as follows: Aspo will improve its operating profit.

Aspo announced in a stock exchange release on June 17, 2014, that it intends to list Leipurin Ltd on the NASDAQ OMX Helsinki during the fourth quarter and remain a minority shareholder of Leipurin Ltd.

KEY FIGURES

	1-6/2014	1-6/2013	1-12/2013
Net sales, MEUR	230.7	235.9	476.3
Operating profit, MEUR	10.1	2.4	10.8
Share of net sales, %	4.4	1.0	2.3
Profit before taxes, MEUR	7.6	0.5	6.6
Share of net sales, %	3.3	0.2	1.4
Profit for the period, MEUR	7.9	0.9	8.6
Personnel at the end of period	868	854	869
Earnings per share, EUR	0.24	0.03	0.28
EPS adjusted for dilution, EUR	0.24	0.04	0.30
Equity per share, EUR	3.28	2.54	3.39
Equity ratio, %	32.4	25.6	34.4
Gearing, %	124.2	170.2	98.2

AKI OJANEN, ASPO’S CEO:

”Aspo is undergoing a new dynamic phase. The operating profit for the first half of the year amounted to EUR 10.1 million (2.4), even though our operating environment has been particularly challenging. Long-term development of Aspo's structure and business operations is now beginning to become visible in financial performance as well. Earnings per share amounted to EUR 0.24 (0.03). All business operations improved their operating profit significantly during the second quarter.

The preparations for listing Leipurin Ltd as a separate listed company have proceeded well. We aim for listing during the last quarter of 2014 in accordance with the original schedule. When the listing takes place, Aspo will continue its structural change strategy with the aim of increasing Aspo's value. We will continue to develop our business portfolio based on our traditional areas of expertise. We are doing well in the growing Baltic, Russian, and other CIS countries by building sales and expert organizations.

Russia and its customs union partners Belarus and Kazakhstan, as well as Ukraine are significant home markets for us. In spite of political and economic uncertainty, we maintained high profitability in the region, with the operating profit margin for the first half of the year remaining at over 5%. Leipurin's business model is acyclic, and therefore the uncertainty of the Russian economy has not impaired Leipurin's growth or profitability in the region. Telko's customer companies and products are more cyclic, and therefore Telko's euro-denominated net sales in Russia decreased. According to our estimates, Russia's ban on food imports or the EU and U.S. sanctions in force for the time being will not have direct immediate impacts on Aspo's business functions or Aspo's result.

ESL Shipping's result was strong in spite of very weak international freight rates. Kaukomarkkinat is a turnaround company whose loss-making streak has been stopped."

ASPO AS A COMPANY

Aspo is a conglomerate that owns and develops business operations in northern Europe and growth markets, focusing on demanding B-to-B customers. Aspo’s strong company brands – ESL Shipping, Leipurin, Telko and Kaukomarkkinat – aim to be market leaders in their sectors. They are responsible for their own operations and customer relationships, and the development of these. Together they generate Aspo’s goodwill. Aspo’s Group structure and business operations are continually developed without any predefined schedule.

Aspo’s operating segments are: ESL Shipping, Leipurin, Telko, and Kaukomarkkinat. Other operations consist of Aspo Group’s administration, the financial and ICT service center, and a small number of other operations that do not belong to the business units.

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

OPERATIONAL PERFORMANCE

Uncertainty in the international economy has continued, and industrial production has further decreased, particularly in Finland. The political and economic uncertainty in the Russian, Ukrainian and other CIS markets, which are important for Aspo, has continued. After weakening during the first quarter, the Russian ruble stabilized and strengthened slightly during the second quarter. The prices of raw materials sold by Aspo have either remained unchanged or decreased, except for the raw materials sold by Telko, whose prices increased slightly as the result of speculations related to the production and availability of oil and energy. International dry bulk freight rates, important for the Group, have fallen from the previous quarter and are at a weak level.

ESL Shipping

ESL Shipping is the leading dry bulk cargo company in the Baltic Sea region. At the end of the review period, the company's fleet consisted of 14 vessels, of which the company owned 13 in full and one was leased.

	4-6/2014	4-6/2013	Change	1-6/2014	1-6/2013	1-12/2013
Net sales, MEUR	19.2	18.8	0.4	40.4	38.2	77.8
Operating profit, MEUR	2.7	1.2	1.5	6.0	1.7	7.6
Personnel	218	202	16	218	202	210

The dry bulk freight rate index decreased from the previous quarter and is at a historic low. During the second quarter, market freight rates in the Atlantic region decreased strongly due to low freight volumes. The shipping company's ice-strengthened vessels are well suited for North American traffic. However, the region's hard winter continuing long into spring and ice conditions decreased the volume of transports and weakened the fluency of traffic, and therefore the profitability of the vessels fell short of expectations. During the review period, ESL Shipping's vessels mainly operated in the Baltic Sea, the North Sea, and in international traffic in the Atlantic and the Mediterranean. The shipping company's operations in the Baltic Sea are mainly based on long-term contracts and established customer relationships.

ESL Shipping’s net sales amounted to EUR 19.2 million (18.8). In spite of the weak market situation, the company's profitability improved and operating profit was EUR 2.7 million (1.2). The volume of cargo carried by ESL Shipping in April–June amounted to 2.7 million tons (2.9). The production of the steel industry, which is important for the shipping company, continues at low capacity, but the total volume of transports was higher than during the comparison period, even though one of the two pusher-barge combinations has been laid up. Loading and unloading operations of large ocean liners taking place at sea, which is important for the shipping company's profitability, was more active during the review period than the comparison period. The mild winter in Europe increased the energy industry's stock levels, resulting in a decrease in transports for the energy industry during the review period. One of the two Supramax vessels was operated in contract traffic and the other one operated in the international spot market for the most time.

During the review period, one pusher-barge unit was laid up due to maintenance and capacity adjustment, and one of the vessels underwent dry docking as planned. The modifications required by the sulfur directive were made to these vessels at the same time. The charter agreement of the time-chartered vessel expired in June.

Leipurin

Leipurin serves the bakery industry and other food industry by providing product development services, raw materials needed for baking, and equipment from individual machines to full-scale baking lines. Leipurin operates in Finland, Russia, the Baltic countries, Poland, Ukraine, Belarus, and Kazakhstan. In Russia, its operations cover all geographic areas. In its procurement operations, Leipurin operates both internationally and by developing local procurement.

	4-6/2014	4-6/2013	Change	1-6/2014	1-6/2013	1-12/2013
Net sales, MEUR	34.5	34.9	-0.4	64.6	65.5	136.3
Operating profit, MEUR	1.9	1.2	0.7	2.2	1.9	5.2
Personnel	290	277	13	290	277	300

The prices of raw materials of bakery products were below the comparison period during the second quarter as well. Of the currencies used by Leipurin, the Russian ruble strengthened slightly during the second quarter after weakening substantially during the first quarter. Neither the political crisis between Russia and Ukraine nor the weakened growth outlook has affected the operations of Leipurin's customer companies. Frozen imported bread has increased its market share in Finland, decreasing the production volumes of Finnish industrially produced bread. In western markets, both the diverse use of bakery products by Out-of-Home sector customers and the product range of in-shop bakeries in the retail sector have increased.

Of the market areas, net sales in the customs union of Russia, Belarus and Kazakhstan, as well as of Ukraine continued to increase normally in spite of the uncertainty caused by the crisis in Ukraine. Leipurin's net sales in Russia, Ukraine and other CIS countries amounted to EUR 11.8 million (11.1), with the operating profit percentage remaining at over 5%. The net sales and operating profit of bakery raw materials in Russia, Ukraine, and other CIS countries developed strongly, as net sales grew by 6% in euros and operating profit percentage improved year-on-year. The share of locally produced raw materials has increased year-on-year in the region, which improves competitiveness and profitability.

The net sales of Leipurin in the second quarter were at the previous level and amounted to EUR 34.5 million (34.9). Operating profit improved to EUR 1.9 million (1.2). Operating profit improved particularly in the machine business and bakery raw material sales in Russia, Ukraine, and other CIS countries. The demand for machines was impaired by a general decline in the volumes of the bakery industry in Finland, while in Russia growth was affected by increasing financing costs of investments due to foreign exchange rate fluctuation.

Leipurin is developing its overall offering in accordance with its strategy. Customers' business operations are developed on the basis of product development and training services, new raw materials, an even more developed baking equipment offering, as well as investment-related planning. Leipurin will continue its investments to increase the share of raw materials sold under the Leipurin brand further and continue to increase the share of raw materials produced locally in Russia, Ukraine, and other CIS countries in its sales.

Telko

Telko is the leading expert and supplier of plastic raw materials and industrial chemicals in the Baltic Sea region. The company operates in Finland, the Baltic countries, Scandinavia, Poland, the Czech Republic, Slovakia, Ukraine, Russia, Belarus, Kazakhstan, and China. Procurement operations are international. Business is based on representation by the best international principals and on the expertise of the personnel. Telko cooperates with its regional customers to develop their production and competitiveness.

	4-6/2014	4-6/2013	Change	1-6/2014	1-6/2013	1-12/2013
Net sales, MEUR	60.4	61.6	-1.2	110.0	115.0	230.2
Operating profit, MEUR	3.2	1.6	1.6	5.0	3.1	5.8
Personnel	248	251	-3	248	251	249

The prices of raw materials sold by Telko increased slightly compared to the previous quarter. The general demand for raw materials by industry continued to be weak in Telko's entire operating area. The volume of raw materials delivered decreased year-on-year, but it was higher than during the first quarter of 2014.

Decelerated economic growth in Russia and industrial demand for raw materials have impaired the demand for Telko's products in the market area. The company's own sales organization serving industrial customers in Russia has been developed further to cover all of Russia. Sales of industrial chemicals through resellers have been decreased significantly in Russia year-on-year. The change has decreased the net sales of industrial chemicals but improved their profitability. Sales of plastics were on a par with the comparison period. The Ukrainian market has been important to Telko. Due to the political situation, sales volumes and net sales have decreased significantly, but as a result of effective risk management, the operating profit of the Ukrainian business has remained at a good level. In the eastern markets, euro-denominated net sales were also adversely affected by local currencies that were weaker than in the comparison period.

Telko's net sales for the second quarter amounted to EUR 60.4 million (61.6). Operating profit for the review period amounted to EUR 3.2 million (1.6). Telko’s operating profit percentage was 5.3% during the second quarter (2.6). With regard to market areas, the proportional share of developing market of Telko's net sales has remained unchanged despite the situation in Ukraine. Net sales in Russia, Ukraine, and other CIS countries amounted to EUR 28.5 million (30.5), decreasing by 7%. The operating profit in this market area exceeded 5%.

Kaukomarkkinat

Kaukomarkkinat supplies products and systems that improve efficiency for the real estate and industrial sectors, as well as tools for professionals. The goal is to increase the energy efficiency, process efficiency and safety of our customers, as well as the profitability of their operations. The business is based on an in-depth understanding of customer needs, an extensive network of principals, and the ability to combine products and systems into functional entities. Kaukomarkkinat operates in Finland, Poland, Latvia, Russia, China, and Vietnam.

	4-6/2014	4-6/2013	Change	1-6/2014	1-6/2013	1-12/2013
Net sales, MEUR	8.6	8.3	0.3	15.7	17.2	32.0
Operating profit, MEUR	0.0	-1.1	1.1	-0.2	-1.9	-3.6
Personnel	80	87	-7	80	87	80

Kaukomarkkinat continued to improve its profitability significantly year-on-year. Kaukomarkkinat's net sales amounted to EUR 8.6 million (8.3). Operating profit improved to EUR 0.0 million (-1.1). Efficiency measures were carried out in Finland during the comparison period, with non-recurring costs entered in the second quarter of 2013. The annual effect of the efficiency measures carried out is approximately EUR 1 million.

In Finland, the sales of heat pumps among energy-efficiency products remained at the expected good level despite the weak economic situation in new and repair construction. However, the economic recession has slowed down the start-up of energy renovations, which has impaired the demand for products used in energy renovation. Deliveries of tablet computers for professional use were higher year-on-year, and the order book for the rest of 2014 in particular is good. As for foreign operations, a local procurement order of EUR 2 million was signed in China to be delivered to a Finnish principal for a new paper mill to be built in China in 2015. However, the machinery and equipment for the paper industry and industrial components business in China and Russia made a loss during the review period. Kaukomarkkinat is continuing to review the suitability of foreign operations for its current strategy. As part of this review, the frequency converter business in Poland was sold to Vacon Plc after the review period. The assets and liabilities of the business have been classified as available-for-sale items on the balance sheet. The deal will not have a significant impact on the result of Kaukomarkkinat.

Other operations

Other operations include Aspo Group's administration, the financial and ICT service center, and a small number of other functions not covered by other business units.

	4-6/2014	4-6/2013	Change	1-6/2014	1-6/2013	1-12/2013
Net sales, MEUR	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit, MEUR	-1.5	-1.4	-0.1	-2.9	-2.4	-4.2
Personnel	32	37	-5	32	37	30

The operating profit of other operations was negative at EUR -1.5 million (-1.4). Performance was weakened by cost provisions related to vacant leased premises and expert expenses related to projects during the current year.

NET SALES

January–June
Aspo Group's net sales in January–June stood at EUR 230.7 million (235.9).

April–June
Aspo Group's net sales in April–June decreased by EUR 0.9 million to EUR 122.7 million (123.6).

Net sales by segment, MEUR

	4-6/2014	4-6/2013	Change	1-6/2014	1-6/2013	1-12/2013
ESL Shipping	19.2	18.8	0.4	40.4	38.2	77.8
Leipurin	34.5	34.9	-0.4	64.6	65.5	136.3
Telko	60.4	61.6	-1.2	110.0	115.0	230.2
Kaukomarkkinat	8.6	8.3	0.3	15.7	17.2	32.0
Other operations	0.0	0.0	0.0	0.0	0.0	0.0
Total	122.7	123.6	-0.9	230.7	235.9	476.3

There is no considerable inter-segment net sales.

Net sales by market area, MEUR

	4-6/2014	4-6/2013	Change	1-6/2014	1-6/2013	1-12/2013
Finland	38.3	36.1	2.2	77.2	76.8	156.7
Scandinavia	12.0	11.0	1.0	23.1	21.9	43.4
Baltic countries	14.7	13.0	1.7	26.7	24.8	49.8
Russia, Ukraine + other CIS countries	41.7	41.6	0.1	72.8	72.7	153.0
Other countries	16.0	21.9	-5.9	30.9	39.7	73.4
Total	122.7	123.6	-0.9	230.7	235.9	476.3

Net sales increased in the various market areas during the review period, except for the other countries market area. Net sales in Russia, Ukraine, and other CIS countries increased slightly to EUR 41.7 million (41.6).

EARNINGS

January–June
Aspo Group's operating profit in January–June amounted to EUR 10.1 million (2.4). ESL Shipping's operating profit increased to EUR 6.0 million (1.7). The operating profit of Leipurin amounted to EUR

2.2 million (1.9). Telko's operating profit improved to EUR 5.0 million (3.1). Kaukomarkkinat's operating profit improved by EUR 1.7 million to EUR -0.2 million (-1.9). The operating profit of other operations weakened and was negative at EUR -2.9 million (-2.4).

April–June
Aspo Group's operating profit in April–June amounted to EUR 6.3 million (1.5). ESL Shipping's operating profit increased to EUR 2.7 million (1.2). The operating profit of Leipurin improved to EUR 1.9 million (1.2). Telko's operating profit increased to EUR 3.2 million (1.6) and Kaukomarkkinat's operating profit improved to EUR 0.0 million (-1.1). The operating profit of other operations was negative and amounted to EUR -1.5 million (-1.4).

Operating profit by segment, MEUR

	4-6/2014	4-6/2013	Change	1-6/2014	1-6/2013	1-12/2013
ESL Shipping	2.7	1.2	1.5	6.0	1.7	7.6
Leipurin	1.9	1.2	0.7	2.2	1.9	5.2
Telko	3.2	1.6	1.6	5.0	3.1	5.8
Kaukomarkkinat	0.0	-1.1	1.1	-0.2	-1.9	-3.6
Other operations	-1.5	-1.4	-0.1	-2.9	-2.4	-4.2
Total	6.3	1.5	4.8	10.1	2.4	10.8

Earnings per share

Earnings per share were EUR 0.24 (0.03) and diluted earnings per share were EUR 0.24 (0.04). Equity per share was EUR 3.28 (2.54).

ASSETS AND LIABILITIES BY SEGMENT

The assets and liabilities of the business segments are presented in the tables below.

Segments’ assets, MEUR

	6/2014	6/2013	12/2013
ESL Shipping	125.0	111.0	112.7
Leipurin	64.9	67.7	64.4
Telko	76.3	78.1	69.0
Kaukomarkkinat	22.5	26.1	22.4
Unallocated items	24.0	24.6	34.0
Total	312.7	307.5	302.5

Segments’ liabilities, MEUR

	6/2014	6/2013	12/2013
ESL Shipping	11.3	8.8	10.7
Leipurin	17.6	19.2	19.6
Telko	25.8	30.0	23.0
Kaukomarkkinat	5.2	7.5	5.6
Unallocated items	152.6	164.5	140.3
Total	212.5	230.0	199.2

INVESTMENTS

The Group's investments amounted to EUR 15.5 million (2.3), the majority of which consisted of the acquisition of the m/s Kallio vessel. Other investments were ordinary maintenance investments.

Investments by segment, acquisitions excluded, MEUR

	4-6/2014	4-6/2013	Change	1-6/2014	1-6/2013	1-12/2013
ESL Shipping	0.8	0.6	0.2	14.4	0.7	2.2
Leipurin	0.2	0.3	-0.1	0.3	0.5	0.7
Telko	0.5	0.4	0.1	0.7	0.6	1.3
Kaukomarkkinat	0.0	0.2	-0.2	0.1	0.4	0.5
Other operations	0.0	0.0	0.0	0.0	0.1	0.2
Total	1.5	1.5	0.0	15.5	2.3	4.9

FINANCING

The Group's financing position improved. The Group's cash and cash equivalents amounted to EUR 18.6 million (19.3). The consolidated balance sheet included a total of EUR 143.1 million (151.2) in interest-bearing liabilities. Non-interest-bearing liabilities totaled EUR 69.4 million (78.8).

Aspo Group's gearing decreased year-on-year and amounted to 124.2% (170.2) and its equity ratio improved to 32.4% (25.6). Dividends of approximately EUR 6 million were paid during the second quarter.

The Group's cash flow from operations was negative during the review period, totaling EUR -2.3 million (2.5). At the end of the period, the change in working capital compared to the beginning of the year stood at EUR -15.4 million (-3.7). Change in the amount of working capital employed had a negative effect on the cash flow from operations during the review period.

Cash flow from investments was EUR -12.9 million (-1.4), i.e., the Group's free cash flow amounted to EUR -15.2 million (1.1) in the review period. The cash flow from investments is mainly comprised of a vessel investment by the shipping company made during the first quarter.

The amount of binding revolving credit facilities signed between Aspo and its main financing banks stood at EUR 60 million at the end of the review period. On the closing date, EUR 17 million of the revolving credit facilities had been withdrawn. EUR 27 million of Aspo's commercial paper program of EUR 80 million was in use at the end of the review period.

The convertible capital loan of EUR 10 million that fell due in the second quarter was refinanced using the revolving credit facilities. At the same time, the coupon rate of 7% of the convertible capital loan changed into the approximately 1% interest paid on short-term loans. No other significant financing agreements will fall due payable in 2014.

Aspo has hedged its interest rate risk by means of an interest rate swap subject to hedge accounting. Its fair value on June 30, 2014 was EUR -0.9 million. Changes in fair value have been recognized in other comprehensive income, and the financial instrument is at level 2 of the fair value hierarchy.

Convertible capital loan

Aspo Plc had EUR 10,250,000 in a convertible capital loan issued in 2009. The repayment conditions outlined in Chapter 12 of the Finnish Companies Act and the loan terms were met, and the loan was repaid in one installment on June 30, 2014. The loan had a fixed coupon rate of 7%.

The original loan principal was EUR 15 million. During the term of the loan, EUR 4.75 million of loan units were converted into Aspo shares, and the amount of repayable principal was EUR 10.25 million on the date of maturity.

Hybrid instrument

On November 18, 2013, Aspo issued an EUR 20 million hybrid bond. The coupon rate of the bond is 7% per annum. The bond has no maturity but the company may exercise an early redemption option after three years. The issue was aimed primarily for domestic institutional investors and it was significantly oversubscribed.

A hybrid bond is an instrument which is subordinated to the company's other debt obligations and which is treated as equity in the IFRS financial statements. The hybrid bond does not confer to its holders the rights of a shareholder and does not dilute the holdings of the current shareholders.

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, 2015. 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.

RISKS AND RISK MANAGEMENT

Changes in Aspo's operating environment in Ukraine and Russia and the sanctions against Russia decided on by the United States and the EU have increased strategic, operational, financing, and loss risks. It is difficult to assess what the impact of the sanctions used as a means of political pressure will be on Aspo in advance. The budding recovery of the European economy has had time to have a positive impact on Aspo's customers in specific countries.

As the prices of products have increased, consumer demand has decreased, and the growth of the economy has slowed down in Russia and declined in Ukraine. As a result of the weakening of the local currencies, the growth of net sales denominated in euros will slow down, but at the same time costs in euros decrease in Russia and Ukraine. Aspo already reacted to the weakened situation in Ukraine beginning in the fall of 2013, at which time stocks were decreased and the turnover time of trade receivables was reduced. Items denominated in foreign currencies have been converted to euros, and any changes in foreign exchange rates have rapidly been transferred to prices. The picture of the situation has been updated continuously.

Pressures to reduce the consumption of coal in energy production have increased, which combined with potential trade sanctions, may reduce the need to transport Russian coal, and forecasting the future transport volumes has become more difficult.

The weakening of the international freight index has increased the uncertainty related to the profitability of shipping companies, and a number of indexes for freight rates have dropped to the level of summer 2013 or a preceding level.

Despite the aggravation of the political situation and the alarming direction of economic development, our strategic risks are evened out by the distribution of our business operations over four segmentsat the Group level and because we engage in business operations in a broad geographical area.

In addition to the political crisis, strategic risks are caused by the outlook and production solutions of industrial customers. Decisions on energy production structures affected by the environmental policy and other political choices may cause changes in industry and energy production, which may decrease the use of fossil fuels and increase alternative forms of energy.

The flows of goods on the Baltic Sea may change as a result of the sulfur directive, changes in the customer structure, or other reasons. These changes may have negative consequences on operations as the need for transportation decreases, but they may also be seen as significant opportunities. Despite changes in the freight rates of global maritime transport, competition for cargo may become more intense in the Baltic Sea area, as well. Strategic risks change due to the effects of cargo prices, investment trends, and changes to retail structures, especially in western markets. In the eastern market, risks are increased by such factors as political instability, social structures or their lack of reaction to the difficulties encountered by business operations. Rapid changes in economic structures may cause risks due to changes in the customer or principalstructure or technologies, and due to unutilized opportunities that require a quick response.

Operational risks have remained unchanged due to the economic uncertainty in the business environment. These include risks related to supply chains and individuals. The focus of Aspo’s growth is on emerging market areas, where growth risks are affected by factors, such as the level of and changes in the global market prices for raw materials, exchange rates, interest rate levels, industrial and commercial investments, customer liquidity, changes in legislation and import regulations, and inactivity by the authorities. Any deceleration in economic growth and production may have an impact on demand for raw materials in the eastern markets. Currently, the political instability in Ukraine is disturbing commercial activities and, if the situation continues, Aspo's growth in Ukraine will slow down. Furthermore, consumer behavior is reflected in the risks generated through B-to-B customers and their risk levels. The growth opportunities presented by emerging markets boost interest among competitors in launching or expanding business in these areas. The challenges posed by emerging markets and the aggravation of the situation in Ukraine have also caused competitors to withdraw, which creates new opportunities for Aspo.

Hedging against changes in exchange rates, particularly in emerging markets, is not always possible under all conditions. Changes in exchange rates may also reduce shareholders' equity on the balance sheet due to translation differences. While changes in credit loss risks vary between business areas and customers, credit loss risks in general have grown, and to some extent they have also been realized.

The quantity and probability of loss risks are assessed regularly. The amounts insured are sufficient in view of the scope of Aspo's operations, but insurance companies may restrict the validity of insurance policies in areas with military operations. The coverage of life and health insurance policies has been increased in Ukraine.

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.

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.

PERSONNEL

Personnel by segment, period-end

	6/2014	6/2013	Change	12/2013
ESL Shipping	218	202	16	210
Leipurin	290	277	13	300
Telko	248	251	-3	249
Kaukomarkkinat	80	87	-7	80
Other operations	32	37	-5	30
Total	868	854	14	869

At the end of the period, Aspo Group had 868 employees (854). The number of personnel has increased with the crew of ESL Shipping's new vessel and in the Leipurin business in Aspo's growth areas, particularly in Russia, Ukraine, and other CIS countries.

Rewarding

Aspo Group has previously applied a profit bonus system, under which part of the Group's profit was paid as a profit bonus to the personnel fund. In 2013, the rewarding system was reformed. The profit bonus system was discontinued and the company adopted a performance bonus program which covers the entire Finnish personnel. Employees may invest the performance bonus in the personnel fund or withdraw the bonus in cash. The long-term goal of the funding system is that the personnel will become a significant shareholder group in the company. All persons working at Aspo Group's Finnish companies are members of the personnel fund.

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. In 2011 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 period the loan amounted to EUR 2,934,750.40. In October 2013, Aspo Management Oy purchased 10,000 Aspo Plc shares, after which the company owns a total of 509,612 Aspo shares. The plan was not dissolved in line with the original scheme in spring 2014. According to the shareholder agreement, 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 2012, Aspo’s Board of Directors decided on a 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) key figure 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 share bonus was paid for the 2012 vesting period since Aspo's result remained below the targeted level. The Aspo Plc has transferred 19,492 Aspo company-held shares to employees included in the share-based incentive plan for the 2013 vesting period.

SHARE CAPITAL AND SHARES

Aspo Plc's share capital on June 30, 2014 was EUR 17,691,729.57 and the total number of shares was 30,975,524 of which the company held 164,399 shares; that is, 0.5% 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 January-June 2014, a total of 2,211,693 Aspo Plc shares with a market value of EUR 13.0 million were traded on NASDAQ OMX Helsinki, in other words, 7.1% of the stock changed hands. During the period, the stock reached a high of EUR 6.47 and a low of EUR 5.21. The average price was EUR 5.88 and the closing price at period-end was EUR 6.05. At the end of the period, the market value excluding treasury shares was EUR 186.4 million.

The number of Aspo Plc shareholders was 8,156 at period-end. A total of 524,719 shares, or 1.7% of the share capital, were nominee registered or held by non-domestic shareholders.

Flagging notification

Aatos Vehmas announced on January 23, 2014 that his holdings have decreased below 5% of the voting rights and share capital of Aspo Plc. According to the notification the shares have been transferred as part of an internal arrangement of Vehmas family's ownership.

DECISIONS AT THE ANNUAL SHAREHOLDERS' MEETING

Dividend

The Aspo Plc Annual Shareholders' Meeting on April 3, 2014 adopted the Board of Directors' proposal for payment of a dividend amounting to EUR 0.21 per share. The payment date was April 15, 2014.

Board of Directors and Auditor

The Annual Shareholders' Meeting of Aspo Plc re-elected Matti Arteva, Mammu Kaario, Roberto Lencioni, Gustav Nyberg, Kristina Pentti-von Walzel and Risto Salo to the Board of Directors for a one-year term. 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 Mammu Kaario and Kristina Pentti-von Walzel as committee members.

The authorized public accounting firm Ernst & Young Oy was elected as company auditor.

Board authorizations

Authorization of the Board of Directors to decide on the acquisition of treasury 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's 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 2015 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 10, 2013.

Authorization of the Board to decide on a share issue of the treasury shares

The Annual Shareholders’ Meeting in 2012, 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.

Aspo’s Board of Directors has used its authorization during the review period as the company transferred 19,492 treasury shares related to the share-based incentive plan.

Authorization of the Board to decide on a rights issue

The Annual Shareholders’ Meeting in 2012, 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 may not exceed 1,500,000. The authorization is valid until September 30, 2015.

EVENTS AFTER THE REVIEW PERIOD

Kaukomarkkinat announced on July 16, 2014 that it had sold its frequency converter business to Vacon Plc. The business includes the import, export, and maintenance operations of frequency converters and related equipment in Poland. The sales profit from the deal will not make a significant impact on the results of Kaukomarkkinat or Aspo. The goal is to complete the deal on September 1, 2014.

Aspo amended its guidance on August 4, 2014 due to strong profit development. New guidance: Aspo's operating profit will increase significantly in 2014 compared to 2013 and amount to EUR 17–20 million (operating profit for 2013: EUR 10.8 million).

OUTLOOK FOR 2014

Uncertainty in the global economy has continued. Uncertainty in Europe has been increased by the continued political conflict between Russia and Ukraine, which has significantly increased the regional risks in Russia, Ukraine, and other CIS countries. Economic recession has continued in Finland, which has decreased the volume of industrial production. The Scandinavian and Baltic markets have been normal during the review period. International sea freight rates are expected to remain low during the rest of the year, while freight volumes on the Baltic Sea are expected to increase year-on-year.

Aspo's operating profit will increase significantly in 2014 compared to 2013 and amount to EUR 17–20 million (operating profit for 2013: EUR 10.8 million).

ESL Shipping

During the remainder of the year, the transport volumes of the steel industry are predicted to be higher than in the previous year, and the capacity of both pusher-barge system can employed starting in August. In the energy industry, coal transports to combined heat and power plants will continue as planned, but the coal needs of condensate plants during the remainder of 2014 will depend on the price competitiveness of energy produced with coal, the demand for electricity and its market price, and the volume of Nordic water reserves. The loading and unloading service for large vessels taking place at sea is expected to continue at a normal level.

ESL Shipping will continue its work to expand the company's operating area and has signed the first contracts on transports in Russia's Arctic areas. The international freight market for large vessels will continue to be weak.

The shipping company and ABG Shipyard in India have been 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. The negotiations have not proceeded in the way the shipping company had hoped, and therefore the shipping company will commence legal proceedings against ABG Shipyard. Preparations for the legal process are underway. It is estimated that this will not make a significant impact on this year’s results of ESL Shipping.

In 2014, all of the company's vessels that do not yet meet the provisions of the sulfur directive will be converted according to the provisions through vessel-specific measures. The vessels will be converted to be suitable for low-sulfur diesel fuel, while also retaining the possibility to use heavy oil in regions where this is allowed. At the same time, alterations improving energy efficiency will also be performed. During 2014, two more vessel units will be docked as planned.

Leipurin

The volumes of bakery products will increase and profitability will improve. Leipurin estimates that Russia's ban on food imports or the EU and U.S. sanctions in force for the time being will not, according to current knowledge, have significant impact on Leipurin's operations. Organic growth is expected to continue, particularly in the eastern markets: Russia, Kazakhstan, Belarus, and Ukraine. Demand boosted by the healthier and more diverse bread supply and rapidly developing retail will increase sales. The urgent need to modernize the eastern bakery industry will provide opportunities for increasing machine sales over the long term. Total demand will continue at the current level in Finland, the Baltic countries, and Poland. Frozen bread imported to Finland will continue to decrease the total volume of industrially baked bread. The demand for bakery products in other distribution channels, such as in-shop bakeries in the retail sector, will increase, and new product innovations are being developed for cafeteria and fast food chains, for example. The order book for bakery machines is normal for the period. Leipurin's operating profit will increase year-on-year in 2014.

Telko

The prices of raw materials sold by Telko are expected to remain unchanged or decrease from the level of the second quarter during the remainder of the year. However, the price development of raw materials is considerably uncertain due to the impact of political crises on oil prices. In Finland, the general economic situation is expected to remain weak. Uncertainty over future economic development has continued in Russia, Ukraine, and other CIS countries. Telko will continue its operations in Russia in accordance with its strategy by expanding into new large cities and will considerably increase direct sales to industrial customers in industrial chemicals as well, which will decrease the share of resellers of total sales. The volumes can decrease in industrial chemicals while proportional profitability will improve. Investigations into a logistics terminal investment in the St. Petersburg region has proceeded and will continue as planned. The relative share of technical plastics and industrial lubricants of Telko's overall sales will be sought to be increased in all Telko market areas. Telko is investigating expansion opportunities in technical plastics in Poland, the Czech Republic, and Slovakia.

Kaukomarkkinat

The aim of Kaukomarkkinat is to further increase the supply of energy-efficient building technology in Finland. Kaukomarkkinat provides comprehensive solutions for heating with various heat pumps and solar energy, as well as systems for heat recovery, distribution, and heating control. The demand for cooling solutions is expected to grow, even though the general construction volume has declined. According to long-term estimates, the role of energy efficiency will be even more emphasized in building regulations, and the taxable energy price paid by consumers will increase further, which will increase the sale of energy-efficiency equipment. The sales of reinforced computers are estimated to increase through the introduction of new competitive products. The field of medical IT systems offers potential for growth. Kaukomarkkinat will operate with a more efficient organization in Finland. Costs that have lowered since 2013 and productive sales will allow profitability to improve significantly. The suitability of business operations outside Finland for Kaukomarkkinat's new strategy will be assessed during 2014.

Helsinki August 18, 2014

ASPO Plc

Board of Directors

ASPO GROUP INCOME STATEMENT

	4-6/2014 MEUR	%	4-6/2013 MEUR	%
Net sales	122.7	100.0	123.6	100.0
Other operating income	0.2	0.2	0.0	0.0
Depreciation and write-downs	-2.9	-2.4	-2.8	-2.3
Operating profit	6.3	5.1	1.5	1.2
Financial income and expenses	-1.3	-1.1	-1.1	-0.9
Profit before taxes	5.0	4.1	0.4	0.3
Profit for the period	5.5	4.5	0.7	0.6
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Translation differences	0.2		-1.7	
Cash flow hedges	-0.1		0.3	
Income tax on other comprehensive income	0.0		-0.1	
Other comprehensive income for the period, net of taxes	0.1		-1.5	
Total comprehensive income	5.6		-0.8	
Profit attributable to shareholders	5.5		0.7	
Non-controlling interest	0.0		0.0	
Total comprehensive income attributable to shareholders	5.6		-0.8	
Non-controlling interest	0.0		0.0	
Earnings per share, EUR	0.17		0.02	
EPS adjusted for dilution, EUR	0.16		0.03	

	1-6/2014		1-6/2013		1-12/2013	
	MEUR	%	MEUR	%	MEUR	%
Net sales	230.7	100.0	235.9	100.0	476.3	100.0
Other operating income	0.2	0.1	0.3	0.1	0.8	0.2
Depreciation and write-downs	-5.6	-2.4	-5.6	-2.4	-10.8	-2.3
Operating profit	10.1	4.4	2.4	1.0	10.8	2.3
Financial income and expenses	-2.5	-1.1	-1.9	-0.8	-4.1	-0.9
Profit before taxes	7.6	3.3	0.5	0.2	6.6	1.4
Profit for the period	7.9	3.4	0.9	0.4	8.6	1.8
Other comprehensive income						
Other comprehensive income to be reclassified to profit or loss in subsequent periods						
Translation differences	-4.1		-1.2		-2.8	
Cash flow hedges	-0.1		0.3		0.3	
Income tax on other comprehensive income	0.0		-0.1		-0.1	
Other comprehensive income for the period, net of taxes	-4.2		-1.0		-2.6	
Total comprehensive income	3.7		-0.1		6.0	
Profit attributable to shareholders	7.9		0.9		8.6	
Non-controlling interest	0.0		0.0		0.0	
Total comprehensive income attributable to shareholders	3.7		-0.1		6.0	
Non-controlling interest	0.0		0.0		0.0	
Earnings per share, EUR	0.24		0.03		0.28	
EPS adjusted for dilution, EUR	0.24		0.04		0.30	

ASPO GROUP BALANCE SHEET

	6/2014 MEUR	6/2013 MEUR	Change %	12/2013 MEUR
Assets				
Non-current assets				
Intangible assets	12.7	14.2	-10.6	13.2
Goodwill	45.2	45.3	-0.2	45.3
Tangible assets	113.7	105.2	8.1	103.4
Available-for-sale assets	0.2	0.2	0.0	0.2
Long-term receivables	4.1	3.1	32.3	4.2
Shares in associated companies	0.0	2.0	-100.0	2.2
Total non-current assets	175.9	170.0	3.5	168.5
Current assets				
Inventories	48.5	48.7	-0.4	47.8
Sales and other receivables	69.3	69.5	-0.3	57.7
Cash and bank deposits	18.6	19.3	-3.6	28.5
Total current assets	136.4	137.5	-0.8	134.0
Assets classified as held for sale	0.4			
Total assets	312.7	307.5	1.7	302.5
Shareholders' equity and liabilities				
Shareholders' equity				
Share capital	17.7	17.7	0.0	17.7
Other shareholders' equity	81.8	59.1	38.4	84.9
Shareholders' equity attributable to equity holders of the parent	99.5	76.8	29.6	102.6
Non-controlling interest	0.7	0.7	0.0	0.7
Long-term liabilities	87.0	100.8	-13.7	93.8
Short-term liabilities	125.4	129.2	-2.9	105.4
Liabilities classified as held for sale	0.1			
Total shareholders' equity and liabilities	312.7	307.5	1.7	302.5

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

A = Share capital
B = Premium fund
C = Fair value fund
D = Other funds
E = Repurchased shares
F = Translation difference
G = Retained earnings
H = Total
I = Non-controlling interest
J = Total shareholders' equity

MEUR	A	B	C	D	E	F	G	H	I	J
Balance at 31.12.2013	17.7	4.3	-0.6	33.7	-4.3	-3.3	55.1	102.6	0.7	103.3
Comprehensive income:										
Profit for the period							7.9	7.9		
Translation difference						-4.1		-4.1		
Cash flow hedge, net of taxes			-0.1					-0.1		
Total comprehensive income			-0.1			-4.1	7.9	3.7		
Transactions with owners:										
Conversion of convertible capital loan				0.0				0.0		
Repayment of convertible capital loan				-1.7			1.7	0.0		
Dividend payment							-6.4	-6.4		
Interest on hybrid instrument,net of taxes							-0.7	-0.7		
Share-based payment					0.2		0.1	0.3		
Total transactions with owners				-1.7	0.2		-5.3	-6.8		
Balance at 30.6.2014	17.7	4.3	-0.7	32.0	-4.1	-7.4	57.7	99.5	0.7	100.2
Balance at 31.12.2012	17.7	4.3	-0.8	13.7	-4.2	-0.5	59.3	89.5	0.7	90.2
Comprehensive income:										
Profit for the period							0.9	0.9		
Translation difference						-1.2		-1.2		
Cash flow hedge, net of taxes			0.2					0.2		
Total comprehensive income			0.2			-1.2	0.9	-0.1		
Transactions with owners:										
Dividend payment							-12.7	-12.7		
Share-based payment							0.1	0.1		
Total transactions							-12.6	-12.6		
Balance at 30.6.2013	17.7	4.3	-0.6	13.7	-4.2	-1.7	47.6	76.8	0.7	77.5

ASPO GROUP CASH FLOW STATEMENT

	1-6/2014 MEUR	1-6/2013 MEUR	1-12/2013 MEUR
OPERATIONAL CASH FLOW			
Operating profit	10.1	2.4	10.8
Adjustments to operating profit	5.9	6.0	10.9
Change in working capital	-15.4	-3.7	0.3
Interest paid	-2.1	-1.3	-3.8
Interest received	0.2	0.2	0.5
Taxes paid	-1.0	-1.1	-2.7
Total operational cash flow	-2.3	2.5	16.0
INVESTMENTS			
Investments in tangible and intangible assets	-14.8	-1.3	-3.6
Gains on the sale of tangible and intangible assets		0.2	0.4
Purchases of subsidiary shares	-0.3	-0.3	-0.3
Disposal of associated companies	2.2		
Total cash flow from investments	-12.9	-1.4	-3.5
FINANCING			
Change in short-term borrowings	2.4	-4.2	-21.0
Change in long-term borrowings	9.8	14.0	8.9
Hybrid instrument			20.0
Share repurchase			-0.1
Dividends paid	-6.4	-12.7	-12.7
Total financing	5.8	-2.9	-4.9
Increase / Decrease in liquid funds	-9.4	-1.8	7.6
Liquid funds in beginning of year	28.5	21.4	21.4
Translation difference	-0.5	-0.3	-0.5
Liquid funds at period end	18.6	19.3	28.5

ACCOUNTING PRINCIPLES AND FINANCIAL REPORTING

Aspo Plc’s interim report has been prepared in accordance with the principles of IAS 34 Interim Financial Reporting. As of 1 January 2014, Aspo applies certain new or amended IFRS standards and IFRIC interpretations as described in the 2013 financial statements. The adoption of these new or amended standards has not had any substantial impact on the reported figures. In this financial period, Aspo has reclassified the internal long-term loans belonging to the Telko segment of Telko's subsidiary in Kazakhstan as net investments into international operations under IAS 21. A corresponding principle has been applied since 2011 to the long-term loans of Telko's Belarusian and Ukrainian subsidiary. In other respects, the same accounting principles have been adopted in the interim report as in the Financial Statements on December 31, 2013. The calculation principles of key figures are explained on page 98 of the 2013 Annual report. The information in this report is unaudited.

PRESS AND ANALYST CONFERENCE

A press and analyst conference will be arranged today, Monday August 18, 2014 at 13.30 at the Akseli Gallen-Kallela cabinet at Hotel Kämp, Pohjoisesplanadi 29, 00100 Helsinki.

FINANCIAL INFORMATION IN 2014

Aspo Plc will publish the following Interim Report in 2014:
for the third quarter on October 28, 2014.

Helsinki August 18, 2014

ASPO Plc

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