ASPO GROUP HALF YEAR FINANCIAL REPORT, JANUARY 1 TO JUNE 30, 2019

Operating profit for January–June decreased; the second half of the year is expected to be strong

(Figures from the corresponding period in 2018 are presented in brackets.)

January–June 2019

- Aspo's net sales increased and were EUR 292.7 (248.0) million.
- Operating profit decreased and was EUR 9.0 (10.8) million.
- Profit for the period increased and stood at EUR 7.5 (7.4) million.
- Earnings per share remained unchanged at EUR 0.22 (0.22).
- The operating profit of ESL Shipping was EUR 5.8 (6.9) million, Leipurin EUR 1.1 (1.7) million and Telko EUR 4.7 (4.8) million.
- Net cash from operating activities was EUR 14.6 (-1.2) million.

April–June 2019

- Aspo's net sales increased and were EUR 151.2 (132.7) million.
- Operating profit decreased and was EUR 4.1 (7.1) million.
- Profit for the period decreased and stood at EUR 4.0 (5.4) million.
- Earnings per share decreased to EUR 0.12 (0.17).
- The operating profit of ESL Shipping was EUR 2.6 (4.3) million, Leipurin EUR 0.6 (0.9) million and Telko EUR 2.3 (3.2) million.
- Net cash from operating activities was EUR 12.7 (0.0) million.

The adoption of IFRS 16 Leases standard has an impact on the comparability of Aspo's key figures and financial statement calculations. Furthermore, the administrative court's decision to reduce the tax increase imposed on Telko in 2015 mainly increased the financial income and improved the earnings per share by five cents.

Aspo's guidance for 2019

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

The guidance was altered on August 1, 2019. The earlier guidance for Aspo's operating profit in 2019 was EUR 28–33 million.

General outlook for 2019

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

KEY FIGURES

	4-6/2019	4-6/2018	Change,%	**1-6/2019**	1-6/2018	Change,%	1-12/2018
Net sales, MEUR	**151.2**	132.7	13.9	**292.7**	248.0	18.0	540.9
Operating profit, MEUR *)	**4.1**	7.1	-42.3	**9.0**	10.8	-16.7	20.6
Operating profit, %	**2.7**	5.4		**3.1**	4.4		3.8
Profit before taxes, MEUR	**4.4**	6.1	-27.9	**8.3**	8.6	-3.5	16.4
Profit for the period, MEUR	**4.0**	5.4	-25.9	**7.5**	7.4	1.4	14.2
Earnings per share, EUR **)	**0.12**	0.17	-29.4	**0.22**	0.22	0.0	0.42
Net cash from operating activities, MEUR	**12.7**	0.0	-	**14.6**	-1.2	1316.7	20.3
Equity per share, EUR				**3.61**	3.52		3.75
Return on equity, % (ROE)				**13.1**	13.5		12.4
Equity ratio, %				**26.0**	32.7		29.5
Gearing, %				**196.1**	118.6		154.4
ESL Shipping, operating profit, MEUR	**2.6**	4.3	-39.5	**5.8**	6.9	-15.9	15.1
Leipurin, operating profit, MEUR	**0.6**	0.9	-33.3	**1.1**	1.7	-35.3	3.3
Telko, operating profit, MEUR *)	**2.3**	3.2	-28.1	**4.7**	4.8	-2.1	7.4

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

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

“The second quarter was less positive regarding operating profit. The strong growth of Aspo’s net sales and its solid cash flow were in line with our expectations, but the operating profit for the second quarter was reduced by several unpredictable external factors. However, we expect the financial results to improve considerably during the second half of the year in all businesses, and believe that 2019 will be a record year with respect to operating profit, cash flow from operations and earnings per share.

Our shipping company business, traditionally a strong financial performer, fell considerably short of the operating profit of the comparative period. The largest Supramax vessels made a loss during the second quarter due to the weak market situation and realized freight volumes. During the review period, the main customer base of the shipping company experienced process-related challenges, in addition to which their raw material suppliers had interruptions in their deliveries and equipment breakages. The steel industry’s transport volumes fell considerably short of the comparative period’s figures, which reduced the operative efficiency and profitability of the shipping company business. Because the transport volumes were smaller than forecast, ESL Shipping docked vessels earlier than planned during the second quarter. The cranes of new LNG-fueled vessels have operated normally after the challenges in the beginning of the year, and the vessels as well as the acquisition of AtoB@C have had a positive impact on both the shipping company’s net sales and operating profit. It is essential from the perspective of the shipping company business that the earnings potential has not weakened, and we expect strong financial results for the second half of the year.

Leipurin developed well in bakery raw materials, but the financial results fell short of the comparative period due to the cyclical nature and losses of the machinery business. As a distributor holding inventory, Telko has suffered from decreasing raw material prices and smaller sales margins.

Russia and other eastern markets are important business areas for Aspo, and both Telko and Leipurin increased their net sales in the East. As a whole, the net sales of Aspo's market area of Russia, other CIS countries and Ukraine decreased slightly, because ESL Shipping exceptionally had no net sales in Russia when the iron pellet deliveries to Europe were on hold. The pellet deliveries have since started again."

ASPO GROUP

NET SALES

Net sales by segment

	4-6/2019 MEUR	4-6/2018 MEUR	Change %	**1-6/2019 MEUR**	1-6/2018 MEUR	Change %	1-12/2018 MEUR
ESL Shipping	**42.6**	22.6	88.5	**86.3**	43.1	100.2	120.1
Leipurin	**28.0**	31.2	-10.3	**53.9**	61.4	-12.2	121.0
Telko	**80.6**	78.9	2.2	**152.5**	143.5	6.3	299.8
Other operations	**0.0**	0.0	-	**0.0**	0.0	-	0.0
Total	**151.2**	132.7	13.9	**292.7**	248.0	18.0	540.9

There is no considerable inter-segment net sales.

Net sales by market area

	4-6/2019 MEUR	4-6/2018 MEUR	Change %	**1-6/2019 MEUR**	1-6/2018 MEUR	Change %	1-12/2018 MEUR
Finland	**51.9**	39.6	31.1	**100.8**	77.4	30.2	175.7
Scandinavia	**22.7**	14.3	58.7	**42.0**	26.1	60.9	62.0
Baltic countries	**14.2**	16.8	-15.5	**28.0**	32.7	-14.4	60.6
Russia, other CIS countries + Ukraine	**44.5**	46.2	-3.7	**82.4**	78.8	4.6	171.9
Other countries	**17.9**	15.8	13.3	**39.5**	33.0	19.7	70.7
Total	**151.2**	132.7	13.9	**292.7**	248.0	18.0	540.9

ESL Shipping's acquisition of AtoB@C in 2018 increased net sales, especially in Scandinavia and Finland. Finland has become Aspo's largest market area. Sales in the market area of Russia, other CIS countries and Ukraine decreased by 4% due to the decreased net sales of the shipping company in Russia.

EARNINGS

Operating profit by segment

	4-6/2019 MEUR	4-6/2018 MEUR	Change %	**1-6/2019 MEUR**	1-6/2018 MEUR	Change %	1-12/2018 MEUR
ESL Shipping	**2.6**	4.3	-39.5	**5.8**	6.9	-15.9	15.1
Leipurin	**0.6**	0.9	-33.3	**1.1**	1.7	-35.3	3.3
Telko *)	**2.3**	3.2	-28.1	**4.7**	4.8	-2.1	7.4
Other operations	**-1.4**	-1.3	-7.7	**-2.6**	-2.6	0.0	-5.2
Total *)	**4.1**	7.1	-42.3	**9.0**	10.8	-16.7	20.6

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

The adoption of IFRS 16 Leases standard on January 1, 2019, improved the Group's operating profit, as, for example, the share of interest previously recognized in leasing expenses is now recognized in financial expenses.

Earnings per share

In January–June 2019, earnings per share were EUR 0.22 (0.22). Equity per share was EUR 3.61 (3.52).

The administrative court's decision on April 2, 2019, to reduce the EUR 1.7 million tax increase imposed on Telko in 2015 to approximately EUR 60,000 improved earnings per share for the review period by approximately five cents.

Financial targets

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

The operating profit rate for January–June 2019 was 3.1% (4.4), return on equity was 13.1% (13.5), and gearing was 196.1% (118.6). The comparability of gearing is affected by the adoption of IFRS 16 Leases standard referred to above, as it increased the company's gearing by some 30 percentage points at the date of transition.

OUTLOOK FOR 2019

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

The prices of production raw materials important to Aspo have decreased. In general, the prices are expected to remain low in 2019. Dry bulk freight rates in sea transportation that are important to ESL Shipping dropped steeply during the first six months of the year, but took an upward turn at the end of the review period and are expected to remain better than during the first half of the year.

ASPO’S BUSINESS OPERATIONS

ESL SHIPPING

ESL Shipping is the leading dry bulk cargo company in the Baltic Sea region.

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

	4-6/2019	4-6/2018	Change,%	**1-6/2019**	1-6/2018	Change,%	1-12/2018
Net sales, MEUR	**42.6**	22.6	88.5	**86.3**	43.1	100.2	120.1
Operating profit, MEUR *)	**2.6**	4.3	-39.5	**5.8**	6.9	-15.9	15.1
Operating profit, %	**6.1**	19.0		**6.7**	16.0		12.6

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

ESL Shipping’s operating profit for the second quarter fell considerably short of the previous year’s figure and was EUR 2.6 (4.3) million. The operating profit was reduced especially by the financial result of Supramax vessels. This was one million euros weaker than in the comparative period due to the absence of significant contract volumes and the significant decrease of market cargo prices from the comparative period. During the second quarter, the shipping company’s Supramax vessels sailed between third countries, both on spot markets and time-chartered, and turned an operating loss of approximately EUR 0.5 million. The operating profit was increased by the efficiency of the new LNG-fueled vessels and the earnings of shipping company AtoB@C. The operating profit rate for the period was 6.1% (19.0) which is low considering the long-term target.

The net sales of ESL Shipping in the second quarter increased from the comparative period by 89% to EUR 42.6 (22.6) million. The impact of the acquisition on the increase in net sales was EUR 20.3 million. The cargo volume carried by ESL Shipping in the second quarter amounted to 4.0 (3.2) million tons. The fact that the customers’ transport volumes remained lower than expected and were postponed reduced the comparable transport volume by approximately 0.3 million tons.

During the second quarter, the shipping company’s vessels mainly operated in contract traffic in the Baltic Sea and in Northern Europe, and performed loading and unloading operations at sea. Transportation operations in the Baltic Sea and the North Sea are mainly based on long-term customer agreements and established customer relationships. Prevailing weather conditions have mainly been typical considering the time of the year.

During the review period, the general international freight rates for dry bulk cargo remained clearly lower than a year ago. The freight markets for the largest dry bulk cargo vessels started strengthening at the very end of the review period.

The steel industry’s transport volumes decreased from the comparative period, particularly due to the total absence of Russian iron pellet transports to Europe. The annual maintenance outages of industrial plants took longer than planned during the second quarter, which reduced the transport volumes and resulted in a poor balance of raw material transports. There were exceptionally long waiting times, totaling 50 days, in certain harbors due to small cargo volumes, shortage of resources in harbor operations and overlapping vessel traffic. These waiting times decreased profitability.

The demand for loading and unloading operations for large ocean liners at sea was lower during the second quarter than in the comparative period, but picked up toward the end of the period. In the energy industry, the transport volumes of coal to markets other than Finland increased from the comparative period. The actual transport volumes of biofuels were lower than forecast. The transport volumes of forest industry products reflected the uncertainty of global markets, and the volumes fell short of the forecast. Following the acquisition, the transport volumes in other customer sectors increased from the comparative period, although the market situation deteriorated during the review period as summer was approaching.

During the second quarter, two (0) vessels of the larger category were docked, and the docking of a third was initiated. Docking operations scheduled for the second half of the year were brought forward due to the situation in demand and contracts. The other push barge system was docked and maintained for three weeks as planned. The total impact of docking operations and maintenance outages on operating profit was approximately EUR 0.5 million. The cranes of the new LNG-fueled vessels have operated normally. The warranty repairs will be completed early in the third quarter.

During the review period, shipping company AtoB@C announced that it will start providing harbor towing and associated services at the Raahe harbor starting from August.

The net sales of ESL Shipping in January–June doubled from the comparative period to EUR 86.3 (43.1) million. The impact of the acquisition on the increase in net sales was EUR 40.2 million. The operating profit decreased by 16% to EUR 5.8 (6.9) million.

Since the review period, ESL Shipping has initiated actions for merging its Swedish shipping companies into a single company, with the aim of switching to the Swedish tonnage tax system regarding the AtoB@C business from the beginning of 2020.

Outlook for ESL Shipping for 2019

The shipping company’s vessel capacity increased significantly as a result of the AtoB@C acquisition and the completion of its two new vessels. The increase in capacity will enable the company to improve its operational efficiency and profitability during the second half of the year when there is typically a shortage of vessel capacity. The raw material transport volumes forecast for the second half of the year are approximately one-fourth higher than during the first half of the year.

Economic growth will slow down in the shipping company’s main market areas. Actions directed at international free trade, an increase in political risks and decelerating economic growth in China will have an impact on global flows of goods. The vessel capacity in the vessel categories operated by the shipping company will increase slowly, and the availability of leased high-quality vessels may be limited, particularly in the smaller vessel category that supports the shipping company’s operations.

The development of cargo markets during the latter part of the year will have the biggest impact on the performance of the shipping company’s largest Supramax vessels. These vessels are chartered on special markets for Arctic traffic in the autumn, and the financial result of the vessels is expected to be positive for the second half of the year. The market freight rates have developed favorably during the first weeks of the third quarter.

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

Demand for loading and unloading operations for large ocean liners at sea, a segment important to the shipping company, is expected to return to a good level during the second half of the year. The volume of contract transports by the shipping company's smaller vessel category is expected to be satisfactory, but the spot market situation of supplementary flows of goods is not estimated to be as good as in the previous year.

The testing of the autonomous crane system of newly built vessels has been postponed to the third quarter due to the warranty repairs of cranes. The regular docking of one vessel of the larger category will be completed during the third quarter, and one or two smaller vessels will be docked. In addition, the docking of time-chartered vessels will affect the available vessel capacity. The content of the time-chartering portfolio will be reviewed, if necessary, in accordance with any changes in the focus areas of customer demand.

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

ESL Shipping has an option to acquire M/S Alppila in August 2019 in accordance with the terms and conditions of a lease agreement signed in 2011.

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

LEIPURIN

Leipurin provides solutions particularly for bakery customers and chain customers in the foodservice business, and partly to other food industries and the retail trade. Leipurin's business is divided into three areas: the bakery business, the machinery business and the latest addition, the foodservice business. The solutions offered by the bakery business include, among other things, product range development, recipes, raw materials and training. As part of its machinery business, Leipurin designs, delivers and maintains production lines for the baking industry, baking units and other machinery and equipment required in the food industry. In the foodservice business, Leipurin's offering includes procurement and logistics services, as well as branded concepts. Leipurin uses leading international producers and manufacturers as its raw material and machinery supply partners. Leipurin operates in Finland, Russia, the Baltic countries, Ukraine, Kazakhstan and Belarus.

	4-6/2019	4-6/2018	Change,%	**1-6/2019**	1-6/2018	Change,%	1-12/2018
Net sales, MEUR	**28.0**	31.2	-10.3	**53.9**	61.4	-12.2	121.0
Operating profit, MEUR	**0.6**	0.9	-33.3	**1.1**	1.7	-35.3	3.3
Operating profit, %	**2.1**	2.9		**2.0**	2.8		2.7

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

The consumer market trends important for Leipurin's business opportunities i.e. increasing popularity of out-of-home eating, eating snacks and the consumption of pastries, continued. The market for industrially packed bread continues to decrease in the west, whereas the market for in-store bakeries and baking units has continued to increase. This presents challenges in the operations of industrial and artisanal bakeries. In Russia, the market for in-store bakeries and the consumption of pastries are growing, while bread consumption is still slowly decreasing, and the consumption of less expensive types of bread has increased due to consumers' weakened purchasing power.

Leipurin's net sales in the second quarter decreased from the comparative period to EUR 28.0 (31.2) million. Operating profit decreased to EUR 0.6 (0.9) million. The operating profit rate during the second quarter was 2.1% (2.9). Net sales in the market area of Russia, other CIS countries and Ukraine increased by approximately 16% to EUR 9.0 (7.7) million, and the operating profit rate was approximately 9% (8).

Net sales of the bakery business, representing over 80% of Leipurin's total net sales, increased slightly during the second quarter, and operating profit improved from the comparative period. In the eastern markets, the bakery business's net sales grew by 11% in the second quarter, amounting to EUR 8.3 (7.5) million. Growth was particularly good in Ukraine. In Russia, ruble-denominated net sales increased by approximately 8%. The operating profit rate of the bakery business in the market area of Russia, other CIS countries and Ukraine was approximately 9% (7). In western markets, net sales remained close to the level of the comparative period in spite of the fact that the bakery business in Poland was discontinued. Operating profit was also better than in the comparative period. In Finland, net sales fell slightly short of the comparative period's level, mainly due to bakery customers who discontinued their operations.

The new foodservice business, which has so far mainly concentrated on the Finnish market, represented approximately 5% of Leipurin's total net sales in the second quarter. Net sales of the foodservice business increased from the comparative period, but the business still made a loss due to its stage of development. Major resources were invested during the review period to develop the new business model and prepare for its launch.

A strong cyclical nature is typical of the machinery business due to the timing of project deliveries. Net sales of the machinery business fell by more than 50% due to the timing of project deliveries in Leipurin's own machine production and the timing of deliveries of principal equipment. The machinery business was loss-making and fell considerably short of the very strong quarter in the comparative period.

Leipurin's net sales in January-June decreased from the comparative period to EUR 53.9 (61.4) million. Operating profit decreased to EUR 1.1 (1.7) million. The operating profit rate for January-June was 2.0% (2.8). Net sales in the market area of Russia, other CIS countries and Ukraine increased by approximately 9% to EUR 17.3 (15.9) million, and the operating profit rate was approximately 8% (7).

Outlook for Leipurin for 2019

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

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

The foodservice market is a new area of growth for Leipurin. Leipurin will continue to invest in the foodservice market, particularly in Finland and more extensively in the western markets, where Leipurin is responding, for example, to the growing demand for cafeteria chains and bakery cafés. The development of Leipurin's foodservice offering aims to create new business models and services that will help Leipurin and its customers succeed in the growing foodservice market. The launch of the new business model in Finland is expected to take place during the second half of the year.

In the machinery business, the bakeries and food industry are expected to maintain their current equipment investment level in Finland and the Baltic countries. A moderate increase in investments is expected in Russia. For Leipurin's own machine production, the expansion of sales to new export markets and expansion of the procurement network will be enhanced. In addition, the development of manufacturing and installation lead times will continue. In machinery operations, the high fluctuation in net sales and profitability will continue due to the nature of the operations. At the end of the review period, the order book mainly contains orders for the last quarter of 2019, and the operating profit of the machinery business for the whole year will be lower than in the comparative year. The increase in Leipurin's own machine production would require increased industrial investments in Leipurin's home markets and a successful increase in exports in other market areas, particularly in Europe.

Leipurin is aiming for an operating profit of EUR 7 million and an operating profit rate of 5% in 2022.

TELKO

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

	4-6/2019	4-6/2018	Change,%	**1-6/2019**	1-6/2018	Change,%	1-12/2018
Net sales, MEUR	**80.6**	78.9	2.2	**152.5**	143.5	6.3	299.8
Operating profit, MEUR *)	**2.3**	3.2	-28.1	**4.7**	4.8	-2.1	7.4
Operating profit, %	**2.9**	4.1		**3.1**	3.3		2.5

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

The operating environment of Telko basically remained unchanged, although the economic growth in eastern markets showed signs of slowing down, particularly in Ukraine. The slowing of economic growth and increasing uncertainty were reflected e.g. in a decrease in the prices of raw materials sold by Telko, intensifying price competition and more cautious purchases by customers.

The prices of raw materials for volume plastics increased slightly from the previous quarter, but were lower than in the comparative period. The average prices of chemicals decreased by roughly 2% from the previous quarter, being approximately 6% lower than during the comparative period. The decreasing prices have slowed down the growth of Telko's net sales.

Net sales of the Telko segment increased by 2% during the second quarter to EUR 80.6 (78.9) million. Operating profit for the second quarter was EUR 2.3 (3.2) million. The operating profit rate was 2.9% (4.1). The sales volume increase was higher than the increase in net sales, given that the price level of the products sold was lower than in the comparative period. Telko's net sales in the eastern markets, i.e. Russia, Ukraine and other CIS countries, increased slightly to EUR 35.5 (35.3) million. Net sales in the western markets increased by 5% to EUR 43.1 (41.1) million.

Net sales of plastic operations increased by 2% to EUR 40.5 (39.6) million. Profitability of the plastic business decreased compared to the comparative period. Profitability was affected by decreasing raw material prices, because the company is a distributor holding inventory. Net sales of the chemicals business decreased by 2% to EUR 31.4 (32.1) million. Profitability decreased from the comparative period. Decreasing prices always mean lower relative profitability. Inventory levels were exceptionally high at the beginning of the year, and this has had a negative effect on profitability during the first half of the year. Net sales of Kauko increased by 21% to EUR 8.7 (7.2) million.

Operating profit for the second quarter was EUR 2.3 (3.2) million. Operating profit rate did not develop as targeted, as it decreased to 2.9% (4.1). The decrease in operating profit was, among other things, caused by the decrease in raw material prices, as well as the strengthening of the Russian and Ukrainian currencies, with the result that the sales margins of raw materials held in inventory decreased.

Telko's CEO Kalle Kettunen handed in his notice in May, and the costs related to his resignation were recorded in the second quarter. CFO Tomi Tanninen is acting as the temporary CEO of Telko, and Johan Enlund, the CFO of Kauko, was appointed temporary CFO of Telko. The Board of Directors of Telko has initiated the process of recruiting a new CEO.

As part of a more extensive project to enhance the procurement process, the inventory turnover enhancement process initiated early in the year improved the inventory turnover rate during the second quarter by 11% compared to the last quarter of 2018. In future, Telko will concentrate on working capital management, inventory turnover and improving the relative level of profitability of operations.

The administrative court process started by Telko Ltd regarding the tax increase imposed by Finnish Customs ended on June 5, 2019. The administrative court process was related to the goods batches imported by Telko in 2013 and 2014, for which Finnish Customs had imposed a tax increase of EUR 1.7 million. The charges of EUR 1.7 million imposed by Customs were recognized as expenses in 2015. The decision of the administrative court reduced the amount to approximately EUR 60,000. The positive decision improved the operating profit of Telko by approximately EUR 0.2 million, and the financial income of the Group by approximately EUR 1.4 million.

Responsibility is an important element of Telko's strategy, and the company published its first responsibility report during the review period. In addition, Telko was granted ISCC Plus certificate in August, 2019, enabling Telko to offer sustainably produced plastic materials for its customers. With ISCC certified plastics, the customer can be assured that a corresponding amount of fossil raw materials has been replaced with renewable raw materials.

Net sales of the Telko segment increased by 6% during January-June to EUR 152.5 (143.5) million. Operating profit stood at EUR 4.7 (4.8) million. The operating profit rate was 3.1% (3.3).

During January–June, Telko's net sales in the eastern markets, i.e. Russia, Ukraine and other CIS countries, increased by 9% to EUR 64.7 (59.3) million. During January–June, Telko's net sales in the western markets grew by 7% to EUR 84.0 (78.7) million. Net sales of plastic operations increased by 9% to EUR 79.4 (73.0) million. Net sales of the chemical business increased by 3% to EUR 58.3 (56.4) million. Net sales of Kauko increased by 5 percent to EUR 14.8 (14.1) million.

Outlook for Telko for 2019

The general economic situation and industrial production in western markets are expected to deteriorate or remain unchanged. Demand for Telko's products is expected to remain unchanged or decrease. Telko expects the availability of its products to remain high. The prices of volume plastics are expected to decrease. The prices of chemicals are expected to remain stable. Strong changes in the price of crude oil may cause even rapid price fluctuations.

Demand in the eastern markets, important for Telko, is expected to remain unchanged or decrease. The Russian market is expected to develop moderately. The Ukrainian business is important for Telko, and the political and economic problems in the country may affect demand in the area.

Telko's growth is based not only on an increase in general demand, but also on strategic growth measures and expansion in the markets. To improve relative profitability, Telko is concentrating on more efficient implementation of strategic projects and will continue the development of operations and product portfolio. As part of the efficiency measures, the work to develop procurement and working capital management will continue.

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

One of Telko's strategic growth projects involves investing resources in sustainable and environmentally friendly plastic raw materials. Industries that use plastic raw materials are seeking options for conventional raw materials in western markets to find eco-friendlier solutions. This will increase customer interest in Telko's green products. In their product development, major raw material producers invest a lot of resources in alternative bio-based or biodegradable materials. The business is expected to increase especially in the western markets, while customers in the eastern markets are also interested, for example, in raw materials suitable for the production of biodegradable plastics or solvent-free paints.

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

OTHER OPERATIONS

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

	4-6/2019	4-6/2018	Change,%	**1-6/2019**	1-6/2018	Change,%	1-12/2018
Net sales, MEUR	**0.0**	0.0	0.0	**0.0**	0.0	0.0	0.0
Operating profit, MEUR	**-1.4**	-1.3	-7.7	**-2.6**	-2.6	0.0	-5.2

The operating result of other operations during the second quarter stood at EUR -1.4 (-1.3) million, and the cost structure was equal to the comparative period.

FINANCING

The Group's cash and cash equivalents stood at EUR 19.4 (12/2018: 19.3) million at the end of the review period. The consolidated balance sheet included a total of EUR 239.9 million in interest-bearing liabilities (12/2018: EUR 199.4 million). Interest-bearing liabilities on the consolidated balance sheet increased compared with the 2018 financial statements as a result of the adoption of IRFS 16 – Leases. The average interest rate for interest-bearing liabilities, excluding lease liabilities, was 1.5% at the end of the review period (12/2018: 1.6%). Non-interest-bearing liabilities totaled EUR 86.3 million (12/2018: EUR 83.7 million).

Aspo Group's gearing was 196.1% (12/2018: 154.4%) and its equity ratio was 26.0% (12/2018: 29.5%). Following the adoption of IFRS 16 standard at the beginning of 2019, gearing increased, and equity ratio decreased compared to the 2018 financial statements. Compared to the second quarter of 2018, gearing increased as a result of investments in new vessels and the acquisition completed during the second half of the year.

The Group's net cash from operating activities was EUR 14.6 (-1.2) million in the review period. The positive impact of IFRS 16 standard on cash flow from operating activities was EUR 7.0 million. During the review period, the change in working capital was EUR -6.2 (-14.3) million. Cash flow from investing activities totaled EUR -4.9 (-1.5) million. The Group's free cash flow was EUR 9.7 (-2.7) million.

In May, Aspo signed a term loan facility agreement of EUR 15 million with a three-year loan period. In addition, Aspo signed a revolving credit facility agreement in June of EUR 20 million, with a maturity of three years. Both credit agreements were used to replace similar earlier credit agreements.

The amount of committed revolving credit facilities signed between Aspo and its main financing banks was EUR 40 million at the end of the review period. The revolving credit facilities remained fully unused at the end of the review period. EUR 30 million of Aspo's EUR 80 million commercial paper program were in use. In 2019, a total of approximately EUR 35 million in financing agreements will fall due. In addition, ESL Shipping has an option to acquire M/S Alppila in August 2019 in accordance with the terms and conditions of a lease agreement signed in 2011.

On May 27, 2019, Aspo issued a hybrid bond of EUR 25 million. The fixed coupon rate of the bond is 6.75% per annum. The bond has no maturity, but the company may exercise an early redemption option after four years of its issuance.

Aspo has hedged its interest rate risk by means of interest rate swaps. Their fair value on June 30, 2019, was EUR -0.1 million (12/2018: EUR -0.2 million). The financial instruments are on level 2 of the fair value hierarchy.

INVESTMENTS

The Group's investments during the second quarter totaled EUR 1.8 (1.0) million. The investments consisted of maintenance investments and docking of ESL Shipping vessels, and included the replacement of the ballast water system in one of the Supramax class vessels.

Investments by segment, acquisitions excluded

	4-6/2019 MEUR	4-6/2018 MEUR	Change %	**1-6/2019 MEUR**	1-6/2018 MEUR	Change %	1-12/2018 MEUR
ESL Shipping	**1.4**	0.7	100.0	**1.7**	1.1	54.5	41.9
Leipurin	**0.1**	0.2	-50.0	**0.2**	0.2	0.0	0.5
Telko	**0.3**	0.1	200.0	**0.4**	0.3	33.3	0.7
Other operations	**0.0**	0.0	-	**0.1**	0.0	-	0.1
Total	**1.8**	1.0	80.0	**2.4**	1.6	50.0	43.2

PERSONNEL

Personnel by segment, period-end

	6/2019	6/2018	Change,%	12/2018
ESL Shipping	**278**	237	17.3	276
Leipurin	**306**	321	-4.7	323
Telko	**352**	336	4.8	334
Other operations	**29**	25	16.0	25
Total	**965**	919	5.0	958

At the end of the review period, Aspo Group had 965 (919) employees. ESL Shipping's personnel increased as a result of the acquisition of AtoB@C. The number of Telko's employees has increased in Denmark and in several subsidiaries in the eastern markets.

Rewarding

Aspo Group applies a profit bonus system, which was adopted in 2013. The profit bonus system applied to Finnish personnel is linked with the personnel fund so that the bonus can be invested in the personnel fund or withdrawn in cash. The long-term goal of the funding system is that the personnel will become a significant shareholder group in the company. All persons working at Aspo Group's Finnish companies are members of the personnel fund.

Share-based incentive plans 2018–2020

The Board of Directors of Aspo Plc approved three new share-based incentive plans in April 2018 for the Group key employees. The aim of the new plans is to combine the objectives of the shareholders and the key employees in order to increase the value of the company in the long term, to retain the key employees at the company, and to offer them competitive reward plans based on earning and accumulating the company´s shares.

Share-based incentive plan 2018–2020

The share-based incentive plan 2018–2020 includes three earnings periods, the calendar years 2018, 2019 and 2020. The Board of Directors of the company will resolve on the plan's performance criteria and required performance levels for each criterion at the beginning of each earnings period. The potential reward of the plan from the earnings period 2019 will be based on the Group's earnings per share (EPS).

The share-based incentive plan is directed to 16 people, including the members of the Group Executive Committee, during the earnings period 2019. The potential reward from the earnings period 2019 will be paid partly in the company's shares and partly in cash in 2020. The rewards to be paid on the basis of the share-based incentive plan 2018–2020 correspond to the value of a maximum total of 500,000 Aspo Plc shares, also including the proportion to be paid in cash.

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

Executive Committee share-based incentive plan 2018–2020

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

The potential reward from the earnings period 2018–2020 will be paid partly in the company´s shares and partly in cash in 2021. The rewards to be paid on the basis of the earnings period 2018–2020 correspond to the value of a maximum total of 200,000 Aspo Plc shares including also the proportion to be paid in cash.

Restricted share-based incentive plan 2018

The reward from the restricted share-based incentive plan will be based on the participant's valid employment or service and the continuation of employment during the vesting period. The reward will be paid partly in the company's shares and partly in cash after the end of a 12–36 month vesting period. The restricted share-based incentive plan is intended solely for individual key employees by a special resolution of the Board of Directors. The rewards to be paid on the basis of restricted share-based incentive plan correspond to the value of a maximum total of 100,000 Aspo Plc shares including also the proportion to be paid in cash.

RISKS AND RISK MANAGEMENT

The weakening of international trade as economic growth slows down and uncertainty increases has already affected industrial production e.g. in the eurozone, and can be seen as increasing risks in Aspo's market areas. In spite of the increasing uncertainty, the demand for services and construction activities in the eurozone will grow and the employment rate will improve. Political risks have continued to increase, but they are not expected to have any impact on Aspo's business operations in the short term. Import duties imposed by the USA and China, which limit international free trade, have not directly affected Aspo's operations. Aspo does not have any business operations that are or would also be affected directly by Brexit or its implementation, but there may be an indirect impact through the principals or customers of Aspo's businesses.

Following the financial crisis, the global economy has grown simultaneously in all Aspo's market areas, albeit at a decelerating rate. Growth has also slowed down in the eurozone, partly due to growing tension in trade policy. In Russia, the increase in GDP and industrial production are at the expected levels, inflation and exports have slowed down, but private consumption and investments have slowly increased, while the increase in purchasing power has come to a halt. Dry bulk freight rates in sea transportation dropped steeply during the first six months of the year but took an upward turn at the end of the review period, and are expected to remain better than during the first half of the year.

Financial risks in all Aspo's businesses are slowly increasing, even though the markets are relatively stable. However, any unexpected changes in international politics and trade policies, combined with rapid changes in exchange rates or commodities markets, may have an impact on demand for and competitiveness of the products of Aspo's businesses. In Russia, private consumption and import volumes have slowly increased, albeit partly based on increased borrowing. As there have been no structural economic changes in Russia, economic growth is only expected to grow at a moderate rate.

Strategic risks

Political risks have increased globally, which may have a rapid impact on Aspo's operating environment and reduce free trade in the short and long term. The economic and political situation in Aspo's market areas may have made it more difficult to make structural changes as part of Aspo's strategy. The situation may continue unchanged, but, as the economic and political pressure vary, it may change rapidly. An unfavorable turn in the situation may lead to Aspo being unable to achieve its financial targets in the time it has set for it.

The Russian economy has stabilized, and inflation has decelerated, while economic growth is slow. The long-term deterioration in consumption demand has affected trade in general and, after a brief upswing, the natural increase in purchasing power has come to a halt due to inflation. Consumption demand is strengthened by increased borrowing. The economy of Ukraine is still weak, although growth is faster than in Russia. Consumer and production prices have increased, and inflation is high, but the increase in purchasing power and favorable development of salaries and wages have increased consumption demand. The central bank has still kept its reference rate unusually high. No signs of weakening have been seen in the financial markets and payment transactions of Russia, but they involve risks that are reflected, for example, in the Russian banking sector.

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

Economic sanctions, their increase or other obstacles arising from the economic or political situation in Russia may, in part, reduce transportation volumes originating from Russia and the demand for unloading services for large ocean liners at sea. Protectionist actions may decrease sea transportation in the Russian arctic if Russia sets stricter regulations on internal transportation, for example, regarding the transport of energy products. In Finland and the rest of Europe, social pressures to reduce the use of fossil energy sources in energy production are constantly increasing, which will reduce coal transport volumes in the future. Correspondingly, the transport volumes of replacement energy products will increase. Due to this change, it is difficult to estimate future transportation volumes. Fluctuations in international freight indices, their extended low level and the global increase in the number of vessels, particularly in large size categories, have increased uncertainty over the long-term profitability of shipping companies.

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

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

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

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

Operational risks

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

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

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

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

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

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

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

Internal control and risk management

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

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

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

SHARE CAPITAL AND SHARES

Aspo Plc's share capital on June 30, 2019 was EUR 17,691,729.57 and the total number of shares was 31,419,779 of which the company held 296,650 shares; that is, 0.9% of the share capital.

Aspo Plc has one share series. Each share entitles the shareholder to one vote at the shareholders' meeting. Aspo's share is quoted on Nasdaq Helsinki Oy's Mid Cap segment under industrial products and services.

During January–June 2019, a total of 727,329 Aspo Plc shares with a market value of EUR 6.3 million were traded on Nasdaq Helsinki, in other words, 2.3% of the shares changed hands. During January–June, the share price reached a high of EUR 9.20 and a low of EUR 7.96. The average price was EUR 8.64 and the closing price at end of June was EUR 9.04. At the end of the review period, the market value excluding treasury shares was EUR 281.4 million.

The number of Aspo Plc shareholders was 9,809 at end of the review period. A total of 1,212,049 shares, or 3.9% of the share capital, were nominee registered or held by non-domestic shareholders.

DECISIONS AT THE SHAREHOLDERS' MEETING

Dividend

The Annual Shareholders' Meeting of Aspo Plc on April 9, 2019, approved the payment of a dividend totaling EUR 0.44 per share in accordance with the Board of Directors' proposal.

The dividend will be paid in two installments. The payment date for the first installment of EUR 0.22 per share was April 18, 2019.

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

Board of Directors and the Auditors

Mammu Kaario, Mikael Laine, Gustav Nyberg, Salla Pöyry, Risto Salo and Tatu Vehmas were re-elected to the Board of Directors. At the Board's organizing meeting held after the Annual Shareholders' Meeting, Gustav Nyberg was elected as Chairman of the Board and Mammu Kaario as Vice Chairman. At the meeting the Board decided to establish a Remuneration Committee and appointed Gustav Nyberg as Chairman of the committee, and Risto Salo and Tatu Vehmas as committee members. At the meeting the Board also decided to appoint Mammu Kaario as Chairman of the Audit Committee, and Mikael Laine and Salla Pöyry as committee members.

The Authorized Public Accountant firm Ernst & Young Oy was elected as company auditor. Ernst & Young Oy has announced that Toni Halonen, APA, will act as the auditor in charge. The remuneration shall be paid to the auditor according to the reasonable accepted invoice.

Board authorizations

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

The Annual Shareholders’ Meeting on April 9, 2019 authorized the Board of Directors to decide on the acquisition of no more than 500,000 of the treasury shares using the unrestricted equity of the company representing about 1.6% of all the shares in the company. The authorization includes the right to accept treasury shares as a pledge. The authorization is valid until the Annual Shareholders’ Meeting in 2020 but not more than 18 months from the approval at the Shareholders’ Meeting.

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

The Annual Shareholders´ Meeting on April 9, 2019 authorized the Board of Directors to decide on a share issue, through one or several instalments, to be executed by conveying treasury shares. An aggregate maximum amount of 900,000 shares may be conveyed based on the authorization. The authorization is valid until the Annual Shareholders' Meeting in 2020 but not more than 18 months from the approval at the Shareholders' Meeting.

Authorization of the Board of Directors to decide on a share issue of new shares

The Annual Shareholders' Meeting on April 9, 2019 authorized the Board of Directors to decide on a share issue of new shares against payment. The authorization includes the right of the Board of Directors to decide on all of the other terms and conditions of the conveyance and thus also includes the right to decide on a directed share issue, in deviation from the shareholders' pre-emptive right, if a compelling financial reason exists for the company to do so. The total number of new shares to be offered for subscription may not exceed 1,500,000. The authorization is valid until the Annual Shareholders' Meeting in 2020 but not more than 18 months from the approval at the Shareholders' Meeting.

LEGAL PROCEEDINGS

On February 27, 2015, the District Court of Helsinki issued its decision in the case between ESL Shipping and the Finnish State regarding fairway dues levied during 2001–2004. According to the judgement, the Finnish State was required to refund to ESL Shipping approximately EUR 3.0 million in accordance with the company's claim, as well as legal expenses and interest. The State lodged an appeal against the District Court's judgement and, in its ruling issued on August 8, 2016, the Court of Appeal overruled the Helsinki District Court's judgement and dismissed ESL Shipping's legal action as time-barred. The company applied for a leave to appeal from the Supreme Court, which rejected the application in February 2018. In June 2018, ESL Shipping filed together with 13 other shipping companies, an appeal regarding extraordinary appeal (for nullification) to the Supreme Court. In addition, the company lodged a complaint with the European Court of Human Rights, particularly regarding a breach of protection of property. In September, the European Court of Human Rights announced that it will not process the appeal.

The shipping company won legal proceedings against Indian ABG Shipyard concerning the compensation payable for repairs made to M/S Alppila during the warranty period. The vessel was delivered to ESL Shipping in 2011. According to the ruling of the arbitration court, ABG Shipyard was required to refund the repair expenses and interest to ESL Shipping according to the company's claims. The impact of the ruling will be taken into account during the financial year in which the imposed payments are received.

The administrative court process started by Telko Ltd regarding the tax increase imposed by Finnish Customs ended on June 5, 2019. The administrative court process was related to the goods imported by Telko in 2013 and 2014, for which Finnish Customs had imposed a surtax of EUR 1.7 million. The charges of EUR 1.7 million imposed by Customs were recognized as expenses in 2015. The decision of the administrative court reduced the amount to approximately EUR 60,000. The positive decision improved the operating profit of Telko by approximately EUR 0.2 million, and the financial income approximately EUR 1.4 million, during the second quarter of 2019.

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

In spring 2017, Kauko took legal action in civil court against two individuals who worked in leading positions in the mobile knowledge work unit that provides IT solutions for the healthcare sector due to breaches of the non-solicitation and non-compete clauses. On February 2018, the district court decided the matter for the benefit of the defendants and Kauko appealed against the judgement to the court of appeal. In 2018, Kauko dropped its claims against one of the defendants. The court of appeal issued its decision on February 8, 2019, and confirmed that the non-compete clause was valid as regards the defendant, and a contractual penalty, plus interest on arrears, was imposed on the defendant for the violation of the clause. In addition, the court of appeal confirmed that the clause for the non-use of trade and professional secrets and the non-poaching clause were binding. Kauko applied for leave to appeal from the Supreme Court against a contractual penalty related to confidentiality and unpaid legal expenses. The Supreme Court did not grant leave to appeal, which means that the rulings of the court of appeal are legally valid.

Helsinki, August 14, 2019

ASPO PLC
Board of Directors

ASPO GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	4-6/2019 MEUR	%	4-6/2018 MEUR	%
Net sales	151.2	100.0	132.7	100.0
Other operating income	0.2	0.1	1.4	1.1
Share of profits accounted for using the equity method	0.0	0.0		
Materials and services	-102.3	-67.7	-97.6	-73.5
Employee benefit expenses	-12.1	-8.0	-11.3	-8.5
Depreciation and impairment losses, right-of-use assets	-3.6	-2.4		
Depreciation, amortization and impairment losses, other	-3.5	-2.3	-2.6	-2.0
Other operating expenses	-25.8	-17.1	-15.5	-11.7
Operating profit	4.1	2.7	7.1	5.4
Interest expenses on lease liabilities	-0.2	-0.1		
Financial income and expenses, other	0.5	0.3	-1.0	-0.8
Profit before taxes	4.4	2.9	6.1	4.6
Income taxes	-0.4	-0.3	-0.7	-0.5
Profit for the period	4.0	2.6	5.4	4.1
Other comprehensive income				
Items that may be reclassified to profit or loss in subsequent periods:				
Translation differences	0.5		0.1	
Cash flow hedges	0.0		1.7	
Income tax on other comprehensive income	0.0		-0.1	
Other comprehensive income for the period, net of taxes	0.5		1.7	
Total comprehensive income	4.5		7.1	
Profit attributable to shareholders	4.0		5.4	
Total comprehensive income attributable to shareholders	4.5		7.1	
Earnings per share, EUR	0.12		0.17	
Diluted earnings per share, EUR	0.12		0.17	

	1-6/2019 MEUR	%	1-6/2018 MEUR	%	1-12/2018 MEUR	%
Net sales	292.7	100.0	248.0	100.0	540.9	100.0
Other operating income	0.2	0.1	2.0	0.8	4.1	0.8
Share of profits accounted for using the equity method	0.0	0.0				
Materials and services	-194.8	-66.6	-181.4	-73.1	-382.2	-70.7
Employee benefit expenses	-23.3	-8.0	-21.8	-8.8	-43.2	-8.0
Depreciation and impairment losses, right-of-use assets	-6.9	-2.4				
Depreciation, amortization and impairment losses, other	-7.1	-2.4	-5.5	-2.2	-16.5	-3.1
Other operating expenses	-51.8	-17.7	-30.5	-12.3	-82.4	-15.2
Operating profit	9.0	3.1	10.8	4.4	20.6	3.8
Interest expenses on lease liabilities	-0.4	-0.1				
Financial income and expenses, other	-0.3	-0.1	-2.2	-0.9	-4.2	-0.8
Profit before taxes	8.3	2.8	8.6	3.5	16.4	3.0
Income taxes	-0.8	-0.3	-1.2	-0.5	-2.2	-0.4
Profit for the period	7.5	2.6	7.4	3.0	14.2	2.6
Other comprehensive income						
Items that may be reclassified to profit or loss in subsequent periods:						
Translation differences	2.5		-0.1		-1.9	
Cash flow hedges	0.0		2.6		2.5	
Income tax on other comprehensive income	0.0		-0.1		-0.1	
Other comprehensive income for the period, net of taxes	2.5		2.4		0.5	
Total comprehensive income	10.0		9.8		14.7	
Profit attributable to shareholders	7.5		7.4		14.2	
Total comprehensive income attributable to shareholders	10.0		9.8		14.7	
Earnings per share, EUR	0.22		0.22		0.42	
Diluted earnings per share, EUR	0.22		0.22		0.42	

ASPO GROUP CONSOLIDATED BALANCE SHEET

	6/2019 MEUR	6/2018 MEUR	Change %	12/2018 MEUR
Assets				
Intangible assets	8.0	7.3	9.6	8.9
Goodwill	43.3	42.0	3.1	43.0
Tangible assets	170.5	116.6	46.2	175.1
Right-of-use assets	36.4			
Investments accounted for using the equity method	1.4			1.5
Other non-current assets	2.8	3.6	-22.2	2.8
Total non-current assets	262.4	169.5	54.8	231.3
Inventories	69.1	67.3	2.7	71.3
Accounts receivable and other receivables	87.7	77.0	13.9	77.8
Cash and cash equivalents	19.4	18.5	4.9	19.3
Total current assets	176.2	162.8	8.2	168.4
Total assets	438.6	332.3	32.0	399.7
Equity and liabilities				
Share capital	17.7	17.7	0.0	17.7
Other equity	94.7	90.2	5.0	98.9
Total equity	112.4	107.9	4.2	116.6
Loans and overdraft facilities	165.3	105.0	57.4	170.9
Non-current lease liabilities	8.6			
Other liabilities	7.1	3.4	108.8	7.4
Total non-current liabilities	181.0	108.4	67.0	178.3
Loans and overdraft facilities	38.6	41.3	-6.5	28.5
Current lease liabilities	27.4			
Accounts payable and other liabilities	79.2	74.7	6.0	76.3
Total current liabilities	145.2	116.0	25.2	104.8
Total equity and liabilities	438.6	332.3	32.0	399.7

ASPO GROUP CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

A = Share Capital
B = Share Premium
C = Fair Value Reserve
D = Other Reserves
E = Treasury Shares
F = Translation Differences
G = Retained Earnings
H = Total

MEUR	A	B	C	D	E	F	G	H
Equity January 1, 2019	17.7	4.3	-0.1	41.4	-1.7	-23.5	78.5	116.6
Comprehensive income:								
Profit for the period							7.5	7.5
Translation differences						2.5		2.5
Cash flow hedges*								0.0
Total comprehensive income						2.5	7.5	10.0
Transactions with owners:								
Dividend payment							-13.7	-13.7
Interest on hybrid instrument							-0.8	-0.8
Share-based incentive plan							0.3	0.3
Total transactions with owners							-14.2	-14.2
Equity June 30, 2019	17.7	4.3	-0.1	41.4	-1.7	-21.0	71.8	112.4
Equity January 1, 2018	17.7	4.3	-2.5	37.0	-2.1	-21.6	79.5	112.3
Impact of IFRS 2 amendment							0.6	0.6
Adjusted equity January 1,2018	17.7	4.3	-2.5	37.0	-2.1	-21.6	80.1	112.9
Comprehensive income:								
Profit for the period							7.4	7.4
Translation differences						-0.1		-0.1
Cash flow hedges*			2.5					2.5
Total comprehensive income			2.5			-0.1	7.4	9.8
Transactions with owners:								
Dividend payment							-13.2	-13.2
Interest on hybrid instrument							-0.8	-0.8
Share-based incentive plan					0.4		-1.2	-0.8
Total transactions with owners					0.4		-15.2	-14.8
Equity June 30, 2018	17.7	4.3	0.0	37.0	-1.7	-21.7	72.3	107.9

*net of taxes

ASPO GROUP CONSOLIDATED CASH FLOW STATEMENT

	1-6/2019 MEUR	1-6/2018 MEUR	1-12/2018 MEUR
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit *)	9.0	10.8	20.6
Adjustments to operating profit	14.2	4.8	15.9
Change in working capital	-6.2	-14.3	-10.7
Interest paid	-2.6	-1.7	-3.7
Interest received	1.5	0.3	0.5
Income taxes paid	-1.3	-1.1	-2.3
Net cash from operating activities	14.6	-1.2	20.3
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in tangible and intangible assets	-2.5	-1.0	-43.1
Advance payments on vessels		-0.6	
Proceeds from sale of tangible assets	0.1	0.1	0.4
Acquisition of businesses, net of cash	-2.5		-12.5
Divestment of businesses, net of cash			0.1
Net cash from investing activities	-4.9	-1.5	-55.1
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in current loans	10.3	24.2	17.3
Proceeds from non-current loans	15.0		58.0
Repayments of non-current loans	-20.0	-14.6	-25.4
Payments of lease liabilities *)	-7.0		
Hybrid instrument, interests	-1.7	-1.7	-1.7
Dividends distributed	-6.8	-6.4	-13.3
Net cash from financing activities	-10.2	1.5	34.9
Change in cash and cash equivalents	-0.5	-1.2	0.1
Cash and cash equivalents January 1	19.3	19.9	19.9
Translation differences	0.6	-0.2	-0.7
Cash and cash equivalents at period-end	19.4	18.5	19.3

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

ASPO GROUP DISAGGREGATION OF NET SALES

Net sales by market area

	4-6/2019	4-6/2018	1-6/2019	1-6/2018	1-12/2018
ESL Shipping	MEUR	MEUR	MEUR	MEUR	MEUR
Finland	21.0	8.0	41.2	15.0	48.3
Scandinavia	12.2	5.5	22.2	9.4	28.7
Baltic countries	1.1	1.2	3.0	4.0	6.3
Russia, other CIS countries + Ukraine	0.0	3.2	0.4	3.6	7.1
Other countries	8.3	4.7	19.5	11.1	29.7
Total	42.6	22.6	86.3	43.1	120.1
Leipurin					
Finland	10.8	12.0	20.7	24.1	45.5
Scandinavia	0.0	0.0	0.3	0.1	0.3
Baltic countries	7.8	10.0	14.9	18.3	33.5
Russia, other CIS countries + Ukraine	9.0	7.7	17.3	15.9	36.3
Other countries	0.4	1.5	0.7	3.0	5.4
Total	28.0	31.2	53.9	61.4	121.0
Telko					
Finland	20.1	19.6	38.9	38.3	81.9
Scandinavia	10.5	8.8	19.5	16.6	33.0
Baltic countries	5.3	5.6	10.1	10.4	20.8
Russia, other CIS countries + Ukraine	35.5	35.3	64.7	59.3	128.5
Other countries	9.2	9.6	19.3	18.9	35.6
Total	80.6	78.9	152.5	143.5	299.8
Total					
Finland	51.9	39.6	100.8	77.4	175.7
Scandinavia	22.7	14.3	42.0	26.1	62.0
Baltic countries	14.2	16.8	28.0	32.7	60.6
Russia, other CIS countries + Ukraine	44.5	46.2	82.4	78.8	171.9
Other countries	17.9	15.8	39.5	33.0	70.7
Total	151.2	132.7	292.7	248.0	540.9

Net sales by timing of recognition

	4-6/2019	4-6/2018	1-6/2019	1-6/2018	1-12/2018
ESL Shipping	MEUR	MEUR	MEUR	MEUR	MEUR
Over time	42.6	22.6	86.3	43.1	120.1
Total	42.6	22.6	86.3	43.1	120.1
Leipurin					
At a point in time	27.3	29.0	52.2	56.2	112.7
Over time	0.7	2.2	1.7	5.2	8.3
Total	28.0	31.2	53.9	61.4	121.0
Telko					
At a point in time	80.4	78.6	152.1	142.9	298.9
Over time	0.2	0.3	0.4	0.6	0.9
Total	80.6	78.9	152.5	143.5	299.8
Total					
At a point in time	107.7	107.6	204.3	199.1	411.6
Over time	43.5	25.1	88.4	48.9	129.3
Total	151.2	132.7	292.7	248.0	540.9

Net sales by product category

	4-6/2019	4-6/2018	1-6/2019	1-6/2018	1-12/2018
	MEUR	MEUR	MEUR	MEUR	MEUR
ESL Shipping total	42.6	22.6	86.3	43.1	120.1
Raw materials	25.0	24.4	47.9	49.0	100.3
Machinery	3.0	6.8	6.0	12.4	20.7
Leipurin total	28.0	31.2	53.9	61.4	121.0
Plastics	40.5	39.6	79.4	73.0	147.7
Chemicals	31.4	32.1	58.3	56.4	118.5
Kauko	8.7	7.2	14.8	14.1	33.6
Telko total	80.6	78.9	152.5	143.5	299.8
Total	151.2	132.7	292.7	248.0	540.9

ASPO GROUP ASSETS AND LIABILITIES BY SEGMENT

Segments' assets, MEUR	6/2019	6/2018	12/2018
ESL Shipping	230.9	133.8	206.8
Leipurin	66.4	57.0	58.9
Telko	116.3	118.3	109.2
Unallocated items	25.0	23.2	24.8
Total	438.6	332.3	399.7

Segments' liabilities, MEUR	6/2019	6/2018	12/2018
ESL Shipping	41.0	10.6	17.3
Leipurin	23.2	12.9	14.2
Telko	40.5	42.1	41.8
Unallocated items	221.5	158.8	209.8
Total	326.2	224.4	283.1

ACCOUNTING PRINCIPLES

Aspo Plc's half year financial report has been prepared in accordance with the principles of IAS 34 Interim Financial Reporting. As of January 1, 2019, Aspo applies certain new or amended IFRS standards and IFRIC interpretations as described in the 2018 consolidated financial statements. In other respects, the same accounting principles have been applied as in the consolidated financial statements of December 31, 2018. The information in this report is unaudited.

Aspo Plc applies the guidance on alternative key figures issued by the European Securities and Market Authority (ESMA). In addition to IFRS figures, the company releases other commonly used key figures which are mainly derived from the statement of comprehensive income and balance sheet. According to the management, key figures clarify the view drawn by the statement of comprehensive income and balance sheet of Aspo's financial performance and financial position. The calculation principles of key figures are explained on page 48 of the Aspo's Year 2018 -publication.

Adoption of new or amended standards:

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

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

Transition

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

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

Aspo applied the following practical expedients in the adoption of IFRS 16:

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

Management judgements

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

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

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

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

Impact of the adoption of IFRS 16 standard

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

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

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

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

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

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

At the end of the review period, the most significant right-of-use asset items were vessels, EUR 24.3 million, and office and warehouse premises, EUR 10.4 million. Depreciation on the right-of-use asset items was EUR 6.9 million, of which depreciation on vessels accounted for EUR 5.0 million and depreciation on office and warehouse premises for EUR 1.4 million. Leases related to the right-of-use asset items were EUR 7.8 million, of which interest made up EUR 0.4 million. The amount of variable leases or the amount of leases related to short-term or low value assets are not significant within Aspo Group. Aspo has no significant lease agreements as a lessor.

Right-of-use assets by classes

	Land and buildings MEUR	Vessels MEUR	Other right-of-use assets MEUR	Total MEUR
Opening balance January 1, 2019	10,2	26,6	1,7	38,5
Translation differences	0,2			0,2
Additions	1,5	2,7	0,5	4,7
Disposals	-0,1			-0,1
Depreciations	-1,4	-5,0	-0,5	-6,9
Carrying amount June 30, 2019	10,4	24,3	1,7	36,4

SEGMENT REPORTING

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

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

PRESS AND ANALYST CONFERENCE

A press and analyst conference will be arranged today, Wednesday, August 14, 2019 at 14.00 at Hotel Kämp's Symposium conference room, Pohjoisesplanadi 29, 00100 Helsinki.

FINANCIAL INFORMATION IN 2019

Aspo Plc will publish its Interim Report for January-September on Tuesday, October 29, 2019.

Helsinki August 14, 2019

ASPO PLC

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