Aspo Plc
Half year financial report
August 11, 2021 at 9:30 a.m.

Aspo Group Half year financial report, January 1 to June 30, 2021

Aspo Q2: Record-high operating profit and earnings per share

April–June 2021
Figures from the corresponding period in 2020 are presented in brackets.

- Net sales increased significantly to EUR 142.9 (115.6) million.
- Operating profit improved strongly to EUR 9.6 (4.1) million.
- Profit for the second quarter was EUR 7.8 (2.7) million.
- Earnings per share increased to an all-time high, amounting to EUR 0.24 (0.08).
- The operating profit of ESL Shipping was EUR 5.4 (0.6) million, Leipurin EUR 0.3 (0.3) million, and Telko EUR 5.5 (4.2) million.
- Net cash from operating activities was EUR 15.6 (16.6) million.
- Rolf Jansson will start as the CEO of Aspo on August 16, 2021, with CEO Aki Ojanen retiring on August 15, 2021.

January–June 2021

- Aspo's net sales increased to EUR 275.2 (248.8) million.
- Operating profit increased significantly to EUR 17.5 (8.1) million, driven by the record performance of ESL Shipping and Telko.
- Profit for the period grew strongly and was EUR 14.2 (5.3) million.
- Earnings per share improved significantly and were EUR 0.43 (0.15).
- The operating profit of ESL Shipping was EUR 9.9 (2.9) million, Leipurin EUR 0.6 (0.9) million, and Telko EUR 10.0 (6.6) million.
- Net cash from operating activities was EUR 22.2 (30.5) million. The impact of the change in working capital was EUR -7.2 (10.9) million.

Key figures

	4-6/2021	4-6/2020	1-6/2021	1-6/2020	1-12/2020
Net sales, MEUR	142.9	115.6	275.2	248.8	500.7
Operating profit, MEUR	9.6	4.1	17.5	8.1	19.3
Operating profit, %	6.7	3.5	6.3	3.3	3.9
ESL Shipping, operating profit, MEUR	5.4	0.6	9.9	2.9	7.6
Leipurin, operating profit, MEUR	0.3	0.3	0.6	0.9	1.4
Telko, operating profit, MEUR	5.5	4.2	10.0	6.6	14.9
Earnings per share (EPS), EUR	0.24	0.08	0.43	0.15	0.39
Profit before taxes, MEUR	8.6	3.0	15.6	5.9	14.8
Profit for the period, MEUR	7.8	2.7	14.2	5.3	13.4
Net cash from operating activities, MEUR	15.6	16.6	22.2	30.5	65.0
Free cash flow, MEUR	11.1	15.1	16.2	28.4	56.0
Return on equity (ROE), %			24.5	9.0	11.4
Equity ratio, %			30.5	29.4	30.1

Gearing, %			141.8	163.0	149.0
Equity per share, EUR			3.77	3.64	3.63

Guidance for 2021 (issued August 4, 2021)

Aspo's operating profit will be approximately EUR 30–36 (19.3) million in year 2021.

Aspo's previous guidance for 2021, issued on February 2, 2021 in conjunction with the financial statements release, was as follows: Aspo's operating profit in 2021 will be higher than in 2020 (EUR 19.3 million).

Aki Ojanen, CEO of Aspo Group, comments on the second quarter of 2021:

Aspo had a very strong second quarter in 2021. The excellent development of the previous two quarters continued, and the operating profit was higher than ever before, reaching EUR 9.6 (4.1) million. Aspo's earnings per share for the first half of the year (EUR 0.43) exceeded the level achieved in 2020 for the full year. I believe that Aspo's strong performance will continue in the future, creating a solid foundation for planned investments and good dividend payment capability.

The market situation in industry is good at the moment, but the impacts of the coronavirus pandemic continue to be reflected in some of our operations through restrictions on operations and component shortages, as well as raw material availability issues to some degree. As a result of rapid market recovery, the prices of raw materials and shipping freight have increased to their current high level exceptionally quickly. We expect the strong market situation to continue for the time being.

Our core operations consist of owning, leading and developing business operations over the long term. Aspo Group has been developed in line with its strategy, focusing investments on maritime logistics and raw material trade in Northern Europe and emerging eastern markets. Over the years, we have completed significant acquisitions and investments in western markets, aiming to grow and strengthen the ESL Shipping and Telko business operations in particular. In eastern markets, our strategy has been to grow organically and seek to manage the business value chain, in addition to minimizing geographical risks.

I will leave my position as the CEO of Aspo Group and retire on August 15, 2021. I would like to thank Aspo's employees for their excellent long-term work and close partnership. Our strong performance arises from long-term development and successes in both western and eastern markets. Our work has been characterized by a strong desire to grow and develop profitably over generations. Strong cash flow and high operating profit level enable the next phase in Aspo's development.

I would also like to thank our more than 11,000 shareholders and the company's Board of Directors and principal owners for their strong support for my work at Aspo Group. I wish every success to Rolf Jansson, the new CEO, in his demanding work to further develop Aspo and continue responsible value creation for our shareholders.

ASPO GROUP

Financial results and targets

With its current structure, Aspo targets an operating profit rate of 6%, return on equity (ROE) of more than 20% on average and gearing of at most 130%. Aspo aims to reach the financial targets set in 2023.

The operating profit rate increased significantly during the second quarter of 2021 and was 6.7% (3.5%). The return on equity improved strongly and was 24.5% (6/2020: 9.0%). Gearing continued to decrease and was 141.8% (12/2020: 149.0%).

At the end of 2020, Aspo's Board of Directors defined a new long-term sustainability target, according to which the businesses Aspo owns will be forerunners in sustainability in their respective fields. The work to set new business-specific sustainability targets continued during the spring and summer, and the targets will be announced during the second half of the year.

Operating environment

Aspo's operating environment has returned to close to normal after the negative business impacts caused by the coronavirus pandemic. Demand for goods and services has grown rapidly, which has improved Aspo's operating conditions. At the same time, however, increased demand has slowed down supply chain operations and added to price pressures. In western markets, business operations have increased rapidly to the pre-pandemic level. In eastern markets, the Russian ruble has remained weak in relation the euro, even though the price of oil has increased markedly. Demand has also grown rapidly in Russia, causing prices to increase in almost all sectors, while consumers' real income has decreased. Sudden changes in the spread and management of the pandemic may cause the operating environment to change rapidly.

Net sales by market area

	1-6/2021 MEUR	**Share** %	**1-6/2020** MEUR	**Share** %	**Change** %
Finland	91.5	33	89.1	36	3
Scandinavia	52.4	19	38.9	16	35
Baltic countries	25.5	9	21.9	9	16
Russia, other CIS countries and Ukraine	71.7	26	69.0	28	4
Other countries	34.1	12	29.9	12	14
Total	275.2	100	248.8	100	11

The Group's main market areas are Finland, Scandinavia, the Baltic countries, and eastern markets (Russia, other CIS countries, and Ukraine). Net sales exceeded comparative period's level, even though there were changes between market areas. The increase in net sales in Scandinavia was driven by the growing transportation volumes in the steel industry, among other factors.

Cash flow and financing

The Group's cash flow from operating activities in January–June was EUR 22.2 (30.5) million. The impact of the change in working capital on cash flow during the review period was EUR -7.2 (10.9) million, due to an increase in accounts receivable and inventories. As a result of the low investment level, free cash flow was EUR 16.2 (28.4) million.

	6/2021 MEUR	6/2020 MEUR	12/2020 MEUR
Interest-bearing liabilities	188.1	213.1	201.4
Cash and cash equivalents	21.1	27.5	32.3
Net interest-bearing debt	167.0	185.6	169.1

Net interest-bearing liabilities decreased to EUR 167.0 million, and gearing decreased to 141.8% (6/2020: 163.0%; 12/2020: 149.0%), approaching the Group's long-term target of 130%. The Group's equity ratio at the end of the period was 30.5% (6/2020: EUR 29.4%; 12/2020: 30.1%).

Net financial expenses in January–June decreased to EUR -1.9 (-2.2) million. The average rate of interest-bearing liabilities, excluding lease liabilities, was 1.6% (1.6%).

The Group's liquidity position remained strong. Cash and cash equivalents were EUR 21.1 million at the end of the review period (12/2020: 32.3). At the end of the review period, the committed revolving credit facilities, totaling EUR 40.0 million, were fully unused, as in the comparative period. The amount of committed revolving credit facilities was reduced by EUR 15 million in the second quarter of the year. Of Aspo's EUR 80 million commercial paper program, EUR 6 million was in use (6/2020: EUR 17 million; 12/2020: EUR 11 million).

The first installment of the dividend (EUR 0.18 per share) was paid during the quarter, totaling around EUR 5.6 million.

Short-term risks and uncertainties in business operations

The negative impacts of the coronavirus pandemic on business operations have decreased, and economic activity has returned to almost normal in terms of volume. Nevertheless, new variants of the virus and their rapid spread may lead to interruptions and financial losses. Local measures imposed by the authorities may also cause temporary interruptions in business operations, unless the spread of the disease can be stopped or the regulations of the authorities can be satisfied.

Risks have not materialized as a result of geopolitical tensions, but the company has continued to prepare for such risks.

The rapid growth of economic activity has caused the prices of many raw materials and logistics to increase quickly. Aspo may benefit from this situation temporarily, but the acquisition prices of raw materials or rental capacity, such as leased vessels, are increasing at the same time. Longer delivery times for spare parts, components and raw materials are also increasing risks. With Aspo's customers benefitting from the increase in activity, the risk of production cuts and the pressure to carry out necessary business arrangements, for example, are decreasing, which also creates stability in Aspo's operating environment.

The prices of food products have risen sharply, and this trend is reinforced by the increase in eating out as the impacts of the pandemic are easing. Demand for food products is growing, but the rising prices, as well as any slowing down of supply chains, are increasing risks in this business area.

Sudden changes in currency values may cause disruption in business operations and financial losses. Forecasting is difficult, which is exemplified by the fact that the Russian ruble weakened despite the significant increase in the price of oil compared with the previous year.

ASPO

ASPO'S BUSINESSES

ESL Shipping

ESL Shipping is the leading dry bulk cargo company in the Baltic Sea region. ESL Shipping's operations are mainly based on long-term customer contracts and established customer relationships. At the end of the review period, the shipping company's fleet consisted of 51 vessels with a total capacity of 473,000 deadweight tonnage (dwt). Of these, 24 were wholly owned (74% of the tonnage), two were minority owned (2%), and the remaining 25 vessels (24%) were time chartered. ESL Shipping's competitive edge is based on its ability to responsibly secure product and raw material transportation for industries and energy production year-round, even in difficult conditions. The shipping company loads and unloads large ocean liners at sea as a special service

	4-6/2021	4-6/2020	Change,%	1-6/2021	1-6/2020	Change,%
Net sales, MEUR	46.0	32.9	39.8	89.4	75.6	18.3
Operating profit, MEUR	5.4	0.6	800.0	9.9	2.9	241.4
Operating profit, %	11.7	1.8		11.1	3.8	

ESL Shipping had a historically strong second quarter, and its operating profit reached a record level of EUR 5.4 (0.6) million despite a significantly larger docking program than in the comparative period. Historically, the second quarter has been challenging because of maintenance shutdowns in industry, among other reasons. Against this background, the operating profit rate achieved in the second quarter is excellent, at 11.7% (1.8). The transportation volumes of the shipping company returned to nearly their normal level, at 3.7 (3.1) million tons. Net sales increased by 40% from the comparative period and stood at EUR 46.0 (32.9) million.

ESL Shipping's capacity was almost fully in use during the second quarter. Demand and transportation volumes among all ESL Shipping's main customers remained at the expected strong level. Transportation volumes among all steel industry customers increased significantly from the exceptionally weak comparative period. The transportation volumes of coal consumed for energy continued to decrease in transport to Finland and Central Europe, and the proportion of coal transport of the shipping company's total transport volume fell below 4%. The closing of the Hanasaari power plant ahead of the original schedule no longer has a significant impact on the operations of the shipping company. Demand for loading and unloading of vessels at sea was at a good level during the review period, but the strong fluctuations in demand made efficient operation difficult.

The international cargo market for the shipping company's Supramax vessels was very strong during the review period, and the profitability of the vessels was good, improving very strongly from the comparative period. The market freight rates in all vessel categories improved significantly year-on-year. The price of ship fuel increased strongly from the comparative period, but its cost impact was largely offset by the fuel clauses included in transport contracts.

The operations of all ESL Shipping's vessel categories were successful in the second quarter. Ports have continued to be very congested in the shipping company's main transportation areas because of higher traffic volumes and the impact of the coronavirus pandemic on the availability of stevedores. In the smaller vessel category, longer waiting times at some ports in contract traffic made operations more difficult. Despite this, profitability was historically strong even in the smaller vessel category in the second quarter and significantly better than in the comparative period.

The long-term development of responsibility and the maintenance of a high level of safety are essential to the shipping company's operations. During the review period, ESL Shipping succeeded in maintaining its normal service capacity and keeping the supply chains of its customers uninterrupted in the exceptional circumstances, under which crew changes, maintenance operations or spare parts deliveries could not be carried out normally because of travel restrictions and the lack of flight connections. Thanks to systematic measures, coronavirus infections among crew members have been successfully managed so that employees' health and safety were prioritized without any significant impact on vessel traffic. Advance testing and quarantine arrangements increased costs.

The company made planned investments in the environmental performance of vessels. Six large vessel units were docked and the docking of the seventh unit was started in the second quarter, with a total of more than 70 docking days. Smaller time-chartered vessels were out of service more than usual because of prolonged docking and coronavirus infections, among other reasons.

The net sales of ESL Shipping in January–June increased significantly from the weak comparative period, amounting to EUR 89.4 (75.6) million. The operating profit more than tripled and was historically strong, at EUR 9.9 (2.9) million.

Outlook for ESL Shipping for 2021

Demand for transportation in the company's main market area in Northern Europe has returned to a good level in all vessel categories. The transportation volume forecasts for the various customer segments for the rest of the year are higher than in the comparative period and ESL Shipping expects total transportation volumes to increase significantly from the previous year. Extensive demand in the steel industry, which is important for the shipping company, will continue at a good level.

Most of the shipping company's transportation capacity utilization has been secured through long-term agreements in the Baltic Sea, Northern Europe and the Arctic region. The general development of cargo markets will continue to have the highest impact on the performance of the shipping company's largest Supramax vessels during the last quarter of the year. In the late summer and fall, these vessels will operate in Canada and the Northeast Passage in the Arctic region. Considering the trend in recent years, the cargo prices of large vessels are now at a high level. The development of raw material prices and the uncertainty related to availability may affect the development of international cargo markets during the rest of the year.

The impact of the coronavirus pandemic on the market situation has decreased, but various measures limiting the functioning of societies may affect demand and the shipping company's operating activities during the rest of the year. Measures to protect employees' health and safety will continue at least at their current level for the time being.

ESL Shipping aims to improve its ability and flexibility to adapt its operations in accordance with the prevailing transportation demand. The number and properties of time-chartered vessels will continue to be reviewed in accordance with any changes in the development and focuses of customer demand. The price level of renewed time-chartering agreements in the smaller vessel category will increase significantly.

ESL Shipping aims to expand its operations in the Russian Arctic market, and is in the process of establishing a Russian subsidiary for this purpose, with vessels under the Russian flag. Operating as a Russian company will greatly increase opportunities to participate in transportation in the Arctic Ocean. In Northern Europe, customers' interest in environmentally friendly sea transportation with minimal carbon emissions is increasing considerably. The shipping company's plan to provide the most efficient and environmentally friendly transport solutions of the future in the smaller vessel category is progressing in 2021. At the same time, ESL Shipping is exploring opportunities to use various new solutions related to the ownership and financing of vessels, used broadly in international shipping company operations, to speed up its operational development.

During 2021, significant environmental investments of around EUR 8 million will be made in the shipping company's fleet. Around six larger vessel units and two smaller units will be docked during the second half of the year. These vessels will be out of service for a total of approximately 130 days during the second half of the year.

Leipurin

Leipurin is a wholesaler specializing in bakery, food industry and foodservice solutions. Leipurin's business operations are divided into three areas: the bakery business, the machinery business and the foodservice business. The solutions offered by the bakery business comprise raw materials, recipes, product range development, and training for bakeries and other food industries. As part of its machinery business, Leipurin delivers and maintains bakery equipment, in-store bakeries and other machinery and equipment for the food industry. The machinery business also includes Vulganus Oy, a manufacturer specializing in freezing and cooling machines. In the foodservice business, Leipurin's product and service range consists of raw materials and service concepts, such as procurement and logistics services. 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.

	4-6/2021	**4-6/2020**	**Change,%**	**1-6/2021**	**1-6/2020**	**Change,%**
Net sales, MEUR	25.8	23.2	11.2	53.7	50.1	7.2
Operating profit, MEUR	0.3	0.3	0.0	0.6	0.9	-33.3
Operating profit, %	1.2	1.3		1.1	1.8	

Leipurin's operating environment continued to be challenging because of the coronavirus pandemic. Bakery raw material sales for packaged consumer products are returning to normal in the retail channel, while regional restrictions caused by the coronavirus pandemic have continued to have a significant negative impact on foodservice and machinery operations. In addition, product development and project activities continue to be hindered by travel restrictions.

Leipurin's net sales increased to EUR 25.8 (23.2) million during the second quarter. Its operating profit remained unchanged from the comparative period, at EUR 0.3 (0.3) million. The operating profit rate during the second quarter was 1.2% (1.3). Net sales in the market area consisting of Russia, other CIS countries and Ukraine denominated in euro decreased by approximately 1% to EUR 7.4 (7.5) million, and the operating profit rate in the market area was around 5% (7).

The net sales of the bakery business increased by around 16% during the second quarter of 2021, representing around 89% of Leipurin's total net sales. Despite the increase in net sales, the operating profit remained unchanged because the weaker currency exchange rates created price pressures in eastern markets. The net sales of the bakery business in eastern markets increased by around 4% during the second quarter and were EUR 7.4 (7.1) million, with an operating profit rate of around 6% (8). In western markets, the net sales and operating profit of the bakery business increased with the easing of the restrictions caused by the coronavirus pandemic and their impacts.

The foodservice business accounted for around 3% of Leipurin's total net sales during the second quarter. Net sales improved slightly because of the easing of the restrictions caused by the coronavirus pandemic. The indirect impact of the foodservice market is also reflected in Leipurin's net sales through the bakery business.

The net sales of the machinery business decreased significantly in the second quarter from the comparative period. A strong cyclical nature is typical of the machinery business due to the timing of project deliveries. Several significant machinery orders were received in the second quarter, with deliveries scheduled for the second half of 2021 and 2022. The order book of Vulganus Oy is at its highest since 2018. The progress of mechanical engineering projects was slowed down in the second quarter by the component shortage caused by the coronavirus pandemic.

Leipurin's net sales increased in January–June, but its operating profit decreased year-on-year. Major machine deliveries to Russia transferred from previous years had a positive impact on net sales. The low profitability of the machinery business and the pricing challenges caused by exchange rate changes in eastern markets had a negative impact on the operating profit. In addition, non-recurring savings related to personnel costs were recorded in the comparative period. Net sales stood at EUR 53.7 (50.1) million and operating profit at EUR 0.6 (0.9) million. The operating profit rate for January–June was 1.1% (1.8). Net sales in the market area consisting of Russia, other CIS countries and Ukraine increased by around 15% to EUR 18.5 (16.1) million, and the operating profit rate was around 6% (7).

Leipurin completed a reassessment of its Group structure and organization in the second quarter. Its goal is to streamline cooperation with customers and ensure economies of scale arising from its international business operations. The reorganization will not affect the number of employees.

Leipurin's strategy review continued in the second quarter. Measures related to strategy implementation cover the entire strategy period.

Outlook for Leipurin for 2021

Restrictions related to the coronavirus pandemic have varied in Leipurin's countries of operation. The markets and the circumstances of Leipurin's customers are expected to normalize, provided that restrictions will to be lifted. The impacts of the pandemic on global supply chains are highlighted, and affect the price levels and availability of certain raw materials and possibly even delivery times.

Leipurin will continue to invest in growth in eastern markets. The production unit for bakery raw materials in St. Petersburg will be developed further, and the offering will be developed in response to the new market and price situation. With a weaker Russian ruble, the competitiveness of local Russian production has improved considerably in relation to imported raw materials.

Telko

Telko is a leading expert in and supplier of plastic raw materials, industrial chemicals and lubricants. Telko's business operations are based on representing the best international principals, the expertise of personnel and long-term customer relationships. Telko operates as a responsible partner in the value chain by bringing together well-known international principals and customers. Its competitive advantages include technical support, efficient logistics and local expert service in both the east and the west. Kauko, reported as part of the Telko segment, is a specialist in demanding mobile knowledge work environments. The Telko segment has operations in Finland, the Baltic countries, Scandinavia, Germany, Poland, Romania, Russia, Belarus, Ukraine, Kazakhstan, Uzbekistan, and China.

	4-6/2021	4-6/2020	Change,%	1-6/2021	1-6/2020	Change,%
Net sales, MEUR	71.1	59.5	19.5	132.1	123.1	7,3
Operating profit, MEUR	5.5	4.2	31.0	10.0	6.6	51,5
Operating profit, %	7.7	7.1		7.6	5.4	

Telko's market situation continued to be strong in the second quarter of the year. Demand was at a good level in all markets, but the development of sales volumes was hindered by availability issues in certain product categories. Prices remained high. The increase in prices stopped for the most part toward the end of the quarter, and improved availability in some product categories has caused price levels to decrease.

In the second quarter, the net sales of the Telko business increased by 29% to EUR 67.6 (52.6) million. Telko has succeeded in creating organic growth in higher value-added products in particular, which has improved its margin level. The change in the structure of sales has been strongest in the plastics business. In addition, the continued high market price level and growth in demand helped Telko once again achieve its all-time highest operating profit in the second quarter. Despite the increase in sales volumes, Telko's capital efficiency has remained at a good level.

Net sales in the market area consisting of Russia, other CIS countries and Ukraine increased by 20% to EUR 28.5 (23.8) million. In western markets, net sales increased by 40% to EUR 36.7 (26.2) million. The operating profit increased markedly in both market areas, exceeding Telko's long-term target of 6%.

The net sales of the plastics business grew by 29% in the second quarter, amounting to EUR 36.8 (28.6) million. The overall price level remained exceptionally high. Availability challenges continued in nearly all product categories, which slowed down the strong growth in net sales. Growth in the plastics business was particularly strong in eastern markets.

The net sales of the chemicals business increased by 17% to EUR 21.5 (18.4) million. Availability issues had a significant negative impact on sales. Product prices remained at a high level, even though the price level decreased during the second quarter. Demand in key customer segments has remained stable.

The net sales of the lubricants business increased by 66% to EUR 9.3 (5.6) million. Higher price levels in all key products and the acquisition of the ILS Group in 2020 were the most significant drivers of sales growth. The prices of lubricants increased markedly during the second quarter, but the availability situation slightly weakened.

Telko's net sales in January–June increased by 12% to EUR 125.6 (112.1) million. Its operating profit stood at EUR 10.1 (5.9) million.

Kauko's net sales decreased by 49% in the second quarter, amounting to EUR 3.5 (6.9) million. Kauko's operating profit decreased to EUR -0.1 (0.8) million. Kauko's net sales in January–June decreased by 40% to EUR 6.5 (10.9) million. Kauko's operating profit in January–June decreased to EUR -0.1 (0.7) million. There were exceptional protective equipment deliveries to the government in the comparative period. Deliveries postponed because of the component shortage had a negative impact on net sales.

Outlook for Telko for 2021

Demand in Telko's main market is quite good, and is expected to remain strong. Product availability is expected to improve in the coming months, but there are still significant availability challenges in several product categories. With the availability situation normalizing, Telko's volumes are expected to increase, and prices are expected to decrease from the current high level.

The production volumes of several of Telko's key industrial customers decreased significantly during 2020. Demand has picked up considerably during 2021, but production volumes continue to be below the pre-pandemic level in most customer segments.

Telko's goal is to maintain the relative profitability level achieved during 2020. In line with its revised strategy, Telko is seeking an even stronger role in the value chain, focusing on cooperation with both customers and principals.

Kauko expects new equipment and service packages to improve the profitability of basic business operations in 2021. During the second quarter, an agreement was signed on a significant delivery of equipment to public administration, scheduled for the second half of 2021. If the exceptional circumstances related to the coronavirus pandemic continue, the sales of personal protective equipment are expected to remain at a good level.

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. The operating result of other operations was EUR -1.6 (-1.1) million in the second quarter. Costs increased as a result of higher personnel costs and individual short-term projects, among other reasons.

COMPANY INFORMATION

Aspo is a conglomerate that owns, leads and develops its businesses in Northern Europe and growth markets. Aspo's value comes from its wholly owned independent businesses, which specialize in demanding B-to-B customers. Aspo develops its group structure and businesses in the long term and believes that social responsibility as well as financially and environmentally sustainable business is a requirement for producing long-term value.

Aspo's businesses — ESL Shipping, Leipurin, Telko and Kauko — are strong business brands in the trade and logistics sectors, and they aim for market leadership in their respective markets. They are responsible for their own operations and customer relationships, as well as for developing these. Kauko is reported as part of the Telko segment.

Share capital and shares

Aspo Plc's registered share capital on June 30, 2021 was EUR 17,691,729.57, and the total number of shares was 31,419,779, of which the company held 161,650 shares, or 0.5% of the share capital.

Aspo Plc has one share series. Each share entitles the shareholder to one vote at a Shareholders' Meeting. Aspo's share is quoted on Nasdaq Helsinki Ltd's Mid Cap segment under basic resources.

During January–June 2021, a total of 1,857,507 Aspo Plc shares with a market value of EUR 16.8 million were traded on the Nasdaq Helsinki. In other words, 5.9% of the shares changed hands. During the review period, the share price reached a high of EUR 9.76 and a low of EUR 8.28. The average price was EUR 9.02, and the closing price at the end of the review period was EUR 9.46. At the end of the review period, the market value, less treasury shares, was EUR 295.7 million.

The company had 11,120 shareholders at the end of the review period. A total of 1,323,967 shares, or 4.2% of the share capital, were nominee-registered or held by non-domestic shareholders.

Remuneration

On February 11, 2021, Aspo's Board of Directors decided to continue the share-based incentive plan for the Group's key personnel and to establish a new share-based incentive plan for 2021–2023. The aim of the plan is to align the objectives of the shareholders and key employees in order to increase the value of the company in the long term, to retain key employees in the company, and to offer them a competitive reward plan based on earnings and accumulating the company's shares.

The rewards to be paid under the 2021–2023 share-based incentive plan are based on the Group's earnings per share (EPS) during the 2021 financial year. The shares paid as reward may not be transferred during the restriction period, which will end on December 31, 2023. Participation in the scheme and obtaining rewards require that participants allocate the freely transferable company shares they hold to the plan or acquire the company's shares up to the quantity determined by the Board of Directors.

The share-based incentive plan is directed at around 20 people, including the members of the Group Executive Committee. The rewards payable based on the plan correspond to a maximum total value of 204,000 Aspo Plc shares, also including the proportion to be paid in cash. The share-based incentive plan began to accumulate costs from the second quarter.

Decisions of the Annual Shareholders' Meeting

Dividend

Aspo Plc's Annual Shareholders' Meeting held on April 8, 2021 decided, as proposed by the Board of Directors, that EUR 0.35 per share will be distributed in dividends for the 2020 financial year, and that no dividend will be paid for shares held by Aspo Plc. The dividend will be paid in two installments. The payment date for the first installment of EUR 0.18 per share was April 19, 2021. The second installment of EUR 0.17 per share will be paid in November 2021 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 27, 2021, 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 29 October, 2021, and the payment date would be 5 November, 2021.

The Board of Directors and the auditor

Mammu Kaario, Mikael Laine, Salla Pöyry, Tatu Vehmas and Heikki Westerlund were re-elected to the Board of Directors, and Patricia Allam was elected as a new member. At the Board's organizing meeting held after the Annual Shareholders' Meeting, Heikki Westerlund was elected as Chair of the Board and Mammu Kaario as Vice Chair. In addition, the Board decided to elect Heikki Westerlund as Chair of the Remuneration Committee, and Salla Pöyry and Tatu Vehmas as its members, and Mammu Kaario as Chair of the Audit Committee, and Patricia Allam, Mikael Laine and Tatu Vehmas as its members.

The Authorized Public Accountant firm Deloitte Oy was elected as the company's auditor. Deloitte Oy has announced that Jukka Vattulainen, APA, will act as the auditor in charge. The auditor's fee will be paid in accordance with an accepted invoice.

Board authorizations

Authorization of the Board of Directors to decide on the acquisition of treasury shares

The Annual Shareholders' Meeting on April 8, 2021 authorized the Board of Directors to decide on the acquisition of no more than 500,000 treasury shares using the unrestricted equity of the company, representing around 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 2022 but not more than 18 months from the approval at the Annual Shareholders' Meeting.

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

The Annual Shareholders' Meeting on April 8, 2021 authorized the Board of Directors to decide on a share issue, through one or several lots, 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 2022 but not more than 18 months from the approval at the Annual Shareholders' Meeting.

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

The Annual Shareholders' Meeting on April 8, 2021 authorized the Board of Directors to decide on an 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 2022 but not more than 18 months from the approval at the Annual Shareholders' Meeting.

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FINANCIAL INFORMATION

Aspo Group's condensed consolidated statement of comprehensive income

	4-6/2021 MEUR	4-6/2020 MEUR	1-6/2021 MEUR	1-6/2020 MEUR	1-12/2020 MEUR
Net sales	**142.9**	**115.6**	**275.2**	**248.8**	**500.7**
Other operating income	0.2	0.1	0.2	0.2	0.5
Share of profits accounted for using the equity method	-0.1	0.0	-0.1	0.0	-0.4
Materials and services	-87.4	-72.4	-167.3	-157.5	-315.8
Employee benefit expenses	-13.1	-10.6	-25.6	-21.8	-44.0
Depreciation, amortization and impairment losses	-4.1	-3.9	-8.2	-7.9	-15.8
Depreciation, leased assets	-3.4	-3.3	-6.7	-6.6	-13.2
Other operating expenses	-25.4	-21.4	-50.0	-47.1	-92.7
Operating profit	**9.6**	**4.1**	**17.5**	**8.1**	**19.3**
Financial income and expenses	-1.0	-1.1	-1.9	-2.2	-4.5
Profit before taxes	**8.6**	**3.0**	**15.6**	**5.9**	**14.8**
Income taxes	-0.8	-0.3	-1.4	-0.6	-1.4
Profit	**7.8**	**2.7**	**14.2**	**5.3**	**13.4**
Other comprehensive income					
Items that may be reclassified to profit or loss in subsequent periods:					
Translation differences	0.5	1.9	1.5	-4.0	-7.8
Cash flow hedging				0.1	0.1
Other comprehensive income for the period, net of taxes	0.5	1.9	1.5	-3.9	-7.7
Total comprehensive income	**8.3**	**4.6**	**15.7**	**1.4**	**5.7**
Profit attributable to shareholders	7.8	2.7	14.2	5.3	13.4
Total comprehensive income attributable to shareholders	8.3	4.6	15.7	1.3	5.7
Basic earnings per share, EUR	0.24	0.08	0.43	0.15	0.39
Diluted earnings per share, EUR	0.24	0.08	0.43	0.15	0.39

Aspo Group's condensed consolidated balance sheet

Assets	6/2021 MEUR	6/2020 MEUR	12/2020 MEUR
Intangible assets	55.0	51.1	55.2
Tangible assets	167.2	174.6	169.1
Leased assets	19.8	19.8	20.1
Investments accounted for using the equity method	0.9	1.3	1.0
Other non-current assets	0.8	0.7	0.8
Total non-current assets	243.7	247.5	246.2
Inventories	48.8	46.3	42.4
Accounts receivable and other receivables	75.9	70.1	63.2
Cash and cash equivalents	21.1	27.5	32.3
Total current assets	145.8	143.9	137.9
Total assets	**389.5**	**391.4**	**384.1**
Equity and liabilities			
Share capital and premium	22.0	22.0	22.0
Other equity	95.7	91.9	91.5
Total equity	117.7	113.9	113.5
Loans and overdraft facilities	132.2	166.0	149.1
Lease liabilities	7.1	7.7	7.2
Other liabilities	4.4	4.5	4.5
Total non-current liabilities	143.7	178.2	160.8
Loans and overdraft facilities	35.7	27.0	32.5
Lease liabilities	13.1	12.4	13.4
Accounts payable and other liabilities	79.3	59.9	63.9
Total current liabilities	128.1	99.3	109.8
Total equity and liabilities	**389.5**	**391.4**	**384.1**

* Right-of-use assets in accordance with IFRS 16 standard have been renamed leased assets starting from January 1, 2021.

Aspo Group's condensed consolidated cash flow statement

	1-6/2021 MEUR	1-6/2020 MEUR	1-12/2020 MEUR
CASH FLOWS FROM/USED IN OPERATING ACTIVITIES			
Operating profit	17.5	8.1	19.3
Adjustments to operating profit	15.3	14.7	29.2
Change in working capital	-7.2	10.9	23.0
Interest paid	-2.0	-2.9	-4.4
Interest received	0.1	1.1	0.7
Income taxes paid	-1.5	-1.4	-2.8
Net cash from operating activities	**22.2**	**30.5**	**65.0**
CASH FLOWS FROM/USED IN INVESTING ACTIVITIES			
Investments	-6.1	-2.4	-7.2
Investment subsidy			2.5
Proceeds from sale of tangible assets	0.1	0.1	0.2
Acquisition of businesses			-4.7
Dividends received		0.1	0.1
Net cash used in investing activities	**-6.0**	**-2.2**	**-9.0**
CASH FLOWS FROM/USED IN FINANCING ACTIVITIES			
Change in current loans	-11.9	-6.1	0.8
Repayments of non-current loans	-2.0	-0.7	-18.9
Payments of lease liabilities	-6.7	-6.5	-13.0
Hybrid bond repayment		-25.0	-25.0
Proceeds from Hybrid bond issue		20.0	20.0
Hybrid bond, interest paid	-1.7	-1.6	-1.6
Hybrid bond, transaction costs paid		-0.3	-0.3
Dividends paid	-5.6	-3.4	-6.9
Net cash used in financing activities	**-27.9**	**-23.6**	**-44.9**
Change in cash and cash equivalents	**-11.7**	**4.8**	**11.1**
Cash and cash equivalents January 1	32.3	23.7	23.7
Translation differences	0.5	-1.0	-2.5
Cash and cash equivalents at period-end	**21.1**	**27.5**	**32.3**

Aspo Group consolidated statement of changes in equity

MEUR	Share capital and premium	Other reserves	Hybrid bond	Translation differences	Retained earnings	Total
Equity January 1, 2021	**22.0**	**16.5**	**20.0**	**-27.0**	**81.9**	**113.4**
Comprehensive income:						
Profit for the period					14.2	14.2
Translation differences				1.5		1.5
Total comprehensive income				1.5	14.2	15.7
Transactions with owners:						
Dividend payment					-10.9	-10.9
Interest on hybrid bond					-0.9	-0.9
Share-based incentive plan					0.4	0.4
Total transactions with owners					-11.4	-11.4
Equity June 30, 2021	**22.0**	**16.5**	**20.0**	**-25.5**	**84.7**	**117.7**
Equity January 1, 2020	**22.0**	**16.4**	**25.0**	**-19.2**	**77.8**	**122.1**
Comprehensive income:						
Profit for the period					5.3	5.3
Translation differences				-4.0		-4.0
Cash flow hedging		0.1				0.1
Total comprehensive income		0.1		-4.0	5.3	1.4
Transactions with owners:						
Dividend payment					-3.4	-3.4
Hybrid bond			-5.0			-5.0
Hybrid bond interest and transaction costs					-1.1	-1.1
Total transactions with owners			-5.0		-4.5	-9.5
Equity June 30, 2020	**22.0**	**16.5**	**20.0**	**-23.2**	**78.6**	**113.9**

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, 2021, Aspo applies certain new or amended IFRS standards and IFRIC interpretations as described in the 2020 consolidated financial statements. In other respects, the same accounting and measurement principles have been applied as in the consolidated financial statements of December 31, 2020. The information in this half-year report is unaudited.

Aspo Plc applies the guidance on alternative key figures issued by 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 presented on page 60 of the *Aspo's Year 2020* publication.

Personnel

At the end of the quarter, Aspo Group had 921 employees (896 at the end of 2020).

Net sales and segment information

Aspo Group's reporting segments are ESL Shipping, Leipurin and Telko. Kauko is reported as part of the Telko segment.

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Aspo Group disaggregation of net sales

Net sales by business area

	4-6/2021 MEUR	4-6/2020 MEUR	1-6/2021 MEUR	1-6/2020 MEUR	1-12/2020 MEUR
ESL Shipping					
ESL Shipping	46.0	32.9	89.4	75.6	148.4
	46.0	32.9	89.4	75.6	148.4
Leipurin					
Bakery business	23.8	20.2	45.2	43.5	90.6
Machinery business	2.0	3.0	8.5	6.6	10.4
	25.8	23.2	53.7	50.1	101.0
Telko					
Plastics business	36.8	28.6	68.9	61.1	122.9
Chemicals business	21.5	18.4	38.0	38.8	74.6
Lubricants business	9.3	5.6	18.7	12.3	27.4
Kauko	3.5	6.9	6.5	10.9	26.4
	71.1	59.5	132.1	123.1	251.3
Total	142.9	115.6	275.2	248.8	500.7

Net sales by timing of revenue recognition

	4-6/2021 MEUR	4-6/2020 MEUR	1-6/2021 MEUR	1-6/2020 MEUR	1-12/2020 MEUR
ESL Shipping					
At a point in time	0.9	0.5	2.0	0.9	2.3
Over time	45.1	32.4	87.4	74.7	146.1
	46.0	32.9	89.4	75.6	148.4
Leipurin					
At a point in time	24.6	21.7	51.3	47.1	97.2
Over time	1.2	1.5	2.4	3.0	3.8
	25.8	23.2	53.7	50.1	101.0
Telko					
At a point in time	70.9	59.4	131.8	122.8	250.7
Over time	0.2	0.1	0.3	0.3	0.6
	71.1	59.5	132.1	123.1	251.3
Total					
At a point in time	96.4	81.6	185.1	170.8	350.2
Over time	46.5	34.0	90.1	78.0	150.5
	142.9	115.6	275.2	248.8	500.7

Net sales by market area

	4-6/2021 MEUR	4-6/2020 MEUR	1-6/2021 MEUR	1-6/2020 MEUR	1-12/2020 MEUR
ESL Shipping					
Finland	20.5	16.3	42.8	36.8	69.4
Scandinavia	13.6	9.7	25.5	20.9	41.3
Baltic countries	0.2	0.1	0.7	0.3	2.2
Russia, other CIS countries and Ukraine	0.8	0.3	1.1	2.2	5.4
Other countries	10.9	6.5	19.3	15.4	30.1
	46.0	32.9	89.4	75.6	148.4
Leipurin					
Finland	9.8	9.4	19.3	19.9	39.8
Scandinavia	1.0	0.0	1.6	0.0	0.0
Baltic countries	7.4	6.1	14.1	13.2	27.9
Russia, other CIS countries and Ukraine	7.4	7.5	18.5	16.1	31.7
Other countries	0.2	0.2	0.2	0.9	1.6
	25.8	23.2	53.7	50.1	101.0
Telko					
Finland	15.9	16.9	29.4	32.4	67.7
Scandinavia	13.1	8.5	25.3	18.0	36.6
Baltic countries	5.9	4.2	10.7	8.4	16.0
Russia, other CIS countries and Ukraine	28.5	23.8	52.1	50.7	104.4
Other countries	7.7	6.1	14.6	13.6	26.6
	71.1	59.5	132.1	123.1	251.3
Total					
Finland	46.2	42.6	91.5	89.1	176.9
Scandinavia	27.7	18.2	52.4	38.9	77.9
Baltic countries	13.5	10.4	25.5	21.9	46.1
Russia, other CIS countries and Ukraine	36.7	31.6	71.7	69.0	141.5
Other countries	18.8	12.8	34.1	29.9	58.3
	142.9	115.6	275.2	248.8	500.7

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Segment information

Reconciliation of segment operating profit to the group's profit before taxes

1-6/2021

MEUR	ESL Shipping	Leipurin	Telko	Unallocated items	Group total
Operating profit	9.9	0.6	10.0	-3.0	17.5
Net financial expenses				-1.9	-1.9
Profit before taxes					15.6

1-6/2020

MEUR	ESL Shipping	Leipurin	Telko	Unallocated items	Group total
Operating profit	2.9	0.9	6.6	-2.3	8.1
Net financial expenses				-2.2	-2.2
Profit before taxes					5.9

Investments by segment

MEUR		ESL Shipping	Leipurin	Telko	Unallocated items	Group total
Investments	1-6/2021	5.9	0.1	0.1	0.0	6,1
Investments	1-6/2020	2.2	0.0	0.1	0.0	2,3

Segment assets and liabilities

MEUR	ESL Shipping	Leipurin	Telko	Unallocated items	Group total
Assets Jan 1, 2021	210.4	59.9	77.7	36.1	384.1
Assets Jun 30, 2021	212.8	59.0	92.9	24.8	389.5
Liabilities Jan 1, 2021	27.7	19.9	32.7	190.3	270.6
Liabilities Jun 30, 2021	30.4	16.5	43.3	181.6	271.8

Helsinki, August 11, 2021

Aspo Plc
Board of Directors

Press and analyst conference

A press and analyst conference will be arranged today, Wednesday August 11, 2021 at 2:00 p.m.

The press conference can be followed via a live webcast at https://aspo.videosync.fi/2021-q2-results, or by calling +358 9 817 10310 (12219443#) 5 to 10 minutes before the beginning of the press conference. The recording of the event will be available on the company's website later on the same day.

Financial information in 2021

Aspo Plc will publish its Interim Report for January–September 2021 on Wednesday, October 27, 2021.

Helsinki, August 11, 2021

Aspo Plc

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CEO	CFO

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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.