Aspo Plc
Half-year financial report
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Aspo Group Half-year Financial Report, January 1 to June 30, 2023

Weakened profitability in a challenging market in the second quarter

Figures from the corresponding period in 2022 are presented in brackets. From the beginning of year 2023, Aspo established a new segment structure and the figures for the comparative periods have been restated.

April–June 2023

- Aspo's net sales from continuing operations decreased to EUR 132.6 (136.2) million.
- Comparable operating profit from continuing operations was EUR 3.6 (11.7) million, and the comparable operating profit rate from continuing operations was 2.7% (8.6%).
- Comparable operating profit of ESL Shipping was EUR 3.3 (9.2) million, Telko EUR 0.9 (3.9) million, and Leipurin EUR 1.1 (0.0) million.
- Aspo's net sales, Group total decreased to EUR 136.4 (165.3) million.
- Comparable operating profit, at Group total level was EUR 3.6 (16.0) million, and the operating profit rate was 2.6% (9.7%).
- Items affecting the comparability of operating profit totaled EUR -8.8 (-2.4) million at Group total level.
- Operating profit from continuing operations was EUR 2.8 (11.7) million. The operating profit rate of continuing operations was 2.1% (8.6%).
- Operating profit of ESL Shipping was EUR 3.3 (9.0) million, Telko EUR -0.1 (4.4) million, and Leipurin EUR 1.4 (-0.3) million.
- Earnings per share were EUR -0.19 (0.31).
- Net cash from operating activities was EUR 6.5 (19.1) million. Free cash flow was EUR 5.9 (13.8) million.

January–June 2023

- Aspo's net sales from continuing operations increased to EUR 274.2 (265.0) million.
- Comparable operating profit from continuing operations was EUR 12.0 (20.4) million, and the comparable operating profit rate from continuing operations was 4.4% (7.7%).
- Comparable operating profit of ESL Shipping was EUR 9.3 (17.1) million, Telko EUR 3.6 (6.5) million, and Leipurin EUR 2.1 (0.1) million.
- Aspo's net sales, Group total decreased to EUR 283.9 (327.9) million.
- Comparable operating profit, at Group total level was EUR 11.6 (31.0) million, and the operating profit rate was 4.1% (9.5%).
- Items affecting the comparability of operating profit totaled EUR -8.3 (-7.3) million at Group total level.
- Operating profit from continuing operations was EUR 11.4 (15.7) million. The operating profit rate of continuing operations was 4.2% (5.9%).
- Operating profit of ESL Shipping was EUR 9.3 (18.2) million, Telko EUR 2.6 (2.4) million, and Leipurin EUR 2.6 (-1.1) million.
- Earnings per share were EUR 0.02 (0.52).
- Net cash from operating activities was EUR 18.7 (34.3) million. Free cash flow was EUR 15.0 (27.6) million.

Guidance for 2023 (issued on May 12, 2023)

Aspo Group's comparable operating profit will be EUR 25–35 million in 2023 (2022: EUR 55.3 million).

Key figures

	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Net sales, Group total, MEUR	136.4	165.3	283.9	327.9	652.6
Net sales from continuing operations, MEUR	132.6	136.2	274.2	265.0	560.7
ESL Shipping, comparable operating profit, MEUR	3.3	9.2	9.3	17.1	37.4
Telko, comparable operating profit, MEUR	0.9	3.9	3.6	6.5	11.3
Leipurin, comparable operating profit, MEUR	1.1	0.0	2.1	0.1	1.1
Other operations, comparable operating profit, MEUR	-1.7	-1.4	-3.0	-3.3	-5.9
Comparable operating profit from continuing operations, MEUR	3.6	11.7	12.0	20.4	43.9
Comparable operating profit from continuing operations, %	*2.7*	*8.6*	*4.4*	*7.7*	*7.8*
Comparable operating profit from discontinued operations, MEUR	0.0	4.3	-0.4	10.6	11.4
Comparable operating profit, Group total, MEUR	3.6	16.0	11.6	31.0	55.3
Comparable operating profit, Group total, %	*2.6*	*9.7*	*4.1*	*9.5*	*8.5*
Items affecting comparability, Group total, MEUR	-8.8	-2.4	-8.3	-7.3	-24.1
Operating profit, Group total, MEUR	-5.2	13.6	3.3	23.7	31.2
Profit before taxes from continuing operations, MEUR	0.6	10.7	7.3	13.6	32.5
Profit for the period, MEUR	-5.7	9.7	1.5	16.7	20.7
Profit from continuing operations, MEUR	1.5	10.1	7.9	12.9	30.8
Profit from discontinued operations, MEUR	-7.2	-0.4	-6.4	3.8	-10.1
Earnings per share (EPS), EUR	-0.19	0.31	0.02	0.52	0.61
EPS from continuing operations, EUR	0.03	0.32	0.22	0.40	0.93
EPS from discontinued operations, EUR	-0.22	-0.01	-0.20	0.12	-0.32
Net cash from operating activities, MEUR	6.5	19.1	18.7	34.3	67.7
Free cash flow, MEUR	5.9	13.8	15.0	27.6	34.4
Return on equity (ROE), %			2.2	23.4	15.2
Equity ratio, %			34.8	35.6	34.7
Gearing, %			114.6	92.6	108.4
Equity per share, EUR			4.51	4.99	4.58

Rolf Jansson, CEO of Aspo Group, comments on the second quarter of 2023:

The business environment of Aspo was challenging in the second quarter of 2023 after the first quarter with growth and profitability. This was evident especially for Telko and ESL Shipping, whereas Leipurin experienced limited impact. Aspo's net sales from continuing operations in the second quarter of 2023 decreased by 3% to EUR 132.6 (136.2) million. Telko and Leipurin showed growth, whereas ESL Shipping's sales decreased due to softening demand and decline in fuel prices. Aspo's comparable operating profit from continuing operations amounted to EUR 3.6 (11.7) million. Leipurin significantly improved its profitability, whereas ESL Shipping and Telko showed a clear decline.

ESL Shipping suffered from weakened demand, especially in the spot market which had strong negative impact on the profitability of the two supramax vessels. In addition, pricing of time charted vessels, dockings and specific supply chain conditions had a negative impact on the financial performance of ESL shipping.

Telko suffered from declining prices combined with soft demand in plastics. In addition, profitability was weakened by increased competing imports from Asia due to lower freight prices and lower domestic demand in Asia. Development in chemicals and especially lubricants was more positive.

The financial development of Leipurin remained on a positive path. The acquisition of Kobia has proven to be successful in terms of synergy potential, and in particular after the sale and lease back of the three Swedish properties with a total sales price of approximately EUR 13.6 million, which represents a substantial share of the purchase price of Kobia. Also, the ongoing development actions in Leipurin, covering the leadership model as well as commercial and supply chain activities have started to deliver results.

Sustainability KPIs have shown fairly flat development during year 2023 compared with last year. This includes emission intensity, employee safety, and employee satisfaction. We are working hard at Aspo to achieve the set sustainability targets for the year 2023.

Aspo continues to execute its strategy. The war in Ukraine and exits of selected Eastern markets have caused a decline in Aspo's net sales and profitability. The Russian exits are almost completed, which frees-up resources to pursue Aspo's western focused strategy. As key priorities we are evaluating measures for accelerating ESL Shipping's low-carbon growth strategy which will also decrease Aspo's capex burden into ESL Shipping and free up capital to be invested into the other businesses of Aspo, including acquisitions of Telko and investments to grow the profitability of Leipurin. In addition, we continue to search for acquisition opportunities to achieve growth, while simultaneously enhancing cost efficiency in the current operations. All of these activities are executed systematically to support strong performance in any business environment.

ASPO GROUP

Financial results and targets

Aspo's long-term financial targets are:

- Annual increase in net sales: 5–10% a year
- Operating profit: 8%
- Return on equity: more than 20%
- Gearing: less than 130%

On a business level, ESL Shipping's operating profit target is 14%, Telko's 8% and Leipurin's 5%. The operating profit rate targets are evaluated against the comparable operating profit rate of Aspo Group and its businesses.

In the second quarter of 2023, Aspo's net sales from continuing operations decreased by 3% to EUR 132.6 (136.2) million. The comparable operating profit rate of the continuing operations was 2.7% (8.6%). Return on equity was 2.2% (23.4%) and gearing stood at 114.6% (108.4%). ROE was on modest level especially due to the loss from discontinued operations resulting mainly from the reclassification of translation differences with no impact on Group total equity.

Aspo Group's comparable operating profit includes results for continuing and discontinued operations. The comparable operating profit is calculated by adjusting the reported operating profit with rare and material items affecting the operating profit. These may include impairment losses, sales gains and losses from divested businesses and non-current assets, as well as financial losses caused by Russia's invasion in Ukraine.

Restructuring of the financial reporting

To provide a more transparent and clear view of its businesses, Aspo established a new reportable segment called Non-core businesses in the beginning of year 2023. The Non-core businesses segment includes Telko Russia and Belarus as well as Kauko GmbH previously reported in the Telko segment, Leipurin Russia, Belarus and Kazakhstan previously reported in the Leipurin segment, ESL Shipping Russia previously reported in the ESL Shipping segment. The Non-core businesses segment was established to separate the results of the on-core businesses of Aspo from the results of the continuing businesses. All the entities in the segment are either held for sale or in the process of being closed down or already divested. Thus, the Non-core businesses segment is reported as discontinued operations. The comparative figures of all segments and Aspo Group have been restated according to the new reporting structure. In the comparative periods of 2022, the result of the discontinued operations also includes the operative result and divestment loss of Kauko Oy, which was divested on October 31, 2022. Thus, the results of Kauko and the Non-core businesses segment, which make up the result of the discontinued operations, are presented separately from the results of Aspo Group's continuing operations, but the result of the discontinued operations is included in the presented "Group total" figures including the measure comparable operating profit, Group total.

Net sales and operating profit rate, Group total

	4-6/2023 MEUR	4-6/2022 MEUR	1-6/2023 MEUR	1-6/2022 MEUR	1-12/2022 MEUR
Net sales, Group total	136.4	165.3	283.9	327.9	652.6
Net sales, continuing operations	132.6	136.2	274.2	265.0	560.7
Net sales, discontinued operations	3.8	29.1	9.7	62.9	91.9
Operating profit, Group total	-5.2	13.6	3.3	23.7	31.2
Operating profit, Group total, %	-3.8	8.2	1.2	7.2	4.8
Items affecting comparability	-8.8	-2.4	-8.3	-7.3	-24.1
Comparable operating profit, Group total	3.6	16.0	11.6	31.0	55.3
Comparable operating profit, Group total, %	2.6	9.7	4.1	9.5	8.5

Operating profit and comparable operating profit, Group total

	4-6/2023 MEUR	4-6/2022 MEUR	1-6/2023 MEUR	1-6/2022 MEUR	1-12/2022 MEUR
ESL Shipping, operating profit	3.3	9.0	9.3	18.2	38.2
Telko, operating profit	-0.1	4.4	2.6	2.4	8.2
Leipurin, operating profit	1.4	-0.3	2.6	-1.1	-1.4
Other operations, operating profit	-1.8	-1.4	-3.1	-3.8	-6.6
Operating profit from continuing operations	2.8	11.7	11.4	15.7	38.4
Operating profit from discontinued operations	-8.0	1.9	-8.1	8.0	-7.2
Operating profit, Group total	-5.2	13.6	3.3	23.7	31.2
Items affecting comparability	-8.8	-2.4	-8.3	-7.3	-24.1
Comparable operating profit, Group total	3.6	16.0	11.6	31.0	55.3

Items affecting comparability

	4-6/2023 MEUR	4-6/2022 MEUR	1-6/2023 MEUR	1-6/2022 MEUR	1-12/2022 MEUR
ESL Shipping	0.0	-0.2	0.0	1.1	0.8
Telko	-1.0	0.5	-1.0	-4.1	-3.1
Leipurin	0.3	-0.3	0.5	-1.2	-2.5
Other operations	-0.1	0.0	-0.1	-0.5	-0.7
Continuing operations, total	-0.8	0.0	-0.6	-4.7	-5.5
Discontinued operations	-8.0	-2.4	-7.7	-2.6	-18.6
Total	**-8.8**	**-2.4**	**-8.3**	**-7.3**	**-24.1**

In the second quarter of 2023, items affecting comparability were EUR -8.8 million in total. EUR -1.0 million reported in the Telko segment was related to inventory write downs caused by Russia's invasion in Ukraine.

EUR 0.3 million reported in the Leipurin segment consisted of the gain on the sale and lease back transactions of Kobia's properties in Hässleholm and Tyresö, Sweden. EUR -0.1 million reported in Other operations related to corporate restructuring. EUR -8.0 million reported in discontinued operations related to the loss on divestment of Telko's subsidiary in Russia (primarily reclassification of accumulated translation differences, which has no impact on equity), as well as some smaller valuation adjustments of the other eastern businesses held for sale.

In the second quarter of 2022, items affecting comparability amounted to EUR -2.4 million in total. EUR -0.2 million reported for ESL Shipping related to an accrual for a legal claim. EUR 0.5 million reported in the Telko segment was an adjustment to the bad debt allowance in Ukraine. EUR -0.3 million reported for Leipurin consisted of the divestment loss of Vulganus of EUR -0.4 million and an adjustment of the bad debt allowance in Ukraine of EUR 0.1 million. EUR -2.4 million reported in discontinued operations included EUR -1.2 million of costs related to restructuring of Russia-related operations in the Non-core businesses segment and an impairment loss of EUR -1.3 million on Kauko's goodwill.

In January-June 2023 the items affecting comparability amounted to EUR -8.3 million in total. EUR -1.0 million reported in the Telko segment related to inventory write downs caused by Russia's invasion in Ukraine. EUR 0.5 million reported in Leipurin segment consisted of the gain on the sale and lease back transactions of Kobia's properties in Sweden. EUR -7.7 million reported in discontinued operations related to the divestment loss of Telko Russia and smaller valuation adjustments of the eastern businesses held for sale.

The items affecting comparability in January-June 2022 amounted to EUR -7.3 million in total. EUR 1.5 million in sales gains from ESL Shipping's barge Espa, and ESL Shipping's cost provisions of EUR -0.4 million related to the war in Ukraine. EUR -2.6 million in losses from the destruction of Telko's warehouse in Ukraine, and a credit loss provision of EUR -1.5 million associated with Telko's accounts receivables in Ukraine. EUR -0.7 million in losses from the destruction of Leipurin's warehouse in Ukraine, a credit loss provision of EUR -0.1 million associated with Leipurin's accounts receivable in Ukraine, and EUR -0.4 million divestment loss of Vulganus. EUR -0.5 million share-based payments granted to Aspo's previous CEO reported in Other operations. EUR -2.6 million reported in discontinued operations of which EUR -1.3 million was costs related to restructuring of Russia-related operations in the Non-core businesses segment and EUR -1.3 million was an impairment loss on Kauko's goodwill.

In 2022, items affecting comparability totaled EUR -24.1 million, of which EUR -20.7 million resulted from the impact of Russia's invasion in Ukraine on Aspo Group's business operations. Items affecting comparability relating to the Kauko segment totaled EUR -2.5 million. Other items affecting comparability totaled EUR -0.9 million.

Sustainability

Sustainability is a material factor which guides Aspo's management system and especially the company's investments. Aspo's businesses aim to be forerunners in sustainability in their respective sectors. The key target is to reduce emission intensity, CO_2 (tn) per net sales (EUR thousand), by 30% by 2025. The starting point (2020) was 0.44, while the target level (2025) is 0.30. According to the green transition in the shipping industry, ESL Shipping is engaged in close and long-term cooperation with leading energy suppliers to provide fossil-free sea transportation for its key customers in the future. ESL Shipping is investing in twelve new generation electric hybrid vessels, half of which will remain in its own ownership and half will be transferred to the other party of the pooling arrangement. The investment is instrumental in the company's green transition.

During the past 12 months, emission intensity has slightly increased despite the positive development in operational efficiency and the use of new operating models especially by ESL Shipping, and stood at 0.34 (0.33 for the full-year 2022). The slight increase is driven by decrease in net sales as the emissions during the past 12 months have decreased in absolute terms. Specifically for ESL Shipping, emission intensity was impacted also by fleet structure and the difficult ice conditions in the Northern Bay of Bothnia during April. The emission intensity target for the full-year 2023 is 0.36.

Another key sustainability focus area of Aspo is employee safety. The Total Recordable Injury Frequency (TRIF) slightly increased and was 8.6 (8.1 for the full-year 2022) for the past 12 months. The TRIF target for 2023 is 7.0.

Aspo's employee survey completed in June 2023 resulted in an AA-rating and a people power index of 79, which equals the rating last year, and is clearly above the global industry benchmark (74).

Operating environment and the impact of Russia's invasion in Ukraine on Aspo's operations

Aspo's commercial activities in eastern markets have significantly declined since Russia's invasion in Ukraine and Aspo's focus has been on full withdrawal from selected eastern markets. Major losses related to the withdrawal from selected eastern markets were accounted for already in 2022 and only minor valuation adjustments and translation differences are expected to be recognized in the profit and loss during 2023 following the divestments. The translation differences will be accounted for as part of the losses on divestments, but the reclassification will not impact the amount of total equity.

The operating environment in the west has been more stable, however, changes in demand, development in market prices, inflation and rising interest rates impacted financial development and generated uncertainty. In addition, rising interest rates have impacted investment activities and particularly financing opportunities. The M&A market has slowed down due to limited financing opportunities and differing views on valuations among other things. Volatile exchange rates also reflect the high inflation, which varies from one area to another causing fluctuations in demand.

Aspo continues its business operations in Ukraine despite of the war. The market conditions are, however, demanding with no significant improvement in sight in the short term. Aspo continues to operate in selected Central Asian countries including Kazakhstan and Uzbekistan.

ESL Shipping's all operations were discontinued in Russia in 2022 and the whole fleet capacity operates now in the western markets. Telko has sold its Russian subsidiary to GK Himik in the second quarter of 2023. Telko is in the process of winding-down its operations in Belarus. The sales and exit processes of Leipurin's companies in Russia, Belarus and Kazakhstan are ongoing and they are expected to be completed in the near future. Local governmental decision-making has postponed closing of the transaction.

Net sales by market area, continuing operations

	1-6/2023	Share	1-6/2022	Share	1-12/2022	Share
	MEUR	%	MEUR	%	MEUR	%
Finland	49.1	37.0	55.6	40.8	224.4	40.0
Scandinavian countries	38.5	29.0	32.3	23.7	137.6	24.5
Baltic countries	16.7	12.6	17.5	12.8	67.8	12.1
Other European countries	19.1	14.4	22.5	16.5	89.6	16.0
Other countries	9.2	6.8	8.3	6.1	41.3	7.4
Total	132.6	100	136.2	100	560.7	100

From the beginning of year 2023, following the shift of the strategic focus towards western markets, Aspo changed the market areas when reporting net sales. The new reportable market areas are: Finland, Scandinavian countries, Baltic countries, Other European countries and Other countries. The acquisition of Kobia has significantly increased the contribution of Scandinavia to the Group's total net sales.

Cash flow and financing

The Group's net cash flow from operating activities in January–June was EUR 18.7 (34.3) million. The cash flow of all businesses was positive, and the decrease compared to the comparative period came from the segment ESL Shipping. The cash flow impact of change in working capital was limited to EUR 0.8 (2.3) million. The positive cash impact is caused by the decrease in inventories which was partly offset by increased accounts receivables.

The free cash flow in January–June was EUR 15.0 (27.6) million. Investments amounted to EUR 5.9 (8.2) million and consisted mainly of the ESL Shipping segment's Green Coaster advance payments. The other items reported in cash flows used in investing activities included EUR 3.9 million cash outflow from the acquisitions of Eltrex, EUR 10.1 million cash inflow from the sale of Kobia's properties in Sweden, EUR 4.4 million cash outflow from the sale of Telko's subsidiary in Russia and other cash inflow of EUR 0.4 million.

	6/2023	**6/2022**	**12/2022**
	MEUR	MEUR	MEUR
Interest-bearing liabilities, incl. lease liabilities	188.1	192.8	189.2
Cash and cash equivalents, Group total	25.9	47.6	33.5
Net interest-bearing debt	162.2	145.2	155.7

Net interest-bearing debt was EUR 162.2 (155.7) million and gearing increased to 114.6% (108.4%). The Group's equity ratio at the end of the review period was 34.8% (34.7%).

Net financial expenses in January–June totaled EUR -4.1 (-2.1) million. The average interest rate of interest-bearing liabilities, excluding lease liabilities, rose strongly and was 4.7% (1.4%), increasing Aspo's interest expenses.

The Group's liquidity position remained strong. Cash and cash equivalents, Group total stood at EUR 25.9 (33.5) million at the end of the review period, of which cash and cash equivalents related to businesses held for sale were EUR 3.6 (11.8) million. Current interest-bearing liabilities have increased, and non-current interest-bearing liabilities decreased as part of the non-current loans will fall due within the next twelve months. Committed revolving credit facilities, totaling EUR 40 million, were fully unused, as in the comparative period. Aspo's EUR 80 million commercial paper program also remained fully unused.

Short-term risks and uncertainties in business operations

Aspo and its subsidiaries are exposed to various risks and uncertainties. The most important risks and Aspo's actions to mitigate these are summarized and reported to Aspo's Board of Directors through its Audit Committee.

Russia's invasion of Ukraine causes significant geopolitical uncertainties. It affects the general economic environment, including inflation, energy and raw material prices, interest rates, and consumers' trust.

The ongoing process to withdraw from Russia and other selected eastern markets has and will change the Group's structure significantly and will affect the revenue model of Aspo's businesses. There are risks that the withdrawal from selected markets cause additional costs or losses, and that funds cannot be transferred from the markets or that the withdrawal is unsuccessful in full or in part. It is also possible that the official approvals required for the withdrawal from the markets are not obtained. As the money from the disposal of Telko Russia has been received these risks are now limited to Leipurin's eastern operations.

Overall economic development and energy price development cause changes in demand and price volatility of plastic and chemical based raw materials. Subsequently these will have an impact on the financial performance of Telko, who does though benefit from a focus on more technical products, wide product mix, and scalability of operations.

Overall economic development and specific demand and production volumes in key industries, especially metal and forest products, impact the demand of shipping. In this respect, ESL Shipping benefits from long-term industrial partnerships and a general deficit of all year-round vessel capacity in the Baltic Sea area.

In line with its strategy, Aspo aims to increase its profit-making ability through acquisitions. Strategy execution may lead to a temporary deterioration in the balance sheet and capital structure in situations where acquisitions require financial resources and consequently may reduce solvency. With its strategy, Aspo aims to reduce the impact of the possibly weakening general economic development on Aspo's profit-making ability.

Because the future estimates presented in this interim report are based on the current situation and knowledge, they involve significant risks and other uncertainties, due to which actual future outcomes may differ from the estimates.

ASPO'S BUSINESSES

ESL Shipping

ESL Shipping is the leading dry bulk sea transport company operating in the Baltic Sea area. 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 42 vessels with a total capacity of 438,000 deadweight tons (dwt). Of these, 23 were wholly owned (78% of the tonnage), two were minority owned (2%) and the remaining 17 vessels (20%) were time chartered.

ESL Shipping's competitive edge is based on its pioneering role and ability to responsibly and energy efficiently 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.

	4-6/2023	4-6/2022	Change,%	1-6/2023	1-6/2022	Change,%
Net sales, MEUR	44.0	60.3	-27	96.7	117.1	-17
Operating profit, MEUR	3.3	9.0	-63	9.3	18.2	-49
Operating profit, %	7.5	14.9		9.6	15.5	
Items affecting comparability, MEUR	0.0	-0.2		0.0	1.1	
Comparable operating profit, MEUR	3.3	9.2	-64	9.3	17.1	-46
Comparable operating profit, %	7.5	15.3		9.6	14.6	

In the second quarter ESL Shipping's net sales decreased significantly by 27% from the previous year to EUR 44.0 (60.3) million. The comparable operating profit for the quarter decreased by almost two thirds to EUR 3.3 (9.2) million, with the comparable operating profit rate being 7.5% (15.3%). The unsatisfactory financial development resulted from significantly weakened freight market conditions especially with the shipping company's supramax-class vessels becoming lossmaking in Q2 and weaker spot market rates for all other vessel sizes. The second quarter is typically weakened by seasonal maintenance breaks at certain major clients and periodical docking of vessels. During the quarter, energy consumption and fuel costs increased due to heavier than usual ice conditions in April. Resulting from lower overall market activity and smaller capacity, cargo volumes transported by ESL Shipping decreased from the comparative period to 3.0 (3.3) million tons. The overall freight market activity in Scandinavia and Continental Europe slowed down significantly compared to the previous year.

ESL Shipping's handysize vessels had slightly lower than expected volume demand from long term partnership industries during the second quarter of 2023. To find a better supply and demand balance, one handysize vessel was time-chartered out during the second quarter. Energy shipping markets were depressed due to prevailing high stock levels after the warm winter season in Europe. Share of energy coal returned to a clearly decreasing trend, being approximately 5 % of transported volumes. The financial performance of the handysize segment suffered during Q2 from dockings of vessels. In addition, some key clients rearranged their sourcing of raw materials, which temporarily weakened ESL Shipping's transportation volumes.

Coaster vessel volumes remained at satisfactory levels despite capacity constraints. Both steel and forest industry contract volumes turned out close to forecasted levels. The result was negatively affected by higher time-charter unit costs than during the comparative period.

During the second quarter, the prices of diesel and liquefied natural gas (LNG) used as ship fuels continued to decrease from the previous quarter. Ship fuel prices have almost halved from the extreme heights experienced during the comparative period last year and this had a 4,7 million euros negative impact on net sales during the second quarter due to lower fuel surcharges. Energy price fluctuations are managed through neutral fuel clauses in long-term transportation agreements.

The newbuilding project of ESL Shipping's Swedish subsidiary AtoBatC Shipping AB at the Chowgule & Company Private Limited shipyard in India proceeded as planned during the second quarter. A total of six vessels are already under construction and the first vessel in the series, Electramar, was successfully launched in June and is expected to be delivered during fall 2023. Every other vessel in the series of 12 next-generation electric hybrid vessels will be sold, as announced earlier, to the company established by the pooling investor group.

During the second quarter four vessels were docked for 44 (45) days. Compared to the second quarter in previous year when mostly smaller coaster vessels were docked, maintained vessels were mainly larger and more profitable handy size vessel units and therefore operating result for the second quarter in 2023 was negatively affected.

The net sales of ESL Shipping in January–June decreased by 17 % from the comparative period, amounting to EUR 96.7 (117.1) million. The comparable operating profit decreased to EUR 9.3 (17.1) million and the comparable operating profit rate was 9.6% (14.6%).

ESL Shipping outlook for 2023

ESL Shipping's main markets in the Northern Baltic Sea, Scandinavia and Continental Europe are expected to suffer from a low level of industrial activity throughout the summer season. Typically, the dry bulk market activity picks up again during the second half of the year and especially in the autumn together with increased agriproduct volume demand from new harvest and increased demand from the energy industry.

ESL Shipping's long-term partners in the steel industry are expected to have fairly stable, albeit lower than in the previous year, volumes for the remaining part of the year. Steel demand in Europe has weakened especially in the construction industry and ESL Shipping's steel industry clients are prepared to further adjust their production if needed. In the forest industry, pulp delivery volumes are looking less positive than in the early part of the year due to high stock levels. Resulting from present difficulties in European construction industries, sawn goods demand is likely to be lower than earlier expected, despite the fact that production capacity of our main customers is increasing.

Most of the shipping company's transportation capacity has been secured through long-term agreements with the exception of the supramax vessels, which operate more or less purely on the spot market.

The availability of vessel capacity suitable for round-the-year operations in the Baltic Sea remains tight due to the ageing fleet. The high price expectations of the lessors of the time-chartered vessels may cause further uncertainties in the availability and pricing of a suitable tonnage.

The shipping company's investments in energy-efficient vessels will strengthen its competitiveness and market position in the future. ESL Shipping is finalizing development of a completely fossil-free sea transportation ecosystem in cooperation with its key partners and customers.

During the remaining part of 2023, the two most profitable larger and two smaller vessels will be docked for a total of approximately 50 days, and consequently, result in Q3 will be negatively affected.

The green transition is expected to substantially enlarge ESL Shipping's market, and as informed in a separate stock exchange release on 26th April, Aspo's Board of Directors decided to initiate a review of strategic options to support and accelerate ESL Shipping's low-carbon growth strategy. The ongoing program is assessing alternative measures, including launch of a second wave investment pool, a possible equity injection in ESL Shipping by a minority shareholder, and the sale of ESL Shipping's two supramax vessels. The program has progressed according to plan, and first results are expected still during year 2023.

Telko

Telko is a leading expert in and supplier of plastic raw materials, industrial chemicals, and lubricants. It operates as a sustainable partner in the value chain, bringing well-known international principals and customers together. Its competitive edge is based on strong technical support, efficient logistics and local expert service. Telko operates in Finland, the Baltic countries, Scandinavia, Poland, Romania, Ukraine, Kazakhstan, Uzbekistan, and China.

	4-6/2023	4-6/2022	Change, %	1-6/2023	1-6/2022	Change, %
Net sales, MEUR	54.2	52.9	2	108.5	103.5	5
Operating profit, MEUR	-0.1	4.4	-102	2.6	2.4	8
Operating profit, %	-0.2	8.3		2.4	2.3	
Items affecting comparability, MEUR	-1.0	0.5		-1.0	-4.1	
Comparable operating profit, MEUR	0.9	3.9	-77	3.6	6.5	-45
Comparable operating profit, %	1.7	7.4		3.3	6.3	

In the second quarter of 2023, Telko's net sales increased by 2% to EUR 54.2 (52.9) million and its comparable operating profit decreased to EUR 0.9 (3.9) million. Telko's comparable operating profit rate was 1.7% (7.4%). The comparable operating profit for the second quarter excludes items affecting comparability of EUR -1.0 million including an inventory write-down related to Russian specific products. There is a high risk that this inventory cannot be sold with positive sales margin, and hence write down to net realizable value was made in the second quarter. Telko's reported operating profit for the second quarter decreased to EUR -0.1 (4.4) million and the operating profit rate was -0.2% (8.3%).

Net sales of the plastics business decreased by 13% during the second quarter, amounting to EUR 24.7 (28.3) million. The main contributor to lower sales was a negative price trend. In general, the second quarter was very challenging in the plastics business due to rapidly declining prices combined with soft demand. Customers focused on further reducing inventory levels and adjusting purchasing to end customer demand. In some product groups prices were up to 40% lower than during the same time in 2022. Due to significant market price decreases average margins were under pressure, especially for volume plastics where oversupply was evident. Increasing imports to Europe due to changes in the sea freight market, including improved availability and collapsing freight prices, was one of the drivers for the rapid price decline in standard products. Despite the challenging market environment Telko was active in business development and gained new customers.

Net sales of the chemicals business increased by 37% during the second quarter, amounting to EUR 16.7 (12.2) million. The recently acquired Polish distributor Eltrex contributed EUR 2.5 million to net sales during the quarter. The integration of Eltrex has started successfully and first sales synergies have been realized. Demand remained relatively healthy in the main markets during the second quarter, however, but started to slow down slightly during the quarter. Prices continued to decline in many product lines, but the development was quite balanced, still making margin management more challenging.

Net sales of the lubricants business increased by 3% to EUR 12.8 (12.4) million. All business lines developed positively. The good development in Industrial lubricants continued and resulted in sales volume growth. In Automotive lubricants sales development was good in all markets and strongest in the Scandinavian market. Telko continued to strengthen its position in Marine Lubricants. During the second quarter the pressure on prices increased in all lubricant segments, but the impact was strongest in Automotive lubricants. Margin development in lubricants remained relatively flat.

Telko's net sales increased by 5% during January–June to EUR 108.5 (103.5) million, primarily driven by acquisitions. Telko's comparable operating profit for the first half of the year was EUR 3.6 (6.5) million, and its comparable operating profit rate was 3.3% (6.3%). Telko's operating profit was at EUR 2.6 (2.4) million for January-June 2023 and the operating profit rate was 2.4% (2.3%).

Telko outlook for 2023

Telko has faced significant changes in its business environment during the last year. Despite all the changes, the core of Telko´s strategy has remained and will remain the same. As a leading expert serving multiple industries, Telko is in a unique position to create value by improving its customers' sustainability, productivity, and operational quality. Telko´s growth efforts will increasingly be focused on Europe, but the main components of the company´s value proposition will remain the same.

In general, the business outlook in the European market looks weaker than a year ago. Telko serves industrial customers in various industries. The possible changes in demand will be softened by the heterogenic cyclicality of the diversified customer base, and hence Telko's business is expected to remain fairly resilient to changes in overall market development.

In plastics, overall market conditions will remain challenging for the coming months, as customer demand does not indicate recovery at present. Prices reached historically low levels in many product groups, and we expect them to stabilize during Q3. Sales margins are expected to recover as a result of more stable price development. Despite the challenging market environment, Telko expects to continue gaining market share in the main markets.

In chemicals, the demand is expected to soften slightly during the second half of the year in key markets. Price erosion is expected to continue, but in a controlled way. The Baltics will face the biggest drop in demand, Finland and Scandinavia are expected to develop quite favorably. The integration of the recently acquired Eltrex will continue.

It is expected that for lubricants demand will remain relatively stable during the second half of the year. A possible slower economic development might have an adverse impact on demand for lubricants. Market prices are expected to decline slightly. Telko expects to continue growing its market share in high performance lubricants, metal working fluids and marine lubricants.

The recent acquisitions have proved to be successful, and they have had a positive impact on the existing businesses. Telko aims to accelerate its growth through acquisitions to achieve its strategic goals in all three business segments. Telko will also seek to strengthen its market share in existing markets through organic growth.

In order to secure good profitability, Telko will further strengthen its cost efficiency and continue developing its operating model towards better scalability and flexibility. Good inventory control and capital efficiency will continue to be a high priority for Telko. The asset-light business model of Telko enables better ability to utilize new business opportunities and to react to changes in the business environment.

Leipurin

Leipurin operates as part of the food chain, sourcing raw materials in global markets and from domestic companies, and supplying them through its effective logistics chain to serve customer needs. With operations in six countries including Finland, Sweden, the Baltic countries, and Ukraine, Leipurin serves bakeries, the food industry, and food service customers by providing raw materials, supporting research & development, recipes, and innovations for new products. Leipurin offers also various supplies and machines for the same customer segments, partnering with leading international manufacturers for its raw material and machinery supply.

	4-6/2023	4-6/2022	Change,%	1-6/2023	1-6/2022	Change,%
Net sales, MEUR	34.4	23.0	50	69.0	44.4	55
Operating profit, MEUR	1.4	-0.3		2.6	-1.1	
Operating profit, %	4.1	-1.3		3.8	-2.5	
Items affecting comparability, MEUR	0.3	-0.3		0.5	-1.2	
Comparable operating profit, MEUR	1.1	0.0		2.1	0.1	2000
Comparable operating profit, %	3.2	0.0		3.0	0.2	

Leipurin’s net sales increased by 50% during the second quarter to EUR 34.4 (23.0) million. In Finland net sales increased by 8% to EUR 12.6 (11.7) million. In the Baltic countries, net sales decreased by 4% to EUR 9.1 (9.5) million. Net sales in Ukraine decreased by 50% to EUR 0.1 (0.2) million. Sweden was established as a new business unit as a result of the acquisition of Kobia AB on September 1, 2022, and it contributed with EUR 12.6 million and approximately 37% of Leipurin’s net sales in the second quarter of 2023. Net sales of the comparative period included EUR 1.7 million net sales of the divested Vulganus Oy. During the second quarter, sales to bakeries increased by 61% to EUR 24.9 (15.5) million, driven by the Kobia acquisition. Sales to the food industry increased by 7% to EUR 3.1 (2.9) million.

Increasing raw material prices in global markets continued to drive Leipurin’s sales growth during the second quarter. Measured in kilo volume, the decline in sales continued in Finland, Sweden and the Baltic countries, although it slowed down significantly towards the end of the quarter. In the case of Leipurin, the volume decrease has been predominantly in the low-margin commodity items, resulting in an improved product mix, and hence the positive development in gross profits continued even at slightly lower total volumes.

The comparable operating profit for the second quarter stood at EUR 1.1 (0.0) million, and the comparable operating profit rate was 3.2% (0.0%). Items affecting comparability, totaling EUR 0.3 (-0.3) million, included the sales gain related to the sale and leaseback transaction of Kobia’s properties in Hässleholm and Tyresö. The comparative period was mainly affected by items related to the divestment of Vulganus. Leipurin’s operating profit for the second quarter was EUR 1.4 (-0.3) million and operating profit rate 4.1% (-1.3%).

In January–June, Leipurin’s net sales increased by 55% to EUR 69.0 (44.4) million. Figures for the comparative year included EUR 4.2 million in net sales of the divested Vulganus Oy. Kobia AB’s acquisition contributed to the growth by EUR 25.5 million and its share of Leipurin’s net sales was 37% during the period. The steep increase in raw material prices in global markets had a significant impact on the euro-denominated increase in sales particularly in the first quarter and the beginning of the second quarter.

Leipurin’s comparable operating profit in January–June 2023 was EUR 2.1 (0.1) million, and the comparable operating profit rate was 3.0% (0.2%). Items affecting comparability, totaling EUR 0.5 (-1.2) million, were mainly related to the gain on the sale and leaseback transactions of Kobia’s properties in Sweden. The comparative period was mainly affected by the destroyed warehouse in Ukraine, and items related to the divestment of Vulganus. The operating profit was EUR 2.6 (-1.1) million and operating profit rate 3.8% (-2.5%).

Leipurin completed the sale and leaseback of the property in Gothenburg, Sweden during the first quarter, and the properties in Hässleholm and Tyresö, Sweden during the second quarter. These actions generated sales proceeds of EUR 13.6 million, which represents a significant share of the capital that was invested when acquiring Kobia AB. The transactions will not have a significant impact on profitability going forward.

Leipurin outlook for 2023

Leipurin's expansion to Sweden through the acquisition of Kobia AB will contribute to annual net sales by roughly EUR 50 million and generate considerable synergy benefits in product range development, supply chain, and procurement. It also enables partners to be served in a wider geographic area. The integration of operations and synergy capture have progressed according to plan.

Decreased consumer purchasing power may continue to have a negative impact on demand especially for artisan bakeries, as consumers shift towards more affordable products. The sharpest effects of the consumer prices shock of late 2022 and early 2023 seem though to be flattening out on the food market, and some commodity prices have also declined. The outcome of the crop year in September typically sets the general direction of food raw material prices, which is expected to be rather down than up. Such development will put emphasis on efficient inventory management.

The rapid inflation has decelerated considerably, but volatility across raw material categories will continue on a high level. The market is expected to be significantly more stable in the second half of the year than during the past 12 months.

Volumes in the food market have generally declined starting in the second half of 2022 and continuing this year. This development has been prevalent not only in Leipurin's markets and countries, but across food markets in Europe, presumably due to the consumer price shock caused by inflation, energy prices and interest rates. The market volume decline compared to the previous year is expected to flatten out during the second half of 2023.

Leipurin has now completed the core parts of the reorganization and will continue to work on the Group and country-level strategies in Q3. Management sees clear opportunities for organic growth as well as efficiency improvements in the countries. To strengthen growth and company positioning, Leipurin evaluates possible acquisition opportunities, as well as opportunities to further strengthen business focus by divesting or discontinuing some non-core, low-profitability parts of the business. The impact of Russia's invasion in Ukraine on the global supply chains, the availability of certain raw materials, general delivery times and especially on market development and demand in Ukraine will continue, but with a reduced effect on Leipurin's business.

Management of payment defaults and claims has succeeded well at present. Profitability challenges keep the risks of payment defaults and bankruptcies among small customers at higher level, although such risks have not materially realized for Leipurin.

Non-core businesses

The Non-core businesses segment includes Telko Russia and Belarus as well as Kauko GmbH previously reported in the Telko segment, Leipurin Russia, Belarus and Kazakhstan previously reported in the Leipurin segment and ESL Shipping Russia previously reported in the ESL Shipping segment. The Non-core businesses segment was established to separate the results of the non-core businesses of Aspo from the results of the continuing businesses. All the entities in the segment are either held for sale, in the process of being closed down or already divested.

Non-core

	4-6/2023	4-6/2022	Change,%	1-6/2023	1-6/2022	Change,%
Net sales, MEUR	3.8	25.2	-85	9.7	56.8	-83
Operating profit, MEUR	-8.0	3.1	-358	-8.1	9.4	-186
Operating profit, %	-210.5	12.3		-83.5	16.5	
Items affecting comparability, MEUR	-8.0	-1.2		-7.7	-1.4	
Comparable operating profit, MEUR	0.0	4.3	-100	-0.4	10.8	-104
Comparable operating profit, %	0.0	17.1		-4.1	19.0	

The net sales of the Non-core businesses segment declined by 85% during the second quarter to EUR 3.8 (25.2) million. The net sales of the Non-core businesses was split between Leipurin EUR 3.6 (6.4) million and Telko EUR 0.2 (18.8) million. The comparable operating profit was EUR 0.0 (4.3) million and the comparable operating profit rate was 0.0% (17.1%). The Leipurin entities contributed positively to the comparable operating profit, but the Telko entities were loss making leading to the zero comparable operating profit of the segment. The operating profit of the Non-core businesses was EUR -8.0 (3.1) million. The operating profit included EUR -8.0 (-1.2) million of items affecting comparability, which were caused by the sale of Telko's subsidiary in Russia EUR -7.4 million, the write down of Telko Russia's inventory EUR -1.7 million and EUR 1.1 million of valuation adjustments relating to the other eastern businesses held for sale due to their decreased net assets.

The divestment of Telko's Russian subsidiary was completed during the second quarter. The company was sold to the Russian industrial operator GK Himik. The received sales price was EUR 5.7 million. The money received corresponded materially to the remaining value of the company in Aspo Group considering the impairment losses recognized already in 2022 and the valuation adjustments done in 2023. The loss on sale was EUR -7.4 million, including accumulated translation differences of EUR -8.6 million that were reclassified from the translation reserve in equity to other operating expenses in the profit and loss. The sales loss is reported in Non-core business segment as an item affecting comparability. In Aspo Group the sales loss is presented in the result from discontinued operations.

In January–June, the net sales of the Non-core businesses segment decreased by 83% to EUR 9.7 (56.8) million. The comparable operating profit in January–June 2023 was EUR -0.4 (10.8) million, and the comparable operating profit rate was -4.1% (19.0%). Items affecting comparability, totaling EUR -7.7 (-1.4) million consisted of the divestment loss of Telko Russia EUR -7.4 million, the write down of Telko Russia's inventory EUR -1.7 million and EUR 1.4 million of valuation adjustments relating to the other eastern businesses held for sale due to their decreased net assets. The operating profit was -8.1 (9.4) million, and the operating profit rate was -83.5% (16.5%),

Other operations

Other operations include Aspo Group's administration, finance and ICT service center. The comparable operating profit of Other operations was EUR -1.7 (-1.4) million in the second quarter. The cost increase compared with the previous year relates to the transformation of Aspo Group. The operating profit of the quarter was EUR -1.8 (-1.4) million. An item affecting comparability of EUR -0.1 million is reported in the second quarter and it relates to corporate restructuring.

In January-June the comparable operating profit of other operations was EUR -3.0 (-3.3) million and the operating profit was EUR -3.1 (-3.8). The improved profitability derives from some restructuring activities at Aspo Group level. In 2022, items affecting comparability of EUR -0.5 million were related to the additional share-based remuneration granted to Aspo's previous CEO.

COMPANY INFORMATION

Aspo aims to achieve sustainable long-term growth by re-investing earned profits in profitable investment objects and by taking steps towards a compounder profile. Aspo enables growth for the businesses it owns and aims to improve their profitability and earnings by developing them and ensuring steady cash flows. The goal is to assume an even more active role in mergers, acquisitions, and other restructuring activities as well as in growth investments in the owned businesses. Aspo focuses especially on B-to-B industrial services, and its key clusters include logistics and trade.

Key businesses in Aspo's portfolio are ESL Shipping, Telko and Leipurin. They are responsible for their own operations and customer relationships, as well as for developing these. Sustainability is a key factor of Aspo's management system and guides the process of targeting new investment opportunities.

Share capital and shares

Aspo Plc's registered share capital on June 30, 2023, was EUR 17,691,729.57, and the total number of shares was 31,419,779, of which the company held 12,394 shares, i.e. approximately 0.04% of the share capital.

Based on the authorization by the Annual Shareholders' Meeting 2022, Aspo's Board of Directors decided to start a repurchasing program of the company's own shares on March 9, 2023. Additional treasury shares were needed for the purposes of the share-based incentive programs. During the period from March 9 to March 31, 2023, Aspo acquired a total of 36,194 of its own shares in trading organized by Nasdaq Helsinki Ltd.

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

In January-June 2023, a total of 864,081 Aspo Plc shares, with a market value of EUR 6,9 million, were traded on Nasdaq Helsinki. In other words, 2.8% of the shares changed hands. During the review period, the share price reached a high of EUR 8.70 and a low of EUR 6.87. The average price was EUR 8.00 and the closing price at the end of the review period was EUR 6.98. At the end of the review period, the market value, less treasury shares, was EUR 219.3 million.

The company had 11,782 shareholders at the end of the review period. A total of 968,583 shares, or 3.08% of the share capital, were nominee registered or held by non-domestic shareholders.

Remuneration

<u>Share-based incentive plan 2023–2025</u>

On February 15, 2023, Aspo Plc's Board of Directors approved a new incentive plan for the Group key employees by establishing a new Performance Share Plan 2023–2025. The aim of the plan 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 plan based on earning and accumulating the Company´s shares.

Rewards earned from each of the three performance periods of the Performance Share Plan will be based on the Group's Earnings per Share (EPS) and two criteria based on sustainability targets. The prerequisite for participation in the plan and for receipt of reward on the basis of the program is that a key person holds the Company's shares or acquires the Company's shares, up to the number predetermined by the Board of Directors.

The potential reward will be paid partly in the Company´s shares and partly in cash in 2024, 2025 and 2026. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to a key employee. As a rule, no reward will be paid if a key employee´s employment or service ends before the reward payment. The shares paid as reward may not be transferred during the restriction period. As a rule, if a key employee´s employment contract or director contract terminates during the restriction period, he or she must gratuitously return the shares earned as reward.

The Performance Share Plan 2023–2025 is directed to maximum 30 participants, including the members of the Group Executive Committee. The rewards to be paid on the basis of the plan correspond to the value of a maximum total of 320,000 Aspo Plc shares including also the proportion to be paid in cash.

Share-based incentive plan 2022–2024

On February 16, 2022, Aspo Plc's Board of Directors decided to establish a share-based incentive plan for 2022–2024. The share-based incentive plan consists of three earnings periods, with the earned reward being based on the Group's earnings per share (EPS) and two sustainability indicators.

The share-based incentive plan is directed at a maximum of 30 people, including the members of the Group Executive Committee. The potential reward will be paid partly in the company's shares and partly in cash in 2023, 2024 and 2025. The rewards payable based on the plan correspond to a maximum total value of 400,000 Aspo Plc shares, also including the proportion to be paid in cash.

For the 2022 earnings period, the targets were met at 90% overall. On March 29, 2023, Aspo Plc granted 76,050 treasury shares to employees included in the plan. The transfer was based on the share issue authorization of the Annual Shareholders' Meeting held on April 6, 2022.

Share-based incentive plan 2020

In June 2022, Aspo's Board of Directors granted 20,000 Aspo shares to Aspo's CEO Rolf Jansson based on the share-based incentive plan for 2020 and the conditions of the CEO's contract of service. 10,000 of the shares and an amount of cash equaling their value to cover taxes were transferred in June 2022 and at the same time, Jansson acquired 10,000 shares from the markets at his own expense in accordance with the contract. A second transfer of equal nature and quantity took place in June 2023.

Decisions of the Annual Shareholders' Meeting

Dividend

Aspo Plc's Annual Shareholders' Meeting held on April 4, 2023, decided, as proposed by the Board of Directors, that EUR 0.23 per share be distributed in dividends for the 2022 financial year, and that no dividend be paid for shares held by Aspo Plc. The dividend was paid on April 17, 2023.

In addition, the Annual Shareholders' Meeting authorized the Board of Directors to decide on another dividend distribution in the maximum amount of EUR 0.23 per share at a later date. The authorization is valid until the next Annual Shareholders' Meeting. The Board of Directors will decide in its meeting agreed to be held on November 1, 2023, of the second dividend distribution which would be paid in November 2023 to shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd on the record date.

All the decisions of the Annual Shareholders' Meeting can be found on www.aspo.com.

FINANCIAL INFORMATION

Aspo Group's condensed consolidated statement of comprehensive income

	4-6/2023 MEUR	4-6/2022 MEUR	1-6/2023 MEUR	1-6/2022 MEUR	1-12/2022 MEUR
Continuing operations					
Net sales	**132.6**	**136.2**	**274.2**	**265.0**	**560.7**
Other operating income	1.4	0.4	1.9	1.9	3.0
Materials and services	-86.6	-78.4	-174.8	-154.7	-332.2
Employee benefit expenses	-12.5	-12.4	-24.9	-24.4	-48.8
Depreciation, amortization and impairment losses	-4.7	-4.0	-9.5	-8.1	-18.0
Depreciation and impairment losses, leased assets	-3.5	-3.9	-6.9	-7.7	-15.2
Other operating expenses	-23.9	-26.2	-48.6	-56.3	-111.1
Operating profit	**2.8**	**11.7**	**11.4**	**15.7**	**38.4**
Financial income and expenses	-2.2	-1.0	-4.1	-2.1	-5.9
Profit before taxes	**0.6**	**10.7**	**7.3**	**13.6**	**32.5**
Income taxes	0.9	-0.6	0.6	-0.7	-1.7
Profit from continuing operations	**1.5**	**10.1**	**7.9**	**12.9**	**30.8**
Profit from discontinued operation (attributable to equity holders of the company)	-7.2	-0.4	-6.4	3.8	-10.1
Profit for the period	**-5.7**	**9.7**	**1.5**	**16.7**	**20.7**
Other comprehensive income					
Items that may be reclassified to profit or loss in subsequent periods:					
Translation differences	7.0	9.8	5.1	8.1	-1.2
Other comprehensive income for the period, net of taxes	7.0	9.8	5.1	8.1	-1.2
Total comprehensive income	**1.3**	**19.5**	**6.6**	**24.8**	**19.5**
Profit attributable to parent company shareholders	-5.7	9.7	1.5	16.7	20.7
Total comprehensive income attributable to parent company shareholders	1.3	19.5	6.6	24.8	19.5
Earnings per share attributable to parent company shareholders, EUR					
Basic and diluted earnings per share					
Continuing operations	0.03	0.32	0.22	0.40	0.93
Discontinued operations	-0.22	-0.01	-0.20	0.12	-0.32
Total	**-0.19**	**0.31**	**0.02**	**0.52**	**0.61**

Aspo Group's condensed consolidated balance sheet

Assets	6/2023 MEUR	6/2022 MEUR	12/2022 MEUR
Intangible assets	51.2	45.4	46.8
Tangible assets	163.0	169.1	178.4
Leased assets	20.5	22.0	15.9
Other non-current assets	2.0	3.2	1.5
Total non-current assets	236.7	239.7	242.6
Inventories	66.9	70.3	69.9
Accounts receivable and other receivables	78.4	81.9	69.3
Cash and cash equivalents	22.3	47.5	21.7
	167.6	199.7	160.9
Assets held for sale	4.1	3.8	12.4
Total current assets	171.7	203.5	173.3
Total assets	**408.4**	**443.2**	**415.9**
Equity and liabilities			
Share capital and premium	22.0	22.0	22.0
Other equity	119.4	134.5	121.7
Total equity	141.4	156.5	143.7
Loans and overdraft facilities	70.6	137.1	154.3
Lease liabilities	7.8	6.2	4.6
Other liabilities	6.2	5.6	7.6
Total non-current liabilities	84.6	148.9	166.5
Loans and overdraft facilities	96.2	32.7	17.8
Lease liabilities	13.5	16.4	11.7
Accounts payable and other liabilities	71.5	85.9	72.3
	181.2	135.0	101.8
Liabilities directly associated with assets classified as held for sale	1.2	2.8	3.9
Total current liabilities	182.4	137.8	105.7
Total equity and liabilities	**408.4**	**443.2**	**415.9**

Aspo Group's condensed consolidated cash flow statement

	1-6/2023 MEUR	1-6/2022 MEUR	1-12/2022 MEUR
CASH FLOWS FROM/USED IN OPERATING ACTIVITIES			
Operating profit, Group total	3.3	23.7	31.2
Adjustments to operating profit	20.6	16.0	50.6
Change in working capital	0.8	2.3	-6.7
Interest paid	-4.0	-5.3	-4.2
Interest received	0.3	0.6	0.3
Income taxes paid	-2.3	-3.0	-3.5
Net cash from operating activities	**18.7**	**34.3**	**67.7**
CASH FLOWS FROM/USED IN INVESTING ACTIVITIES			
Investments	-5.9	-8.2	-17.8
Proceeds from sale of tangible assets	10.2	1.7	1.8
Acquisition of businesses	-3.9	-0.2	-17.9
Disposal of businesses	-4.4		0.3
Dividends received	0.3		0.3
Net cash used in investing activities	**-3.7**	**-6.7**	**-33.3**
CASH FLOWS FROM/USED IN FINANCING ACTIVITIES			
Proceeds from loans		10.0	29.6
Repayment of loans	-5.9	-7.5	-18.7
Net change in commercial papers		2.0	-5.0
Payments for purchase of own shares	-0.3		
Payments of lease liabilities	-7.2	-8.3	-16.2
Hybrid bond repayment		-20.0	-20.0
Proceeds from Hybrid bond issue		30.0	30.0
Hybrid bond, interest paid	-2.6	-1.8	-1.8
Hybrid bond, issuance fees paid		-0.2	-0.3
Dividends paid	-7.2	-7.2	-14.1
Net cash used in financing activities	**-23.2**	**-3.0**	**-16.5**
Change in cash and cash equivalents	**-8.2**	**24.6**	**17.8**
Cash and cash equivalents January 1	33.6	17.7	17.7
Translation differences	-1.2	5.3	0.0
Impairment of cash and cash equivalents	1.7		-2.0
Cash and cash equivalents at period-end, Group total	**25.9**	**47.6**	**33.5**
Cash and cash equivalents held for sale	-3.6	-0.1	-11.8
Cash and cash equivalents in balance sheet	**22.3**	**47.5**	**21.7**

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, 2023	**22.0**	**16.5**	**30.0**	**-26.0**	**101.2**	**143.7**
Comprehensive income:						
Profit for the period					1.5	1.5
Translation differences				-3.6		-3.6
Reclassification of translation differences				8.7		8.7
Total comprehensive income				5.1	1.5	6.6
Transactions with owners:						
Dividend payment					-7.2	-7.2
Hybrid bond interest					-1.3	-1.3
Purchase of own shares					-0.3	-0.3
Share-based incentive plan					-0.1	-0.1
Total transactions with owners					-8.9	-8.9
Equity June 30, 2023	**22.0**	**16.5**	**30.0**	**-20.9**	**93.8**	**141.4**
Equity January 1, 2022	**22.0**	**16.5**	**20.0**	**-24.8**	**95.7**	**129.4**
Comprehensive income:						
Profit for the period					16.7	16.7
Translation differences				8.1		8.1
Total comprehensive income				8.1	16.7	24.8
Transactions with owners:						
Dividend payment					-7.2	-7.2
Hybrid bond			10.0			10.0
Hybrid bond interest and issuance costs					-0.8	-0.8
Share-based incentive plan					0.3	0.3
Total transactions with owners			10.0		-7.7	2.3
Equity June 30, 2022	**22.0**	**16.5**	**30.0**	**-16.7**	**104.7**	**156.5**

Accounting principles

Aspo Plc's half-year report has been prepared in accordance with the principles of IAS 34 Interim Financial Reporting. As of the beginning of the financial year, Aspo applies certain new or amended IFRS standards and IFRIC interpretations as described in the 2022 consolidated financial statements. In other respects, the same accounting and measurement principles have been applied as in the 2022 consolidated financial statements. 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 explained on page 64 of Aspo's Year 2022 publication.

Personnel

At the end of the review period, Aspo Group had 827 employees (886 at the end of 2022), of which discontinued operations accounted for 81 (130) employees.

Segment information

Aspo Group's reportable segments are ESL Shipping, Telko, Leipurin and Non-core businesses.

From the beginning of year 2023 Aspo has reported the eastern businesses held for sale in a new segment called Non-core businesses and at the same time, Aspo has classified the new segment as discontinued operations. The comparative figures have been restated for all segments impacted by this financial reporting restructuring.

The Non-core businesses segment includes Telko Russia and Belarus as well as Kauko GmbH previously reported in the Telko segment, Leipurin Russia, Belarus and Kazakhstan previously reported in the Leipurin segment as well as ESL Shipping Russia previously reported in the ESL Shipping segment. The Non-core businesses segment was established to separate the results of the non-core businesses of Aspo from the results of the continuing businesses. All the entities in the segment are either held for sale, in the process of being closed down or already divested.

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

1-6/2023

MEUR	ESL Shipping	Telko	Leipurin	Unallocated items	Group total
Operating profit	9.3	2.6	2.6	-3.1	11.4
Net financial expenses				-4.1	-4.1
Profit before taxes					7.3

1-6/2022

MEUR	ESL Shipping	Telko	Leipurin	Unallocated items	Group total
Operating profit	18.2	2.4	-1.2	-3.7	15.7
Net financial expenses				-2.1	-2.1
Profit before taxes					13.6

Discontinued operations and other non-current assets and disposal groups held for sale

The Non-core businesses segment established in the beginning of the year has been classified as discontinued operations in accordance with the IFRS 5 standard. In the statement of comprehensive income, the figures for the comparative periods have been restated. In the comparative periods the discontinued operations also include the figures of Kauko Oy, which was divested on October 31, 2022.

The divestment of Telko's Russian subsidiary was completed during the second quarter. The company was sold to the Russian industrial operator GK Himik. The sales price received was EUR 5.7 million which materially corresponded to the carrying value of the divested company's net assets considering the impairment losses recognized already in 2022 and the valuation adjustments done in 2023. The loss on divestment was EUR -7.4 million, including accumulated translation differences of EUR -8.6 million that were reclassified from the translation reserve in equity to other operating expenses in profit and loss. The costs to sell amounted to EUR -0.6 million.

Profit from discontinued operations

	4-6/2023	**4-6/2022**	**1-6/2023**	**1-6/2022**	**1-12/2022**
	MEUR	MEUR	MEUR	MEUR	MEUR
Net sales	3.8	29.1	9.7	62.9	91.9
Other operating income	0.0	0.0	0.0	0.1	0.3
Materials and services	-5.7	-21.8	-8.2	-46.5	-77.6
Employee benefit expenses	-0.6	-2.6	-1.5	-4.5	-7.1
Depreciation, amortization and impairment losses	0.1	-1.3	0.2	-1.4	-3.1
Depreciation, leased assets	-0.1	-0.2	-0.1	-0.3	-1.5
Other operating expenses	-5.5	-1.3	-8.2	-2.3	-10.1
Operating profit	**-8.0**	**1.9**	**-8.1**	**8.0**	**-7.2**
Financial income and expenses	0.7	-2.1	1.7	-2.8	-0.4
Profit before taxes	**-7.3**	**-0.2**	**-6.4**	**5.2**	**-7.6**
Income taxes	0.1	-0.2	0.0	-1.4	-2.5
Profit for the period	**-7.2**	**-0.4**	**-6.4**	**3.8**	**-10.1**

Net cash flows of discontinued operations

	1-6/2023	**1-6/2022**	**1-12/2022**
	MEUR	MEUR	MEUR
Net cash inflow from operating activities	0.5	26.8	31.7
Net cash inflow/outflow(-) from investing activities	-4.3	0.0	-1.0
Net cash inflow/outflow(-) from financing activities	-0.3	-1.8	-2.1
Net change in cash generated by the discontinued operations	**-4.1**	**25.0**	**28.6**

Net cash flows of discontinued operations consist of the Non-core businesses segment's share of Aspo Group's cash flows. In the comparison periods the figures also include Kauko Oy's cash flows.

The cash flow from the sale of Telko's subsidiary in Russia was EUR -4.4 million and it is presented in the cash flow from investing activities. The cash received as purchase consideration was EUR 5.7 million and the divested company's cash and cash equivalents amounted to EUR 10.1 million.

In 2022, the cash flow from the divestment of Kauko Oy EUR -1.0 million is included in the cash flow from investing activities. The cost to sell Kauko of EUR -0.4 million is presented in the cash flow from operating activities. The cash flow from financing mainly consisted of repayments of Kauko Oy's interest-bearing loans in 2022.

Assets and liabilities classified as held for sale

	6/2023	6/2022	12/2022
	MEUR	MEUR	MEUR
Assets of discontinued operations	4.1	3.8	12.4
Assets classified as held for sale, total	**4.1**	**3.8**	**12.4**
Liabilities of discontinued operations	1.2	2.8	3.9
Liabilities directly associated with assets classified as held for sale, total	**1.2**	**2.8**	**3.9**

At the end of the second quarter 2023 and at the end of year 2022 assets and liabilities of discontinued operations include the assets and liabilities of the Non-core businesses segment. In the comparative period 6/2022 they include the assets and liabilities of Kauko operating segment.

The assets and businesses held for sale are measured at fair value less cost to sell. On divestment, the accumulated translation differences of foreign subsidiaries are recognized as part of the sales gain or loss. At the end of the second quarter, the translation differences of the eastern businesses held for sale amounted to EUR -5.4 million. The translation differences fluctuate according to changes in exchange rates. The reclassification of the translation differences from the translation difference reserve to the profit and loss has no impact on Aspo Group's total equity.

Restricted cash and cash equivalents

In Russia, Aspo Group has EUR 3.4 million in cash and cash equivalents, the use of which is strictly restricted by the Russian Government and controlled by the banks. The value of these cash and cash equivalents in the Group balance sheet is EUR 3.3 million, as impairments of EUR 0.1 million have been recognized on them. Cash and cash equivalents in Russia are presented under assets held for sale on the balance sheet. In the first half of 2023 it was still possible to receive dividend payments and make commercial payments with Russian entities. Also, during the second quarter Aspo received the payment of EUR 5.7 million for the sale of Telko Russia. According to our understanding and experience, the sales price of the Leipurin entities classified as held for sale is also expected to be received in conjunction with the sale of the entities. However, there is a risk that the Group does not have access to the cash and cash equivalents in full in Russia, and therefore they are considered restricted in accordance with IAS 7.

Acquisition of Eltrex

On January 31, Telko acquired Eltrex, a Polish distributor of specialty chemicals and industrial packaging materials, with net sales of approximately EUR 8 million and operating profit slightly less than EUR 1.0 million in 2022.

The estimated total consideration of EUR 4.9 million will be paid fully in cash, and EUR 3.9 million has already been paid. The rest of the consideration will be paid in the years 2024 and 2025 based on the earn-out clause of the purchase agreement. The assets and liabilities of the acquired company were measured at fair value on the acquisition date. A fair value adjustment of EUR 3.1 million was made on intangible assets based on customer relationships, non-compete clauses and trademarks, and the fair value adjustment relating to inventories was EUR 0.1 million. The deferred tax liability arising from the fair value adjustments was EUR 0.6 million. The carrying amount of the other acquired assets and liabilities corresponded to their fair values. A goodwill balance of EUR 1.3 million was recognized from the acquisition. The acquisition-related costs of approximately EUR 0.4 million were recognized in the Telko segment's other operating expenses.

Preliminary acquisition calculation of Eltrex

	6/2023 MEUR
Consideration	
Paid in cash	4.9
Total consideration	**4.9**
Assets acquired and liabilities assumed, fair value	
Intangible assets	3.4
Leased assets	0.6
Inventories	1.4
Accounts receivable and other receivables	1.1
Total assets	**6.5**
Interest bearing liabilities	1.3
Accounts payable and other liabilities	1.0
Deferred tax liability	0.6
Total liabilities	**2.9**
Net assets acquired	**3.6**
Goodwill	**1.3**

Aspo Group disaggregation of net sales, from continuing operations

Telko net sales

	4-6/2023 MEUR	4-6/2022 MEUR	Change %	1-6/2023 MEUR	1-6/2022 MEUR	Change %	1-12/2022 MEUR
Business area:							
Plastics business	24.7	28.3	-12.7	51.3	55.5	-7.6	110.1
Chemicals business	16.7	12.2	36.9	31.8	24.3	30.9	49.2
Lubricants business	12.8	12.4	3.2	25.4	23.7	7.2	50.1
Telko total	**54.2**	**52.9**	**2.5**	**108.5**	**103.5**	**4.8**	**209.4**

Leipurin net sales

	4-6/2023 MEUR	4-6/2022 MEUR	Change %	1-6/2023 MEUR	1-6/2022 MEUR	Change %	1-12/2022 MEUR
Regions:							
Finland	12.6	11.7	7.7	24.5	22.1	10.9	46.6
Sweden	12.6			25.6			17.3
Baltics	9.1	9.5	-4.2	18.5	17.4	6.3	36.8
Ukraine	0.1	0.2	-50.0	0.4	0.7	-42.9	0.9
Total	34.4	21.4	60.7	69.0	40.2	71.6	101.6

of which:							
Bakeries	24.9	15.5	60.6	50.6	29.8	69.8	74.9
Food Industry	3.1	2.9	6.9	6.0	5.2	15.4	11.8
Retail, foodservice, other	6.4	2.9	120.7	12.4	5.2	138.5	14.9
Vulganus		1.7	-100.0		4.2	-100.0	4.3
Leipurin total	**34.4**	**23.0**	**49.6**	**69.0**	**44.4**	**55.4**	**105.9**

Net sales by timing of revenue recognition

	4-6/2023 MEUR	**4-6/2022** MEUR	**1-6/2023** MEUR	**1-6/2022** MEUR	**1-12/2022** MEUR
ESL Shipping					
At a point in time	0.0	0.9	0.1	1.9	3.5
Over time	44.0	59.4	96.6	115.2	241.9
	44.0	60.3	96.7	117.1	245.4
Telko					
At a point in time	54.1	52.8	108.3	103.3	209.0
Over time	0.1	0.1	0.2	0.2	0.4
	54.2	52.9	108.5	103.5	209.4
Leipurin					
At a point in time	34.4	21.6	69.0	41.1	102.6
Over time	0.0	1.4	0.0	3.3	3.3
	34.4	23.0	69.0	44.4	105.9
Total					
At a point in time	88.5	75.3	177.4	146.3	315.1
Over time	44.1	60.9	96.8	118.7	245.6
	132.6	136.2	274.2	265.0	560.7

Net sales by market area

	4-6/2023 MEUR	**4-6/2022** MEUR	**1-6/2023** MEUR	**1-6/2022** MEUR	**1-12/2022** MEUR
ESL Shipping					
Finland	24.4	28.5	46.7	56.1	121.5
Scandinavian countries	12.4	15.3	27.2	28.3	58.5
Baltic countries	0.1	1.3	0.4	1.9	2.9
Other European countries	6.3	13.1	15.1	25.4	48.2
Other countries	0.8	2.1	7.3	5.4	14.3
	44.0	60.3	96.7	117.1	245.4
Telko					
Finland	12.1	14.2	25.6	27.9	53.5
Scandinavian countries	13.7	16.9	27.5	32.2	61.7
Baltic countries	7.5	7.0	14.8	13.9	28.3
Other European countries	12.5	8.7	22.6	18.9	39.0
Other countries	8.4	6.1	18.0	10.6	26.9
	54.2	52.9	108.5	103.5	209.4

Leipurin					
Finland	12.6	12.9	24.5	24.9	49.4
Scandinavian countries	12.4	0.1	25.2	0.4	17.4
Baltic countries	9.1	9.2	18.5	17.3	36.6
Other European countries	0.3	0.7	0.8	1.7	2.4
Other countries	0.0	0.1	0.0	0.1	0.1
	34.4	23.0	69.0	44.4	105.9
Total					
Finland	49.1	55.6	96.8	108.9	224.4
Scandinavian countries	38.5	32.3	79.9	60.9	137.6
Baltic countries	16.7	17.5	33.7	33.1	67.8
Other European countries	19.1	22.5	38.5	46.0	89.6
Other countries	9.2	8.3	25.3	16.1	41.3
	132.6	136.2	274.2	265.0	560.7

Investments by segment

MEUR		ESL Shipping	Telko	Leipurin	Non-core businesses	Group total
Investments	1-6/2023	5.4	0.5			5.9
Investments	1-6/2022	7.8	0.3		0.1	8.2

Green Coaster investment commitment

AtoBatC Shipping AB, reported in the ESL Shipping segment, is building a series of six highly energy-efficient electric hybrid vessels. The new vessels of ice class 1A will be top of the line in terms of their cargo capacity, technology and innovation. The total value of the six-vessel investment is approximately EUR 70 million, and its cash flows will be divided mainly for the years 2023 and 2024. The new vessels are built at the Chowgule and Company Private Limited shipyard in India, and first of them will be delivered and start operating in the third quarter of 2023.

Segment assets and liabilities

MEUR	ESL Shipping	Telko	Leipurin	Held for sale	Unallocated items	Group total
Assets Dec 31, 2022	224.8	85.7	68.5	12.4	24.5	415.9
Assets Jun 30, 2023	227.9	88.2	62.6	4.1	25.6	408.4
Liabilities Dec 31, 2022	32.3	34.4	16.4	3.9	185.2	272.2
Liabilities Jun 30, 2023	29.6	37.5	21.9	1.2	176.8	267.0

Helsinki, August 10, 2023

Aspo Plc
Board of Directors

Press and analyst conference

A press, analyst and investor conference will be held at FLIK's Eliel studio in Sanomatalo, Töölönlahdenkatu 2, 00100 Helsinki on Thursday August 10, 2023, at 2 p.m. The event is also open to private investors, and participants are requested to register beforehand by emailing viestinta@aspo.com.

The interim report will be presented by CEO Rolf Jansson. The presentation material will be available at www.aspo.com/en before the event.

The event will be held in English, and it can also be followed by a live webcast at https://aspo.videosync.fi/q2-2023. Questions can be asked after the event by telephone by registering through the following link: http://palvelu.flik.fi/teleconference/?id=1009758. After registering, participants will be given a telephone number and identifier to participate in the telephone conference. The recording of the event will be available on the company's website later on the same day.

Financial information in 2023

Aspo Plc will publish the following reports:

- interim report for January–September 2023 on November 1, 2023

Helsinki, August 10, 2023

Aspo Plc

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Aspo creates value by owning and developing business operations sustainably and in the long term. Our companies aim to be market leaders in their sectors. They are responsible for their own operations, customer relationships and the development of these aiming to be forerunners in sustainability. Aspo supports its businesses profitability and growth with the right capabilities. Aspo Group has businesses in 18 different countries, and it employs a total of approximately 800 professionals.