Aspo Plc
Half year financial report
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ASPO GROUP HALF YEAR FINANCIAL REPORT, JANUARY 1 TO JUNE 30, 2020

Aspo Q2: Operating profit remained at the comparative period's level and cash flow strengthened

April–June 2020
Figures from the corresponding period in 2019 are presented in brackets.

- Aspo's net sales decreased and were EUR 115.6 (151.2) million.
- Operating profit remained at the comparative period's level at EUR 4.1 (4.1) million.
- Profit for the period decreased and stood at EUR 2.7 (4.0) million.
- Earnings per share decreased and were EUR 0.08 (0.12).
- The operating profit of ESL Shipping was EUR 0.6 (2.6) million, Leipurin EUR 0.3 (0.6) million and Telko EUR 4.2 (2.3) million.
- Net cash from operating activities improved and was EUR 16.6 (12.7) million.

January–June 2020

- Aspo's net sales decreased and were EUR 248.8 (292.7) million.
- Operating profit decreased and was EUR 8.1 (9.0) million.
- Profit for the period decreased and stood at EUR 5.3 (7.5) million.
- Earnings per share decreased and were EUR 0.15 (0.22).
- The operating profit of ESL Shipping was EUR 2.9 (5.8) million, Leipurin EUR 0.9 (1.1) million and Telko EUR 6.6 (4.7) million.
- Net cash from operating activities improved and was EUR 30.5 (14.6) million.

The administrative court's decision to reduce the tax increase imposed on Telko in 2015 increased financial income in particular and improved earnings per share during the second quarter of 2019 by approximately five cents.

Key figures

	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019
Net sales, MEUR	115.6	151.2	248.8	292.7	587.7
Operating profit, MEUR	4.1	4.1	8.1	9.0	21.1
Operating profit, %	3.5	2.7	3.3	3.1	3.6
ESL Shipping, operating profit, MEUR	0.6	2.6	2.9	5.8	14,6
Leipurin, operating profit, MEUR	0.3	0.6	0.9	1.1	3,0
Telko, operating profit, MEUR	4.2	2.3	6.6	4.7	8,0
Earnings per share (EPS), EUR	0.08	0.12	0.15	0.22	0.47
Profit before taxes, MEUR	3.0	4.4	5.9	8.3	18.2
Profit for the period, MEUR	2.7	4.0	5.3	7.5	16.1
Net cash from operating activities, MEUR	16.6	12.7	30.5	14.6	52.5
Free cash flow, MEUR	15.1	10.8	28.4	9.7	45.2
Return on equity (ROE), %			9.0	13.1	13.5
Equity ratio, %			29.4	26.0	30.1
Gearing, %			163.0	196.1	162.2
Equity per share, EUR			3.64	3.61	3.92

AKI OJANEN, CEO of Aspo Group, comments on the second quarter:

During the second quarter, we succeeded in maintaining our operating profit at the comparative period's level and in improving our net cash from operating activities in an extremely difficult market situation. Aspo Group produced good results considering the general market and economic situation, although decreases in the operations of customer companies had a significantly negative impact on our businesses in all operating countries. This was reflected in a historically rapid and strong decrease in net sales from March onwards.

I would like to extend my warmest thanks to all Aspo employees for the rapid launch of our new operating models and their personal flexibility and professionalism, during the most challenging times under the coronavirus crisis in April and May. Good leadership and the rapid response of our businesses to changes in market conditions were key in achieving a defensive victory during the second quarter.

Aspo's results during the second quarter are a strong indication of our ability to protect our Group's profitability under a major economic crisis, while being able to maintain our free cash flow at a high level. Our liquidity position remained strong, and our solid financial position protects us and allows us to implement our strategy and develop the operations of all our subsidiaries.

We expect the challenging market situation to continue at least throughout the third quarter of 2020, as production is predicted to be limited, for example, in the heavy basic industry at least until September. Nevertheless, I am cautiously optimistic regarding market development during the rest of the year. Although coronavirus restrictions have been partially lifted, we will not, as yet, give any estimate on 2020 in the form of a guidance.

The health of our employees and stakeholders has been our top priority from the very beginning of the coronavirus crisis. We have succeeded well in protecting our employees, and now that the pandemic has slightly improved, we have returned to the workplace from home offices in some of our operating countries.

The second quarter of 2020, shaken by the global coronavirus pandemic, was strong proof of Aspo's ability to withstand crises and of the functioning of our structure as a conglomerate. When the pandemic eventually ends, our goal is to strengthen our market position further, in which we also succeeded after the financial crisis and after the collapse in the value of the Russian ruble.

ASPO GROUP

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 are looking for the leading position 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 Telko.

With its current structure, Aspo is looking for 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.

Net sales by market area

	1-6/2020 MEUR	Share %	1-6/2019 MEUR	Share %	Change %
Finland	89.1	35.8	100.8	34.4	-12 %
Scandinavia	38.9	15.6	42.0	14.3	-7 %
Baltic countries	21.9	8.8	28.0	9.6	-22 %
Russia, other CIS countries and Ukraine	69.0	27.7	82.4	28.2	-16 %
Other countries	29.9	12.0	39.5	13.5	-24 %
Total	248.8	100.0	292.7	100.0	-15 %

The Group's main market areas are Finland and eastern markets (Russia, other CIS countries and Ukraine).

Operating environment

The operating environment has been historically challenging. Compared with changes in the macroeconomy related to regular annual cycles or with business challenges with international trade, the coronavirus situation has had a significant and rapid impact on the operating environment. The impact of restrictions resulting from the pandemic have strongly reduced demand for both goods and services. Fluctuations in oil prices are affecting the production of raw materials and the prices of finished and semi-finished goods. Furthermore, slower and partially empty supply chains are having an impact on demand for logistics services. At this stage, it is difficult to assess how the operating environment will recover when restrictions on movement and financial activities are eventually withdrawn.

Results and financial position

The coronavirus pandemic had a significant impact on Aspo's results during the second quarter. Lower demand and the negative development of raw material prices have reduced net sales, while sales margins have improved and profitability has remained at a satisfactory level. Lower stock levels and receivables have increased the cash flow, which has typically been weaker during the first half of the year.

Regarding Aspo's long-term financial goals set for 2023, the operating profit rate increased to 3.3% (3.1%), with the goal being 6%. Return on equity decreased to 9.0% (13.1%), as results decreased from the comparative period relative to equity. The goal is to have an average ROE of more than 20%.

Cash flow and financing

The Group's net cash flow from operating activities in January–June increased clearly from the comparative period to EUR 30.5 (14.6) million. The effect of the change in working capital on the cash flow was EUR 10.9 (-6.2) million, with Telko's improved inventory management having a particularly positive impact on its improvement. As a result of low investments, the Group's free cash flow increased to EUR 28.4 (9.7) million.

	6/2020 MEUR	**6/2019** MEUR	**12/2019** MEUR
Interest-bearing liabilities	213.1	239.9	221.7
Cash and cash equivalents	27.5	19.4	23.7
Net interest-bearing debt	185.6	220.5	198.0

The Group's interest-bearing liabilities decreased to EUR 213.1 million. Net interest-bearing debt decreased to EUR 185.6 million and gearing was 163.0% (12/2019: 162.2%, 6/2019: 196.1%). The Group's equity ratio at the end of the review period was 29.4% (12/2019: 30.1%, 6/2019: 26.0%). Net financial expenses totaled EUR -2.2 (-0.7) million in January–June. The adjustment of EUR 1.4 million related to Telko's taxation from 2015 increased financial income during the comparative period. The average interest 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 27.5 million at the end of the review period. Committed revolving credit facilities, totaling EUR 55.0 million, were fully unused, as in comparative periods. EUR 17 million of Aspo's EUR 80 million commercial paper program was in use (12/2019: EUR 21 million, 6/2019: EUR 30 million).

In April, Aspo issued a new hybrid bond of EUR 20 million. The coupon rate of the new bond is 8.75% per annum. The bond has no maturity, but the company is entitled to redeem it in May 2022 at the earliest. At the same time, Aspo repurchased part of its former hybrid bond of EUR 25 million at EUR 18.4 million in accordance with the tender offer regarding the bond. The repurchase was conditional on the issuance of a new hybrid bond. The unpurchased part of the former hybrid bond of EUR 6.6 million was repaid on May 27, 2020.

During the review period, an additional one-year revolving credit facility of EUR 15 million was signed and the extension of the maturity of both a revolving credit facility of EUR 20 million falling due during the second half of 2020 and a term loan of EUR 25 million to the final quarter of 2021 was agreed upon.

Dividends of EUR 0.11 per share, totaling approximately EUR 3.4 million, were paid during the quarter.

Short-term risks and uncertainties in business operations

The coronavirus pandemic and the measures taken to prevent the virus from spreading are the most significant short-term risks associated with Aspo's businesses and their demand environment. Lockdowns imposed in many countries, uncertainties over the duration of the pandemic, as well as new and recurrent infected areas, the ongoing trade tensions and geopolitical uncertainties have an impact on the production decisions and logistics arrangements of Aspo's largest customers. Disturbances in supply chains resulting from the pandemic present a risk to Aspo's businesses. Lower demand for transportation services and restrictions on movement have a general impact on the income of shipping companies, which may also reduce Aspo's results and cash flow. Similar consequences may extend to all Aspo's business segments, as production decisions made by customers potentially reduce demand.

Restrictions on movement may affect the shipping company's operations and decelerate deliveries in other business segments. Aspo's results and balance structure may weaken as a result of slower financial activities, fluctuations in exchange rates and any restrictions on financing. The pandemic may have far-reaching consequences and a long-term impact on the operating environment, which may present a strategic risk to Aspo.

Geopolitical tensions and trade sanctions also present significant challenges in the demand environment. Pricing pressures arising from the prevailing competitive situation continue to be a risk.

Aspo's guidance for 2020

On April 9, 2020, Aspo Plc announced that it will withdraw its guidance for 2020. Due to the effects of the coronavirus pandemic, the company deems that making justified estimates and issuing a guidance based on these is not possible at present.

Aspo's previous guidance for 2020 issued on February 13, 2020, in conjunction with the financial statements release was: Aspo's operating profit in 2020 will be higher than in 2019 (EUR 21.1 million).

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 48 vessels with a total capacity of 454,000 deadweight tonnage (dwt). Of these, 24 were wholly owned (77% of the tonnage), two were minority owned (2%) and the remaining 22 vessels (21%) were time chartered. ESL Shipping's competitive edge is based on its ability to 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.

	4-6/2020	4-6/2019	Change,%	1-6/2020	1-6/2019	Change,%
Net sales, MEUR	32.9	42.6	-22.8	75.6	86.3	-12.4
Operating profit, MEUR	0.6	2.6	-76.9	2.9	5.8	-50.0
Operating profit, %	1.8	6.1		3.8	6.7	

During the review period, the coronavirus pandemic had a very significant impact on the global demand for sea transportation and on price levels. The market situation was particularly difficult in ESL Shipping's main markets in Northern Europe, where restrictions on societal activities and general uncertainties led to a significant decrease in demand, especially in the steel industry.

ESL Shipping's transportation volumes decreased exceptionally steeply to 3.0 (4.1) million tons during the second quarter of 2020. Two thirds of the decrease in transportation volumes resulted from production adaptations in the steel industry in Northern Europe and roughly one third was attributable to demand in the energy industry which was significantly lower than in the previous year. Transportation volumes in smaller vessel categories remained almost at the comparative period's level. ESL Shipping's net sales decreased from the comparative period to EUR 32.9 (42.6) million. The operating profit for the second quarter stood at EUR 0.6 (2.6) million.

Priority was given to the health and safety of the shipping company's personnel under the prevailing conditions. ESL Shipping succeeded in maintaining its normal service ability and in keeping the supply chains of its customers uninterrupted in the highly exceptional operating conditions, in which crew changes, maintenance and spare parts deliveries could not be carried out normally due to the lack of flight connections.

Due to lower demand for transportation and the prevailing low cargo price level, determined adaptation measures were launched to reduce fixed costs by EUR 0.9 million. Pusher systems and one larger vessel were in lay-up for the most part of the second quarter. Cost adaptations were directed both at the shipping company's onshore and offshore personnel.

Due to transportation volumes being significantly lower than estimated, some of the shipping company's vessels of more than 10,000 dwt were forced to operate in very weak spot markets. The freight market for large vessels started to strengthen towards the end of the review period, as the price level of iron ore increased and demand in China returned towards the normal level. The new LNG-fueled vessels functioned well and produced good results. In the smaller vessel category of less than 10,000 dwt, the profitability level was satisfactory, nearly as expected, regardless of lower transportation volumes.

One of the two Supramax vessels was docked during the quarter. Furthermore, one larger vessel was docked after the second quarter. Three smaller time-chartered vessels were returned to their owners at the end of their contracts as part of the shipping company's capacity adaptations in response to lower demand.

ESL Shipping's net sales in January–June decreased significantly from the comparative period to EUR 75.6 (86.3) million due to lower demand resulting from the coronavirus pandemic. The operating profit halved from the comparative period to EUR 2.9 (5.8) million.

Outlook 2020 for ESL Shipping

The impact of the coronavirus pandemic on the shipping company's main customers is expected to be the highest during the third quarter, when some of the main customers will significantly cut their production and carry out maintenance stoppages. The production of the shipping company's main customers in the steel industry is expected to return towards the normal level during the final quarter of the year after transportation volumes start to increase in September. At the same time, many customers have fortunately estimated that their transportation volumes will remain close to previous levels. Transportation volumes in the energy industry are expected to turn to a clear increase during the second half of the year.

The freight market for large vessels recovered during the summer. Lower demand for iron ore in Northern Europe has increased its exports from Europe to China, among others. This change enabled ESL Shipping to close a significant new contract on the loading and unloading of large ocean liners at sea for the rest of the year.

ESL Shipping will continue to adapt its operations in response to transportation demand. Cost savings will materialize in full during the third quarter; however, ESL Shipping's Q3 result is expected to be weak. The vessel units currently in lay-up will be returned to operations as quickly as possible, depending on the development of the market situation.

ESL Shipping is investigating different opportunities to have a presence, broader than at present, in markets in the Russian Arctic. The shipping company will continue its internal development activities to offer the most effective and environmentally friendly future transportation solutions on the markets.

During the rest of 2020, the dockage of one larger vessel will be completed, and one larger and four smaller vessel units will also be docked. During these scheduled dockages, new ballast water treatment systems that meet new environmental regulations will be installed in the vessels. In addition, the docking of time-chartered vessels will affect the available vessel capacity. The size and content of the time-chartering portfolio will be reviewed, if necessary, in accordance with any changes in the development and focus areas of customer demand. The price level of the renewed time-chartering contracts is expected to be lower than before.

Leipurin

Leipurin is a wholesaler specializing in the provision of solutions for bakery customers, other food industries, foodservice chain customers and retailers, in particular. 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, among others, raw materials, recipes, product range development and training for bakeries and other food industries. As part of its machinery business, Leipurin designs, delivers and maintains production lines for the baking industry, baking units and other machinery and equipment required in the food industry. The machinery business also includes Vulganus Oy, a production unit 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, as well as Baker's Story bakery café licenses. 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.

	4-6/2020	**4-6/2019**	**Change,%**	**1-6/2020**	**1-6/2019**	**Change,%**
Net sales, MEUR	23.2	28.0	-17.1	50.1	53.9	-7.1
Operating profit, MEUR	0.3	0.6	-50.0	0.9	1.1	-18.2
Operating profit, %	1.3	2.1		1.8	2.0	

During the second quarter, the coronavirus pandemic and resulting restrictions had a significant impact on Leipurin's operating environment in all operating countries. The impact was at the highest in April and May, whereas the situation started to slowly return to normal in June. The situation had a very rapid impact on Leipurin's customers, although there was significant variation between different customer segments. Large industrial bakeries that sell their products to retailers, together with other food industries, have benefited from the transition of consumption towards retail as a result of restriction measures. Restrictions have had the most severe consequences in the restaurant and cafeteria sector, which has been reflected in Leipurin's foodservice customers, as well as in bakery customers that produce significant sales volumes from this market.

During the quarter, Leipurin carried out adaptation measures to cut costs. Leipurin maintained its good operating capacity, and there were no significant disruptions in the supply chain.

Leipurin's net sales decreased to EUR 23.2 (28.0) million during the second quarter. The operating profit also decreased from the comparative period to EUR 0.3 (0.6) million. The operating profit rate during the second quarter was 1.3% (2.1). Net sales in the market area of Russia, other CIS countries and Ukraine decreased by approximately 17% to EUR 7.5 (9.0) million, and the operating profit rate in the market area was roughly 7% (9).

Net sales of the bakery business, comprising approximately 85% of Leipurin's total net sales, decreased by roughly 17% during the second quarter due to the coronavirus pandemic and resulting restrictions. The decrease in sales also reduced the operating profit. In eastern markets, net sales of the bakery business decreased by 14% during the second quarter, amounting to EUR 7.1 (8.3) million. The operating profit rate of the bakery business in the market area of Russia, other CIS countries and Ukraine was approximately 8% (9). Changes in demand as a result of the coronavirus pandemic reduced net sales and the operating profit. In western markets, net sales and the operating profit of the bakery business decreased as a result of restrictions imposed directly and indirectly on bakeries. Small bakeries, in particular, and bakeries that manufacture frozen bakery products and other products for the foodservice sector suffered significantly from restriction measures. However, the situation started to return to normal when restrictions were lifted in June.

Net sales of the machinery business remained at the comparative period's level. Sales of principal machines decreased particularly in eastern markets. Instead, sales of Leipurin's own machine production increased. A strong cyclical nature is typical of the machinery business due to the timing of project deliveries. Leipurin's own machine production continued to improve the efficiency of its operating methods.

The foodservice business, which has so far been primarily concentrated in Finnish markets, only represented approximately 2% of Leipurin's total net sales in the second quarter. Net sales nearly came to a complete stop in April and May as a result of restrictions imposed on restaurants and cafeterias due to the coronavirus pandemic. When restrictions were lifted in June, net sales returned closer to the previous year's level.

Due to changes resulting from the coronavirus pandemic, Leipurin's net sales and operating profit in January–June decreased from the comparative period. Net sales stood at EUR 50.1 (53.9) million and operating profit at EUR 0.9 (1.1) million. The operating profit rate for January–June was 1.8% (2.0). Net sales in the market area of Russia, other CIS countries and Ukraine decreased by approximately 7% to EUR 16.1 (17.3) million, and the operating profit rate was approximately 7% (8).

Outlook 2020 for Leipurin

During June, the general situation involving Leipurin's customers and markets improved when restrictions related to the coronavirus pandemic were lifted in all operating countries. It is still too early to assess the long-term impact of the coronavirus pandemic on Leipurin's customers and markets. However, the situation involving Leipurin's customers and markets is expected to improve further if the coronavirus situation continues to develop favorably. Leipurin is actively monitoring the development of demand and profitability and is prepared to improve the efficiency of its operations and reduce expenses, if necessary.

In the machinery business, the order book for the latter half of 2020 is weak. Significant machine deliveries in Russia, planned for the first half, were partly postponed to the second half due to reasons independent of the company. The order book of Leipurin's own machine production for the second half was weak at the end of the review period, and regardless of high tendering activities, machinery investments of bakeries and food industries may be delayed or cancelled due to the coronavirus pandemic. Leipurin will continue to improve the efficiency of its machinery business and cut related costs, for example, by discontinuing its principal machine sales and maintenance in Russia during 2020, and it will prepare for the situation by starting cooperation negotiations in its own machine production.

In eastern markets, Leipurin will continue to develop its production and portfolio of bakery raw materials in accordance with the new market situation to better respond to any changes in demand.

Telko

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

	4-6/2020	**4-6/2019**	**Change,%**	**1-6/2020**	**1-6/2019**	**Change,%**
Net sales, MEUR	59.5	80.6	-26.2	123.1	152.5	-19.3
Operating profit, MEUR	4.2	2.3	82.6	6.6	4.7	40.4
Operating profit, %	7.1	2.9		5.4	3.1	

The global coronavirus pandemic and related measures had a significant impact on Telko's operating environment and operations during the second quarter. Sales fell steeply in all markets. Lower demand as a result of coronavirus restrictions, decreases in raw material prices and Telko's own measures to cut unprofitable operations had an impact on the decrease in sales. Sales fell particularly steeply in countries, in which the authorities imposed stricter restrictions.

In volume plastics, the prices of plastic raw materials continued to decrease significantly from the previous quarter and were roughly 25% lower than during the comparative period. The decrease in prices evened out at the end of the second quarter. Prices were exceptionally low compared with the long-term average. Prices of technical plastics developed more evenly. The average prices of chemicals increased by roughly 5% from the previous quarter, being approximately 8% higher than during the comparative period.

Net sales of the Telko segment decreased by 26% during the second quarter to EUR 59.5 (80.6) million. Telko's sales volume decreased by 25% from the comparative period. The Telko segment's operating profit for the second quarter increased to EUR 4.2 (2.3) million, and the operating profit rate increased to 7.1% (2.9).

In western markets, net sales decreased by 23% to EUR 33.1 (43.1) million. Net sales in the market area of Russia, other CIS countries and Ukraine decreased by roughly 33% to EUR 23.8 (35.5) million. Net sales of the plastic business decreased by roughly 29% to EUR 28.6 (40.5) million. Furthermore, net sales of the chemical business decreased by approximately 24% to EUR 24.0 (31.4) million. Net sales of Kauko, reported as part of the Telko segment, fell by roughly 21% to EUR 6.9 (8.7) million, while Kauko's operating profit was EUR 0.8 (0.1) million. The rearrangement of energy operations at the end of 2019 reduced Kauko's net sales relative to the comparative period. Deliveries of hospital-level protective equipment to the public administration improved the operating profit.

During the second quarter, Telko continued the previously started actions aimed at improving the efficiency of working capital and the level of profitability. Inventories were much lower at the end of the second quarter than in the year before. Unprofitable customer relationships have been reduced, and the efficiency of pricing has been improved. Telko's sales margin and operating profit rate increased clearly during the second quarter. The exceptional market conditions and strong fluctuations in raw material prices enabled highly active pricing, which temporarily increased sales margins during the second quarter.

During the review period, Telko adapted its costs significantly. The adaptations were particularly directed at personnel, travel and lease expenses. Savings partly resulted from structural measures. However, some cost savings are temporary, and they mostly affect the second and third quarters.

Telko's net sales in January–June decreased by 19% to EUR 123.1 (152.5) million. Operating profit stood at EUR 6.6 (4.7) million. The operating profit rate was 5.4% (3.1).

In western markets, Telko's net sales during the review period decreased by 19% to EUR 67.9 (84.0) million. Telko's net sales in the eastern markets, i.e. Russia, Ukraine and other CIS countries, decreased by roughly 22% to EUR 50.7 (64.7) million. Net sales of the plastic business decreased by roughly 23% to EUR 61.1 (79.4) million. Net sales of the chemical business decreased by approximately 12% to EUR 51.1 (58.3) million. In January–June, Kauko's impact was EUR 10.9 (14.8) million on net sales and EUR 0.7 (0.1) million on the operating profit.

Outlook 2020 for Telko

Telko's outlook continues to involve exceptionally high uncertainties.

The decrease in sales volumes is expected to even out towards the end of the year. Net sales during the latter half of 2020 are expected to be significantly lower than in the corresponding period last year. As a result of the improved efficiency of working capital, active pricing and a healthier business portfolio, the sales margin percentage is expected to be slightly higher than in the previous year, while still being lower than during the second quarter.

During the third quarter, temporary savings measures will still have a relatively significant impact. As a result of the measures taken, Telko's profitability for the whole year 2020 is estimated to be at the previous year's level. Telko has started to revise its strategy in accordance with the changed situation. Any deterioration in the coronavirus situation would have a negative impact on Telko's operations.

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 during the second quarter stood at EUR -1.0 (-1.4) million.

COMPANY INFORMATION

Share capital and shares

Aspo Plc’s registered share capital on June 30, 2020 was EUR 17,691,729.57, and the total number of shares was 31,419,779, of which the company held 166,650 shares, i.e. 0.5% of the share capital.

Aspo Plc has one share series. Each share entitles the shareholder to one vote at the Shareholders’ Meeting. Aspo’s share is quoted on Nasdaq Helsinki Ltd’s Mid Cap segment under industrial products and services.

During January–June 2020, a total of 2,323,575 Aspo Plc shares, with a market value of EUR 15.8 million, were traded on Nasdaq Helsinki. In other words, 7.4% of the shares changed hands. During the review period, the share price reached a high of EUR 8.56 and a low of EUR 5.50. The average price was EUR 6.82 and the closing price at end of the review period was EUR 5.86. At the end of the review period, the market value, less treasury shares, was EUR 183.1 million.

The number of Aspo Plc shareholders was 10,619 at end of the review period. A total of 1,224,599 shares, or 3.9% of the share capital, were nominee registered or held by non-domestic shareholders.

Rewarding

Aspo Plc's Board of Directors has resolved on a new share-based incentive plan for the Group's key personnel. The reward from the Restricted Share Plan 2020 is based on the participant's valid employment or service and continuation of employment during the vesting period of 36 months, and is paid in company shares and a cash contribution not exceeding the value of the shares. The rewards payable under the plan correspond to a maximum total value of 340,000 Aspo Plc shares including the proportion to be paid in cash.

The cash proportion to be paid in addition to the company's shares is intended to cover taxes and tax-like payments arising from the remuneration to the key personnel, in addition to which no other cash contributions are paid to the key personnel. If a key person resigns during the vesting period, he or she must, as a general rule, return the shares issued as a reward to the company free of charge. The shares paid as a reward may not be transferred during the vesting period, which ends three years after the transfer of the shares to the key employee. The Restricted Share Plan 2020 is directed to approximately 10 people, including the members of the Group Executive Committee.

Decisions of the Annual Shareholders’ Meeting

Dividend

Aspo Plc’s Annual Shareholders’ Meeting held on May 4, 2020 decided, as proposed by the Board of Directors, that EUR 0.11 per share will be paid in dividends for the 2019 financial year, and that no dividend will be paid for shares held by Aspo Plc. The payment date was May 13, 2020.

In addition, the Annual Shareholders’ Meeting decided to authorize the Board of Directors to decide on the distribution of dividends of at most EUR 0.11 per share in one or more installments at a later date. The authorization remains valid until the next Annual Shareholders’ Meeting.

Board of Directors and the auditor

Mammu Kaario, Mikael Laine, Gustav Nyberg, Salla Pöyry and Tatu Vehmas were re-elected to the Board of Directors, and Heikki Westerlund was elected as a new member. At the Board's organizing meeting held after the Annual Shareholders' Meeting, Gustav Nyberg was elected as Chairman of the Board and Mammu Kaario as Vice Chairman. In addition, the Board decided to elect Gustav Nyberg as Chairman of the Remuneration Committee and Salla Pöyry and Tatu Vehmas as its members, Mammu Kaario as Chairman of the Audit Committee, and Mikael Laine, Tatu Vehmas and Heikki Westerlund 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 May 4, 2020 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 about 1.6% of all the shares in the company. The authorization includes the right to accept treasury shares as a pledge. The authorization is valid until the Annual Shareholders' Meeting in 2021 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 May 4, 2020 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 2021 but not more than 18 months from the approval at the Annual Shareholders' Meeting.

Based on the share issue authorization given by the Annual Shareholders' Meeting, Aspo Plc transferred, on June 29, 2020, a total of 130,000 treasury shares to participants in the restricted share-based incentive plan 2020. The shares were transferred gratuitously in accordance with the terms and conditions of the share-based incentive plan.

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

The Annual General Meeting on May 4, 2020 authorized the Board of Directors to decide on a share issue of new shares against payment. The authorization includes the right of the Board of Directors to decide on all of the other terms and conditions of the conveyance and thus also includes the right to decide on a directed share issue, in deviation from the shareholders' pre-emptive right, if a compelling financial reason exists for the company to do so. The total number of new shares to be offered for subscription may not exceed 1,500,000. The authorization is valid until the Annual Shareholders' Meeting in 2021 but not more than 18 months from the approval at the Annual Shareholders' Meeting.

FINANCIAL INFORMATION

Aspo Group's condensed consolidated statement of comprehensive income

	4-6/2020 MEUR	4-6/2019 MEUR	1-6/2020 MEUR	1-6/2019 MEUR	1-12/2019 MEUR
Net sales	**115.6**	**151.2**	**248.8**	**292.7**	**587.7**
Other operating income	0.1	0.2	0.2	0.2	0.9
Share of profits accounted for using the equity method	0.0	0.0	0.0	0.0	0.0
Materials and services	-72.4	-102.3	-157.5	-194.8	-389.1
Employee benefit expenses	-10.6	-12.1	-21.8	-23.3	-45.1
Depreciation, amortization and impairment losses	-3.9	-3.5	-7.9	-7.1	-14.9
Depreciation, right-of-use assets	-3.3	-3.6	-6.6	-6.9	-13.7
Other operating expenses	-21.4	-25.8	-47.1	-51.8	-104.7
Operating profit	**4.1**	**4.1**	**8.1**	**9.0**	**21.1**
Financial income and expenses	-1.1	0.3	-2.2	-0.7	-2.9
Profit before taxes	**3.0**	**4.4**	**5.9**	**8.3**	**18.2**
Income taxes	-0.3	-0.4	-0.6	-0.8	-2.1
Profit	**2.7**	**4.0**	**5.3**	**7.5**	**16.1**
Other comprehensive income					
Items that may be reclassified to profit or loss in subsequent periods:					
Translation differences	1.9	0.5	-4.0	2.5	4.4
Other comprehensive income for the period, net of taxes	1.9	0.5	-4.0	2.5	4.4
Total comprehensive income	**4.6**	**4.5**	**1.3**	**10.0**	**20.5**
Profit attributable to shareholders	2.7	4.0	5.3	7.5	16.1
Total comprehensive income attributable to shareholders	4.6	4.5	1.3	10.0	20.5
Basic earnings per share, EUR	0.08	0.12	0.15	0.22	0.47
Diluted earnings per share, EUR	0.08	0.12	0.15	0.22	0.47

Aspo Group's condensed consolidated balance sheet

Assets	**6/2020** MEUR	**6/2019** MEUR	**12/2019** MEUR
Intangible assets	7.8	8.0	7.9
Goodwill	43.3	43.3	43.3
Tangible assets	174.6	170.5	180.2
Right-of-use assets	19.8	36.4	21.5
Investments accounted for using the equity method	1.3	1.4	1.4
Other non-current assets	0.7	2.8	0.6
Total non-current assets	247.5	262.4	254.9
Inventories	46.3	69.1	55.9
Accounts receivable and other receivables	70.1	87.7	75.4
Cash and cash equivalents	27.5	19.4	23.7
Total current assets	143.9	176.2	155.0
Total assets	**391.4**	**438.6**	**409.9**
Equity and liabilities			
Share capital and premium	22.0	22.0	22.0
Other equity	91.9	90.4	100.1
Total equity	113.9	112.4	122.1
Loans and overdraft facilities	166.0	165.3	141.7
Lease liabilities	7.7	8.6	8.8
Other liabilities	4.5	7.1	4.9
Total non-current liabilities	178.2	181.0	155.4
Loans and overdraft facilities	27.0	38.6	58.2
Lease liabilities	12.4	27.4	13.0
Accounts payable and other liabilities	59.9	79.2	61.2
Total current liabilities	99.3	145.2	132.4
Total equity and liabilities	**391.4**	**438.6**	**409.9**

Aspo Group’s condensed consolidated cash flow statement

	1-6/2020 MEUR	1-3/2019 MEUR	1-12/2019 MEUR
CASH FLOWS FROM/USED IN OPERATING ACTIVITIES			
Operating profit	8.1	9.0	21.1
Adjustments to operating profit	14.7	14.2	28.1
Change in working capital	10.9	-6.2	9.3
Interest and other financial expenses paid	-2.9	-2.6	-5.0
Interest and other financial income received	1.1	1.5	1.7
Income taxes paid	-1.4	-1.3	-2.7
Net cash from operating activities	**30.5**	**14.6**	**52.5**
CASH FLOWS FROM/USED IN INVESTING ACTIVITIES			
Investments in tangible and intangible assets	-2.4	-2.5	-5.4
Proceeds from sale of tangible assets	0.1	0.1	0.2
Acquisition of businesses		-2.5	-2.5
Divestment of businesses			0.3
Dividends received	0.1		0.1
Net cash used in investing activities	**-2.2**	**-4.9**	**-7.3**
CASH FLOWS FROM/USED IN FINANCING ACTIVITIES			
Change in current loans	-6.1	10.3	0.7
Proceeds from non-current loans	0.0	15.0	30.0
Repayments of non-current loans	-0.7	-20.0	-29.5
Payments of lease liabilities	-6.5	-7.0	-27.7
Hybrid bond repayment	-25.0		
Proceeds from Hybrid bond issue	20.0		
Hybrid bond, interest paid	-1.6	-1.7	-1.7
Hybrid bond, transaction costs paid	-0.3		
Dividends distributed	-3.4	-6.8	-13.7
Net cash used in financing activities	**-23.6**	**-10.2**	**-41.9**
Change in cash and cash equivalents	**4.8**	**-0.5**	**3.3**
Cash and cash equivalents January 1	23.7	19.3	19.3
Translation differences	-1.0	0.6	1.1
Cash and cash equivalents at period-end	**27.5**	**19.4**	**23.7**

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, 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		0.0		-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 transacion costs					-1.1	-1.1
Share-based incentive plan					0.0	0.0
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**
Equity January 1, 2019	**22.0**	**16.3**	**25.0**	**-23.5**	**76.8**	**116.6**
Impact of IFRS 16					0.0	0.0
Adjusted equity January 1, 2019	22.0	16.3	25.0	-23.5	76.9	116.7
Comprehensive income:						
Profit for the period					7.5	7.5
Translation differences				2.5		2.5
Cash flow hedging		0.0				0.0
Total comprehensive income		0.0		2.5	7.5	10.0
Transactions with owners:						
Dividend payment					-13.7	-13.7
Interest on hybrid bond					-0.8	-0.8
Share-based incentive plan					0.3	0.3
Total transactions with owners					-14.2	-14.2
Equity June 30, 2019	**22.0**	**16.3**	**25.0**	**-21.0**	**70.1**	**112.4**

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, 2020, Aspo applies certain new or amended IFRS standards and IFRIC interpretations as described in the 2019 consolidated financial statements. In addition, the temporary changes described below and caused by the coronavirus pandemic have been made to the valuation of accounts receivable and inventories. In other respects, the same accounting principles have been applied as in the consolidated financial statements of December 31, 2019. The information in this interim report is unaudited.

The coronavirus pandemic affects the inventory turnover and the payment schedules of accounts receivable. It is assumed that the exceptional circumstances may cause slow-moving inventories to slow even further. Considering accounts receivable, Aspo needs to prepare for situations where customers require more time for payments or may even lose their ability to pay.

The following temporary changes have been made to accounting principles, applied starting from March 31, 2020:

- ⇨ A 100% allowance for obsolescence will apply to slow-moving inventories of more than 18 months (previously 12 months).
- ⇨ If required, the bad debt allowance for accounts receivable will focus more on the counterparty risk, instead of using the statistical model as required in IFRS 9. This principle is in line with the statement issued by the European Securities and Market Authority (ESMA) on March 25, 2020.

These changes have not been applied retroactively.

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 56 of the Aspo's Year 2019 publication.

Personnel

At the end of the review period, Aspo Group had 888 employees (931 at the end of 2019).

Net sales and segment information

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

Aspo Group disaggregation of net sales

Net sales by business area

	4-6/2020 MEUR	4-6/2019 MEUR	1-6/2020 MEUR	1-6/2019 MEUR	1-12/2019 MEUR
ESL Shipping					
ESL Shipping	32.9	42.6	75.6	86.3	175.0
	32.9	42.6	75.6	86.3	175.0
Leipurin					
Bakery business	19.7	23.7	42.1	45.5	95.3
Machinery business	3.0	3.0	6.6	6.0	15.3
Foodservice business	0.5	1.3	1.4	2.4	5.1
	23.2	28.0	50.1	53.9	115.7
Telko					
Plastics business	28.6	40.5	61.1	79.4	152.2
Chemicals business	24.0	31.4	51.1	58.3	118.1
Kauko	6.9	8.7	10.9	14.8	26.7
	59.5	80.6	123.1	152.5	297.0
Total	115.6	151.2	248.8	292.7	587.7

Net sales by timing of revenue recognition

	4-6/2020 MEUR	4-6/2019 MEUR	1-6/2020 MEUR	1-6/2019 MEUR	1-12/2019 MEUR
ESL Shipping					
At a point in time	0.5	0.0	0.9	0.0	1.6
Over time	32.4	42.6	74.7	86.3	173.4
	32.9	42.6	75.6	86.3	175.0
Leipurin					
At a point in time	21.7	27.3	47.1	52.2	111.5
Over time	1.5	0.7	3.0	1.7	4.2
	23.2	28.0	50.1	53.9	115.7
Telko					
At a point in time	59.4	80.4	122.8	152.1	296.1
Over time	0.1	0.2	0.3	0.4	0.9
	59.5	80.6	123.1	152.5	297.0
Total					
At a point in time	81.6	107.7	170.8	204.3	409.2
Over time	34.0	43.5	78.0	88.4	178.5
	115.6	151.2	248.8	292.7	587.7

Net sales by market area

	4-6/2020 MEUR	4-6/2019 MEUR	1-6/2020 MEUR	1-6/2019 MEUR	1-12/2019 MEUR
ESL Shipping					
Finland	16.3	21.0	36.8	41.2	79.6
Scandinavia	9.7	12.2	20.9	22.2	46.9
Baltic countries	0.1	1.1	0.3	3.0	8.1
Russia, other CIS countries and Ukraine	0.3	0.0	2.2	0.4	0.5
Other countries	6.5	8.3	15.4	19.5	39.9
	32.9	42.6	75.6	86.3	175.0
Leipurin					
Finland	9.4	10.8	19.9	20.7	43.9
Scandinavia	0.0	0.0	0.0	0.3	0.7
Baltic countries	6.1	7.8	13.2	14.9	31.5
Russia, other CIS countries and Ukraine	7.5	9.0	16.1	17.3	37.9
Other countries	0.2	0.4	0.9	0.7	1.7
	23.2	28.0	50.1	53.9	115.7
Telko					
Finland	16.9	20.1	32.4	38.9	71.6
Scandinavia	8.5	10.5	18.0	19.5	37.2
Baltic countries	4.2	5.3	8.4	10.1	18.3
Russia, other CIS countries and Ukraine	23.8	35.5	50.7	64.7	132.8
Other countries	6.1	9.2	13.6	19.3	37.1
	59.5	80.6	123.1	152.5	297.0
Total					
Finland	42.6	51.9	89.1	100.8	195.1
Scandinavia	18.2	22.7	38.9	42.0	84.8
Baltic countries	10.4	14.2	21.9	28.0	57.9
Russia, other CIS countries and Ukraine	31.6	44.5	69.0	82.4	171.2
Other countries	12.8	17.9	29.9	39.5	78.7
	115.6	151.2	248.8	292.7	587.7

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

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
Profit before taxes					5.9

1-6/2019

MEUR	ESL Shipping	Leipurin	Telko	Unallocated items	Group total
Operating profit	5.8	1.1	4.7	-2.6	9.0
Net financial expenses					-0.7
Profit before taxes					8.3

Investments by segment

MEUR		ESL Shipping	Leipurin	Telko	Unallocated items	Group total
Investments	1-6/2020	2.2	0.0	0.1	0.0	2.3
Investments	1-6/2019	1.7	0.2	0.4	0.1	2.4

Segment assets and liabilities

MEUR	ESL Shipping	Leipurin	Telko	Unallocated items	Group total
Segment assets Jan 1, 2020	222.7	65.5	94.2	27.5	409.9
Segment assets Jun 30, 2020	212.8	60.5	86.9	31.2	391.4
Segment liabilities Jan 1, 2020	26.4	20.2	32.2	209.0	287.8
Segment liabilities Jun 30, 2020	23.5	17.5	35.5	201.0	277.5

Helsinki, 12 August, 2020

ASPO Plc

Board of Directors

PRESS AND ANALYST CONFERENCE

A Press and analyst conference will be arranged today on Wednesday, August 12, 2020 at 2 p.m. at Hotel Kämp's Symposion conference room, Pohjoisesplanadi 29, 00100 Helsinki.

The press conference can also be followed by a live webcast at https://aspo.videosync.fi/2020-q2-results, or by calling +358 981 710 310 (PIN: 51123310#) 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 2020

Aspo Plc will publish its Interim Report for January-September on Thursday, October 29, 2020.

Helsinki, August 12, 2020

ASPO Plc

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