Aspo Plc
Interim Report
May 5, 2021 at 10 a.m.

Aspo Group Interim Report, January 1 to March 31, 2021

Aspo Q1: Record-high operating profit, relative profitability improved significantly

January–March 2021

Figures from the corresponding period in 2020 are presented in brackets.

- Aspo's net sales reached the comparative period's level, being EUR 132.3 (133.2) million.
- Operating profit increased considerably to EUR 7.9 (4.0) million, driven by the improved results of ESL Shipping and Telko.
- Profit for the period increased and was EUR 6.4 (2.6) million.
- Earnings per share increased and were EUR 0.19 (0.07).
- Operating profit of ESL Shipping was EUR 4.5 (2.3) million, Leipurin EUR 0.3 (0.6) million, and Telko EUR 4.5 (2.4) million.
- Net cash from operating activities was EUR 6.6 (13.9) million. The impact of the change in working capital was EUR -7.2 (3.8) million.
- In March, Aspo's Board of Directors appointed Rolf Jansson Aspo's new CEO. He will take the helm from Aki Ojanen, who will retire from his position. Jansson will start as the new CEO at the beginning of October at the latest.
- Heikki Westerlund started as the new Chairman of Aspo's Board of Directors on April 8, 2021. He replaced Gustav Nyberg, Chairman of Aspo's Board of Directors since 2009 and Aspo Group's CEO before that, who announced earlier that he will no longer be available as a member of Aspo's Board of Directors at the 2021 Annual Shareholders' Meeting.
- Aspo will pay EUR 0.35 per share in dividends for the 2020 financial year. The payment date for the first installment of EUR 0.18 per share was April 19, 2021.

Key figures

	1-3/2021	**1-3/2020**	**1-12/2020**
Net sales, MEUR	132.3	133.2	500.7
Operating profit, MEUR	7.9	4.0	19.3
Operating profit, %	6.0	3.0	3.9
ESL Shipping, operating profit, MEUR	4.5	2.3	7.6
Leipurin, operating profit, MEUR	0.3	0.6	1.4
Telko, operating profit, MEUR	4.5	2.4	14.9
Earnings per share (EPS), EUR	0.19	0.07	0.39
Profit before taxes, MEUR	7.0	2.9	14.8
Profit for the period, MEUR	6.4	2.6	13.4
Net cash from operating activities, MEUR	6.6	13.9	65.0
Free cash flow, MEUR	5.1	13.3	56.0
Return on equity (ROE), %	21.8	8.7	11.4
Equity ratio, %	31.1	29.9	30.1
Gearing, %	139.0	158.5	149.0
Equity per share, EUR	3.86	3.80	3.63

Guidance for 2021

Aspo's operating profit in 2021 will be higher than in 2020 (EUR 19.3 million).

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

Aspo achieved strong results during the first quarter of 2021, even though the coronavirus pandemic continues to have a negative impact on the operating conditions of some of our businesses. The Group's operating profit reached a new record of EUR 7.9 (4.0) million during the first quarter. This significant increase in the operating profit resulted from Telko's considerably improved profitability, with ESL Shipping's Q1 results also being the strongest in its history.

Our potential to achieve our financial targets set for 2023 was already reflected strongly in our first quarter's figures. Our operating profit rate increased to the targeted 6%, our return on equity exceeded the target of 20% and gearing continued to decrease towards the targeted 130%. This trend results from correct choices and the unrelenting fulfillment of our strategy in our businesses.

ESL Shipping is within the scope of tonnage taxation, which is why Aspo's tax efficiency has improved, driven by the shipping company's improved results. Aspo's earnings per share during the first quarter were EUR 0.19, which can be regarded as an excellent start to 2021. Now that the most significant financial impacts of the coronavirus pandemic are starting to ease off, Aspo's operating profit for the previous six months has increased to EUR 15.5 (9.4) million, which is a clear indication of our conglomerate's strong ability to overcome crises and to recover quickly, and also of our profit-making potential. The Group's previous significant investments and business transactions also enable our strong development in the future.

The market situation continued to improve during the first quarter. The rapid recovery of international markets has raised raw material prices unusually quickly and even resulted in problems with availability. Shipping freight rates, important for Aspo, have improved, and especially the freight rates of the largest vessel category have recovered to a good level. However, the future development of prices and the availability of raw materials are still difficult to predict at present regarding the fall and the rest of the year.

Even though markets have already started to recover, the impact of the coronavirus pandemic can still be seen strongly in many of our operating countries. During the first quarter, movement restrictions increased particularly in the Baltic and Finnish markets. In Scandinavia, the situation has largely remained unchanged, while restrictions and lockdowns have been lifted in Russia and eastern markets. We succeeded well in eastern markets, with profitability improving even further in the market area. Eastern markets continue to be a strategically important market area and a source of organic growth for Aspo.

ASPO GROUP

Financial results and targets

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

The operating profit rate increased during the first quarter of 2021 to 6.0% (3.0%). Return on equity improved significantly, being 21.8% (3/2020: 8.7%). Gearing continued to decrease, being 139.0% (12/2020: 149.0%).

At the end of 2020, Aspo's Board of Directors defined a new long-term sustainability target, according to which the businesses Aspo owns will be forerunners in sustainability in their respective fields. Work to set new business-specific sustainability targets is in progress, and these will be announced during the second half of the year. Aspo Group's 2020 sustainability report was published in March and ESL Shipping's sustainability report was published in April, both of which are available on the companies' websites.

Operating environment

The impact of the coronavirus pandemic on the operating environment has decreased quickly, and economies have started to recover in Aspo's market areas. The operating environment quickly became challenging and difficult to foresee due to the coronavirus pandemic. When the pandemic was at its worst, the real economy's impact on exchange rates reduced net sales, and some currencies have continued to decrease, including the Russian ruble. Furthermore, slower and partially empty industrial supply chains have also had an impact on demand for logistics services, which has still turned to growth. Furthermore, it is still difficult to estimate how long the coronavirus pandemic continues to have an impact on business operations, with related movement and financial restrictions. Geopolitical tensions have remained unchanged from a business point of view.

Net sales by market area

	1-3/2021 MEUR	**Share** %	**1-3/2020** MEUR	**Share** %	**Change** %
Finland	45.3	34	46.5	35	-3
Scandinavia	24.7	19	20.7	16	19
Baltic countries	12.0	9	11.5	9	4
Russia, other CIS countries and Ukraine	35.0	26	37.4	28	-6
Other countries	15.3	12	17.1	13	-11
Total	132.3	100	133.2	100	-1

The Group's main market areas are Finland, Scandinavia, the Baltic countries, and eastern markets (Russia, other CIS countries, and Ukraine). Net sales reached the comparative period's level, even though there were changes between market areas. The increase in net sales in Scandinavia was driven by the growing transportation volumes in the steel industry. There were no significant changes in other market areas.

Cash flow and financing

The Group's cash flow from operating activities in January–March was EUR 6.6 (13.9) million. The impact of the change in working capital on cash flow during the review period was EUR -7.2 (3.8) million, mainly due to an increase in accounts receivable. As a result of low investment level, the Group's free cash flow during the first quarter amounted to EUR 5.1 (13.3) million.

	3/2021 MEUR	3/2020 MEUR	12/2020 MEUR
Interest-bearing liabilities	197.6	214.6	201.4
Cash and cash equivalents	29.9	27.0	32.3
Net interest-bearing debt	167.7	187.6	169.1

Net interest-bearing liabilities decreased to EUR 167.7 million and gearing fell to 139.0% (3/2020: EUR 158.5 million, 12/2020: 149.0%), approaching the Group's long-term target of 130%. The Group's equity ratio at the end of the period was 31.1% (3/2020: 29.9%, 12/2020: 30.1%).

Net financial expenses in January–March totaled EUR -0.9 (-1.1) million. The average rate of interest-bearing liabilities, excluding lease liabilities, was 1.5% (1.5%).

The Group's liquidity position remained strong. Cash and cash equivalents were EUR 29.9 million at the end of the review period (12/2020: EUR 32.3 million). Committed revolving credit facilities, totaling EUR 55.0 million, were fully unused, as in the comparative period. Of Aspo's EUR 80 million commercial paper program EUR 8 million was in use (3/2020: EUR 18 million, 12/2020: EUR 11 million).

Short-term risks and uncertainties in business operations

The coronavirus pandemic and the measures taken to prevent coronavirus from spreading, both of which affect consumers, trade, industries and social structures, comprise the most significant short-term risk for Aspo's businesses and demand for their products and services. Geopolitical tensions have also increased risks in Aspo's eastern market areas, and preparations for them have been started.

Lockdowns imposed in many countries, uncertainties over the duration of the pandemic, as well as new and recurrent infected areas, combined with virus mutations, 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 all businesses. The accumulation of shipping containers at transportation destinations, the availability of raw materials, and, most recently, the shortage of electronics components have slowed down the recovery of economies in general and decelerated the growth of Aspo's businesses. Fluctuations in demand for transportation services and restrictions on movement have a general impact on the income of shipping companies, which may also affect Aspo's results and cash flow. There may be corresponding effects in Aspo's all business segments, as customers' production cuts potentially reduce demand, even though the pandemic has had less impact on Aspo's business operations and results than what was initially suspected.

Restrictions on movement may affect the shipping company's operations and decelerate deliveries in other business segments. Aspo's results and balance sheet structure may weaken as a result of slowdown in economic 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.

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 52 vessels with a total capacity of 477,000 deadweight tonnage (dwt). Of these, 24 were wholly owned (73% of the tonnage), two were minority owned (2%) and the remaining 26 vessels (25%) were time chartered. ESL Shipping's competitive edge is based on its ability to responsibly secure product and raw material transportation for industries and energy production year-round, even in difficult conditions. The shipping company loads and unloads large ocean liners at sea as a special service.

	1-3/2021	1-3/2020	Change,%
Net sales, MEUR	43.4	42.7	1.6
Operating profit, MEUR	4.5	2.3	95.7
Operating profit, %	10.4	5.4	

ESL Shipping had a historically strong first quarter, with its operating profit nearly doubling from the previous year to EUR 4.5 (2.3) million. The operating profit rate of 10.4% (5.4) was good for winter, regardless of the ice conditions being more challenging than during the comparative period. The transportation volumes of the shipping company were at the comparative period's level at 3.5 (3.5) million tons. Net sales increased slightly from the comparative period and stood at EUR 43.4 (42.7) million.

ESL Shipping's capacity was almost fully in use during the review period. Demand and transportation volumes among all ESL Shipping's main customers remained at the estimated strong level during the first quarter, apart from the energy industry where coal transportation volumes decreased in Finland and Central Europe. During the review period, coal consumed for energy only accounted for less than 5% of the shipping company's total transportation volume. Demand for loading and unloading operations for vessels at sea was high during the review period.

The shipping company's Supramax vessels traveled longer distances than during the comparative period, which reduced transportation volumes. The international cargo market of these vessels was stronger than during the comparative period, and the vessels' profitability increased significantly. Furthermore, the cargo price level of smaller vessels improved from the comparative period.

Operations of ESL Shipping's largest vessel categories were successful, despite the highly demanding weather and ice conditions. Ports have been very congested in the shipping company's main transportation areas due to increased traffic volumes and the impact of the coronavirus pandemic on the availability of stevedores. In the smaller vessel category, the more difficult ice situation than in the previous year and longer waiting times at ports reduced the efficiency of operations.

The long-term development of responsibility and the maintenance of a high level of safety are essential to the shipping company's operations. During the review period, a very unfortunate occupational accident leading to the loss of life took place onboard a vessel owned by AtoB@C, ESL Shipping's Swedish subsidiary, when handling the vessel's cargo hatches. The investigation of the accident is in progress and, on the basis of its conclusions, specified instructions will be prepared and the changes required will be made in the safety management system.

ESL Shipping has succeeded in maintaining its normal service ability and in keeping the supply chains of its customers uninterrupted in the exceptional circumstances caused by the coronavirus pandemic, in which crew changes, maintenance and spare parts deliveries cannot be carried out normally due to travel restrictions and the lack of flight connections. Coronavirus infections among crew members were successfully limited by taking systematic action so that they did not have any significant impact on vessel traffic during the review period. Advance testing and quarantine arrangements applied to crew members increased costs.

During the first quarter, one larger vessel was docked and the dockage of another vessel was started. One smaller vessel owned by ESL Shipping was partly out of operations during the review period due to damage caused by a port crane. Smaller time-chartered vessels of less than 10,000 dwt have been out of operations more than usual due to coronavirus infections, equipment breakage and damage caused by ice conditions, for example.

Outlook 2021 for ESL Shipping

Demand for transportation in the company's main market area in Northern Europe has returned to a satisfactory level, and forecasts of transportation volumes in different customer segments are looking positive for the second and third quarters. In the steel industry, demand is expected to remain high during the spring. Most of the shipping company's transportation capacity utilization has been secured in the Baltic Sea and Northern Europe through long-term agreements. ESL Shipping expects total transportation volumes to increase from the previous year. The general development of cargo markets will continue to have the highest impact on the performance of the shipping company's largest Supramax vessels. Cargo price levels of the largest vessels increased during the fall and winter, being now relatively high considering the recent years' trend. The development of raw material prices and related uncertainties may affect the development of international cargo markets during the rest of the year.

The coronavirus pandemic continues to have a significant impact on operations in the company's main market areas. Any measures to restrict societal activities, movement restrictions and the shortage of industrial components may have a negative impact on demand among key customers during the rest of the year. Coronavirus infections among crew members may cause delays in vessel traffic and additional costs. Measures aimed to protect the health of the personnel will continue at least at the current level at present.

ESL Shipping aims to improve its ability and flexibility to adapt its operations in accordance with the prevailing transportation demand. The number and composition of time-chartered vessels will be reviewed, also in the future, in accordance with any changes in the development and focus areas of customer demand. In the smaller vessel category, price levels are increasing, as the shipping company is signing new time-chartering contracts.

ESL Shipping intends to establish more broadly in markets in the Russian Arctic. In Northern Europe, customers are showing a considerably growing interest towards environmentally friendly sea transportation that produces as low carbon emissions as possible. The shipping company will continue its development activities to offer the most effective and environmentally friendly future transportation solutions on the markets. At the same time, ESL Shipping is investigating opportunities to use different new solutions related to the ownership and financing of vessels, used broadly in international shipping company operations, to speed up its operational development.

During 2021, significant environmental investments of roughly EUR 6 million, according to an updated assessment, will be targeted at a total of 12 vessels. As a result of equipment installation, the shipping company expects there to be more lay-ups in 2021 than normal, especially during the second and third quarters. Dockages will lower the second and third quarters' results. A total of 12 larger and three smaller vessel units will be docked during the summer. The docked vessels will be out of operations for a total of 200 days. In the shipping company's view, stricter environmental regulations will reduce the number of vessels operating in the Baltic Sea.

Leipurin

Leipurin is a wholesaler specializing in bakery, food industry and foodservice solutions. Leipurin's business operations are divided into three areas: the bakery business, the machinery business and the foodservice business. The solutions offered by the bakery business comprise raw materials, recipes, product range development and training for bakeries and other food industries. As part of its machinery business, Leipurin 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 manufacturer specializing in freezing and cooling machines. In the foodservice business, Leipurin's product and service range consists of raw materials and service concepts, such as procurement and logistics services. Leipurin uses leading international producers and manufacturers as its raw material and machinery supply partners. Leipurin operates in Finland, Russia, the Baltic countries, Ukraine, Kazakhstan, and Belarus.

	1-3/2021	1-3/2020	Change,%
Net sales, MEUR	27.9	26.9	3.7
Operating profit, MEUR	0.3	0.6	-50.0
Operating profit, %	1.1	2.2	

During the first quarter, Leipurin's operating environment continued to be challenging due to the coronavirus pandemic. Bakery raw material sales for packaged consumer products is returning to normal in the retail channel, while regional restrictions have had a significant negative impact on foodservice and machinery operations. In addition, travel restrictions impede project activities.

During the first few weeks of the year, demand was at a normal level in Finnish bakery markets. However, lockdowns due to the coronavirus pandemic again started to have an impact during the review period. The foodservice market was afflicted by restrictions in all operating countries throughout the quarter.

Leipurin's net sales grew during the first quarter, amounting to EUR 27.9 (26.9) million. Net sales of the bakery business, comprising approximately 74% of Leipurin's total net sales, decreased by roughly 8% from the comparative period due to the coronavirus pandemic and resulting restrictions, as well as the decrease in the value of the Russian ruble. Significant machine deliveries to Russia, transferred from previous years, increased the net sales of the machinery business, while deliveries remained otherwise low, especially in the company's own machine production. The foodservice business accounted for roughly 3% of Leipurin's total net sales during the quarter. The foodservice market also has an indirect impact on Leipurin's net sales through the bakery business.

Net sales in the market area of Russia, other CIS countries, and Ukraine increased considerably by 29% to EUR 11.1 (8.6) million. In eastern markets, net sales of the bakery business decreased by 15% during the first quarter, amounting to EUR 6.6 (7.8) million. However, net sales increased as measured in local currencies.

Leipurin's operating profit decreased from the comparative period to EUR 0.3 (0.6) million. The operating profit rate during the first quarter was 1.1% (2.2). In eastern markets, the total operating profit rate increased to approximately 7% (6). Correspondingly, the operating profit rate of the bakery business was roughly 6% (7). Raw material costs denominated in euro increased strongly due to the decrease in the value of the Russian ruble from the comparative period, and it was not possible to transfer this change wholly to customer prices. In the machinery business, restructurings related to the specified strategy were carried out, resulting in non-recurring costs.

Outlook 2021 for Leipurin

Coronavirus restrictions have varied in Leipurin's operating countries. The largest negative impact has been seen in the Baltic countries but the situation has improved for example in Russia. It is still too early to assess the long-term impact of the pandemic on Leipurin's customers and markets. The situation involving customers and markets is expected to slowly return to normal, provided that the lifting of restrictions proceeds 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 is moderate, especially considering the company's own machine production. The machinery business is expected to become profitable in 2021.

Leipurin is preparing for the post-pandemic period by refining its strategy during 2021. The company will continue to invest in growth, especially in eastern markets. The production unit for bakery raw materials in St. Petersburg will be developed further, and the product range will be developed to respond to the new market and price situation. As the local currency has decreased, the competitiveness of local production has improved considerably relative to imported raw materials.

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 operations in Finland, the Baltic countries, Scandinavia, Germany, Poland, Romania, Russia, Belarus, Ukraine, Kazakhstan, Uzbekistan, and China.

	1-3/2021	**1-3/2020**	**Change,%**
Net sales, MEUR	61.0	63.6	-4.1
Operating profit, MEUR	4.5	2.4	87.5
Operating profit, %	7.4	3.8	

Telko's market environment continued to recover during the first quarter of 2021. The availability of raw materials sold by Telko has decreased due to shortages in the manufacturing industry. This situation has partially resulted not only from an increase in international demand, but also from the non-functioning of logistics chains and rising price levels. The availability of raw materials decreased significantly during the quarter, weakening the recovery of the increase in net sales. Market prices of all products sold by Telko increased, with the increase in prices being particularly strong at the end of the first quarter.

Net sales of the Telko segment decreased during the first quarter to EUR 61.0 (63.6) million. Operating profit increased considerably from the comparative period to EUR 4.5 (2.4) million. The operating profit rate increased during the first quarter to 7.4% (3.8).

During the first quarter, net sales of the Telko business decreased by 2.7% to EUR 58.0 (59.6) million. According to its strategy, Telko focuses on higher added value products. In addition to the improved product mix and the positive development of profitability, price increases in the markets accelerated Telko's operating profit for the first quarter to a record-high of EUR 4.6 (2.4) million.

Net sales of the plastics business decreased by 1% to EUR 32.1 (32.5) million. The general price level is very high. Serious availability problems had a negative impact on nearly all product groups and market areas. The proportion of higher added value products was increased, especially in eastern markets, which improved relative profitability.

Net sales of the chemicals business decreased by 19% to EUR 16.5 (20.4) million. Availability problems reduced net sales significantly. Product prices increased unusually quickly. Demand in key customer segments has remained stable, despite the unstable market situation.

Net sales of the lubricants business increased by 40% to EUR 9.4 (6.7) million. The increase in the general price level and the acquisition of ILS Nordic AB and its subsidiary Autolubes Nordic AB in 2020, were the most significant drivers behind increased sales. So far, there have not been any significant problems in the availability of lubricants.

Currently, Telko operates in 16 countries with its own organization. Net sales in the market area of Russia, other CIS countries, and Ukraine decreased by 12% to EUR 23.6 (26.9) million. In western markets, net sales increased by 6% to EUR 32.7 (30.8) million. The decreased value of local currencies reduced net sales in eastern markets. Operating profit increased clearly in both market areas, exceeding Telko's long-term target of 6%. It has been assessed that the profitability and development of operations in Azerbaijan do not meet expectations, and the company's operations were decided to be discontinued. The discontinuation does not have any significant impact on results in 2021.

Kauko's net sales fell by 25% during the first quarter, amounting to EUR 3.0 (4.0) million. The operating profit of Kauko stood at EUR 0.0 (-0.1) million. The first quarter is typically the weakest quarter of the year in IT deliveries.

Outlook 2021 for Telko

The recovery of demand, started in the fall of 2020, continued and is expected to continue at least during the second quarter. The coronavirus pandemic continues to restrict opportunities for normal customer activities.

Raw material availability situation is expected to remain challenging in all business operations, at least during the second quarter. Prices of raw materials are expected to continue their increase and to remain high during the next few months.

As the market situation is returning to normal, prices are expected to start decreasing, and this is expected to occur during the second half of 2021. Rapid adjustments downwards would have a negative impact on Telko's results.

Demand in Telko's main markets is high. As availability improves, sales volumes are expected to increase clearly, and net sales are expected to increase from the comparative period.

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

Any escalation in the international situation and especially in the conflict between Russia and Ukraine may affect the value of local currencies and impede Telko's business operations in eastern markets.

Kauko expects new equipment and service packages to improve the profitability of basic business operations in 2021. A significant agreement on equipment deliveries to the public sector was signed during the first quarter. If the exceptional circumstances persist, sales of personal protective equipment are expected to remain at a good level.

Other operations

Other operations include Aspo Group's administration, the financial and ICT service center, and a small number of other functions not covered by business units. During the first quarter, the operating result of other operations remained at the comparative period's level at EUR -1.4 (-1.3) million.

COMPANY INFORMATION

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

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

Share capital and shares

Aspo Plc's registered share capital on March 31, 2021 was EUR 17,691,729.57, and the total number of shares was 31,419,779, of which the company held 161,650 shares, 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–March 2021, a total of 933,352 Aspo Plc shares, with a market value of EUR 8.1 million, were traded on Nasdaq Helsinki. In other words, 2.9% of the shares changed hands. During the review period, the share price reached a high of EUR 9.26 and a low of EUR 8.28. The average price was EUR 8.76 and the closing price at end of the review period was EUR 8.88. At the end of the review period, the market value, less treasury shares, was EUR 277.6 million.

At end of the review period, the company had 11,069 shareholders. A total of 1,390,145 shares, or 4.4% of the share capital, were nominee registered or held by non-domestic shareholders.

Rewarding

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

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

The share-based incentive plan is directed at approximately 20 people, including the members of the Group Executive Committee. The rewards payable based on the plan correspond to a maximum total value of 204,000 Aspo Plc shares, also including the proportion to be paid in cash. The share-based incentive plan did not have any impact on the Group's results for the first quarter.

Decisions of the Annual Shareholders' Meeting

Dividend

Aspo Plc's Annual Shareholders' Meeting held on April 8, 2021 decided, as proposed by the Board of Directors, that EUR 0.35 per share will be distributed in dividends for the 2020 financial year, and that no dividend will be paid for shares held by Aspo Plc. The dividend will be paid in two installments. The payment date for the first installment of EUR 0.18 per share was April 19, 2021. The second installment of EUR 0.17 per share will be paid in November 2021 to shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd on the record date. At its meeting to be held on October 27, 2021, the Board of Directors will decide on the record and payment dates of the second installment, in accordance with the rules of the Finnish book-entry securities system. According to the current system, the dividend record date would be October 29, 2021 and the payment date would be November 5, 2021.

The Board of Directors and the auditor

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

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

Board authorizations

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

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

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

The Annual Shareholders’ Meeting on April 8, 2021 authorized the Board of Directors to decide on a share issue, through one or several lots, to be executed by conveying treasury shares. An aggregate maximum amount of 900,000 shares may be conveyed based on the authorization. The authorization is valid until the Annual Shareholders’ Meeting in 2022 but not more than 18 months from the approval at the Annual Shareholders’ Meeting.

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

The Annual General Meeting on April 8, 2021 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 2022 but not more than 18 months from the approval at the Annual Shareholders’ Meeting.

ASPO

FINANCIAL INFORMATION

Aspo Group's condensed consolidated statement of comprehensive income

	1-3/2021 MEUR	1-3/2020 MEUR	1-12/2020 MEUR
Net sales	**132.3**	**133.2**	**500.7**
Other operating income	0.0	0.1	0.5
Share of profits accounted for using the equity method	0.0	0.0	-0.4
Materials and services	-79.9	-85.1	-315.8
Employee benefit expenses	-12.5	-11.2	-44.0
Depreciation, amortization and impairment losses	-4.1	-4.0	-15.8
Depreciation, leased assets	-3.3	-3.3	-13.2
Other operating expenses	-24.6	-25.7	-92.7
Operating profit	**7.9**	**4.0**	**19.3**
Financial income and expenses	-0.9	-1.1	-4.5
Profit before taxes	**7.0**	**2.9**	**14.8**
Income taxes	-0.6	-0.3	-1.4
Profit	**6.4**	**2.6**	**13.4**
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Translation differences	1.0	-5.9	-7.7
Other comprehensive income for the period, net of taxes	1.0	-5.9	-7.7
Total comprehensive income	**7.4**	**-3.3**	**5.7**
Profit attributable to shareholders	6.4	2.6	13.4
Total comprehensive income attributable to shareholders	7.4	-3.3	5.7
Basic earnings per share, EUR	0.19	0.07	0.39
Diluted earnings per share, EUR	0.19	0.07	0.39

Aspo Group's condensed consolidated balance sheet

Assets	3/2021 MEUR	3/2020 MEUR	12/2020 MEUR
Intangible assets	55.1	51.1	55.2
Tangible assets	166.6	176.7	169.1
Leased assets*	19.9	19.9	20.1
Investments accounted for using the equity method	1.0	1.4	1.0
Other non-current assets	0.7	0.5	0.8
Total non-current assets	243.3	249.6	246.2
Inventories	44.0	49.1	42.4
Accounts receivable and other receivables	73.4	73.9	63.2
Cash and cash equivalents	29.9	27.0	32.3
Total current assets	147.3	150.0	137.9
Total assets	**390.6**	**399.6**	**384.1**
Equity and liabilities			
Share capital and premium	22.0	22.0	22.0
Other equity	98.6	96.3	91.5
Total equity	120.6	118.3	113.5
Loans and overdraft facilities	148.4	141.1	149.1
Lease liabilities	7.1	7.1	7.2
Other liabilities	4.4	4.7	4.5
Total non-current liabilities	159.9	152.9	160.8
Loans and overdraft facilities	28.8	53.4	32.5
Lease liabilities	13.3	13.1	13.4
Accounts payable and other liabilities	68.0	61.9	63.9
Total current liabilities	110.1	128.4	109.8
Total equity and liabilities	**390.6**	**399.6**	**384.1**

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

Aspo Group's condensed consolidated cash flow statement

	1-3/2021 MEUR	1-3/2020 MEUR	1-12/2020 MEUR
CASH FLOWS FROM/USED IN OPERATING ACTIVITIES			
Operating profit	7.9	4.0	19.3
Adjustments to operating profit	7.6	7.3	29.2
Change in working capital	-7.2	3.8	23.0
Interest paid	-0.9	-1.4	-4.4
Interest received	0.1	0.8	0.7
Income taxes paid	-0.9	-0.6	-2.8
Net cash from operating activities	**6.6**	**13.9**	**65.0**
CASH FLOWS FROM/USED IN INVESTING ACTIVITIES			
Investments	-1.5	-0.6	-7.2
Investment subsidy			2.5
Proceeds from sale of tangible assets			0.2
Acquisition of businesses			-4.7
Dividends received			0.1
Net cash used in investing activities	**-1.5**	**-0.6**	**-9.0**
CASH FLOWS FROM/USED IN FINANCING ACTIVITIES			
Change in current loans	-3.8	-4.5	0.8
Repayments of non-current loans	-0.7	-0.6	-18.9
Payments of lease liabilities	-3.4	-3.3	-13.0
Hybrid bond repayment			-25.0
Proceeds from Hybrid bond issue			20.0
Hybrid bond, interest paid			-1.6
Hybrid bond, transaction costs paid			-0.3
Dividends paid			-6.9
Net cash used in financing activities	**-7.9**	**-8.4**	**-44.9**
Change in cash and cash equivalents	**-2.8**	**4.9**	**11.1**
Cash and cash equivalents January 1	32.3	23.7	23.7
Translation differences	0.4	-1.6	-2.5
Cash and cash equivalents at period-end	**29.9**	**27.0**	**32.3**

Aspo Group consolidated statement of changes in equity

MEUR	Share capital and premium	Other reserves	Hybrid bond	Translation differences	Retained earnings	Total
Equity January 1, 2021	**22.0**	**16.5**	**20.0**	**-27.0**	**81.9**	**113.5**
Comprehensive income:						
Profit for the period					6.4	6.4
Translation differences				1.0		1.0
Total comprehensive income				1.0	6.4	7.4
Transactions with owners:						
Interest on hybrid bond					-0.4	-0.4
Share-based incentive plan					0.1	0.1
Total transactions with owners					-0.3	-0.3
Equity March 31, 2021	**22.0**	**16.5**	**20.0**	**-26.0**	**88.0**	**120.6**
Equity January 1, 2020	**22.0**	**16.4**	**25.0**	**-19.2**	**77.8**	**122.1**
Comprehensive income:						
Profit for the period					2.6	2.6
Translation differences				-5.9		-5.9
Total comprehensive income				-5.9	2.6	-3.3
Transactions with owners:						
Interest on hybrid bond					-0.4	-0.4
Share-based incentive plan					0.0	0.0
Total transactions with owners					-0.4	-0.4
Equity March 31, 2020	**22.0**	**16.4**	**25.0**	**-25.1**	**80.0**	**118.3**

Accounting principles

Aspo Plc's interim report has been prepared in accordance with the principles of IAS 34 Interim Financial Reporting. As of January 1, 2021, Aspo applies certain new or amended IFRS standards and IFRIC interpretations as described in the 2020 consolidated financial statements. In other respects, the same accounting and measurement principles have been applied as in the consolidated financial statements of December 31, 2020. The information in this interim 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 60 of the Aspo's Year 2020 publication.

Personnel

At the end of the quarter, Aspo Group had 900 employees (896 at the end of 2020).

Net sales and segment information

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

Aspo Group disaggregation of net sales

Net sales by business area

	1-3/2021 MEUR	1-3/2020 MEUR	1-12/2020 MEUR
ESL Shipping			
ESL Shipping	43.4	42.7	148.4
	43.4	42.7	148.4
Leipurin			
Bakery business	20.7	22.5	87.4
Machinery business	6.5	3.5	10.4
Foodservice business	0.7	0.9	3.2
	27.9	26.9	101.0
Telko			
Plastics business	32.1	32.5	122.9
Chemicals business	16.5	20.4	74.6
Lubricants business	9.4	6.7	27.4
Kauko	3.0	4.0	26.4
	61.0	63.6	251.3
Total	132.3	133.2	500.7

Net sales by timing of revenue recognition

	1-3/2021 MEUR	1-3/2020 MEUR	1-12/2020 MEUR
ESL Shipping			
At a point in time	1.1	0.4	2.3
Over time	42.3	42.3	146.1
	43.4	42.7	148.4
Leipurin			
At a point in time	26.7	26.4	97.2
Over time	1.2	0.5	3.8
	27.9	26.9	101.0
Telko			
At a point in time	60.9	63.4	250.7
Over time	0.1	0.2	0.6
	61.0	63.6	251.3
Total			
At a point in time	88.7	90.2	350.2
Over time	43.6	43.0	150.5
	132.3	133.2	500.7

Net sales by market area

	1-3/2021 MEUR	1-3/2020 MEUR	1-12/2020 MEUR
ESL Shipping			
Finland	22.3	20.5	69.4
Scandinavia	11.9	11.2	41.3
Baltic countries	0.5	0.2	2.2
Russia, other CIS countries and Ukraine	0.3	1.9	5.4
Other countries	8.4	8.9	30.1
	43.4	42.7	148.4
Leipurin			
Finland	9.5	10.5	39.8
Scandinavia	0.6	0.0	0.0
Baltic countries	6.7	7.1	27.9
Russia, other CIS countries and Ukraine	11.1	8.6	31.7
Other countries	0.0	0.7	1.6
	27.9	26.9	101.0
Telko			
Finland	13.5	15.5	67.7
Scandinavia	12.2	9.5	36.6
Baltic countries	4.8	4.2	16.0
Russia, other CIS countries and Ukraine	23.6	26.9	104.4
Other countries	6.9	7.5	26.6
	61.0	63.6	251.3
Total			
Finland	45.3	46.5	176.9
Scandinavia	24.7	20.7	77.9
Baltic countries	12.0	11.5	46.1
Russia, other CIS countries and Ukraine	35.0	37.4	141.5
Other countries	15.3	17.1	58.3
	132.3	133.2	500.7

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Segment information

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

1-3/2021

MEUR	ESL Shipping	Leipurin	Telko	Unallocated items	Group total
Operating profit	4.5	0.3	4.5	-1.4	7.9
Net financial expenses				-0.9	-0.9
Profit before taxes					7.0

1-3/2020

MEUR	ESL Shipping	Leipurin	Telko	Unallocated items	Group total
Operating profit	2.3	0.6	2.4	-1.3	4.0
Net financial expenses				-1.1	-1.1
Profit before taxes					2.9

Investments by segment

MEUR		ESL Shipping	Leipurin	Telko	Unallocated items	Group total
Investments	1-3/2021	1.4	0.0	0.1	0.0	1.5
Investments	1-3/2020	0.4	0.0	0.2	0.0	0.6

Segment assets and liabilities

MEUR	ESL Shipping	Leipurin	Telko	Unallocated items	Group total
Assets Jan 1, 2021	210.4	59.9	77.7	36.1	384.1
Assets Mar 31, 2021	212.1	58.8	86.1	33.6	390.6
Liabilities Jan 1, 2021	27.7	19.9	32.7	190.3	270.6
Liabilities Mar 31, 2021	28.9	16.5	37.9	186.7	270.0

Helsinki, May 5, 2021

Aspo Plc
Board of Directors

Press and analyst conference

A press and analyst conference will be arranged today, Wednesday May 5, 2021 at 2:00 p.m.

The press conference can be followed via a live webcast at https://aspo.videosync.fi/2021-q1-results, or by calling +358 9 817 10310 (80498234#) 5 to 10 minutes before the beginning of the press conference. The recording of the event will be available on the company's website later on the same day.

Financial information in 2021

In 2021, Aspo Plc will publish the following reports:
- half year financial report for January–June 2021 on August 11, 2021
- interim report for January–September 2021 on October 27, 2021

Helsinki, May 5, 2021

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.