Aspo Plc
Interim Report
May 5, 2020 at 10 a.m.

ASPO GROUP INTERIM REPORT, JANUARY 1 TO MARCH 31, 2020

Aspo Q1: Satisfactory results in exceptional circumstances, strong cash flow performance

January–March 2020
Figures from the corresponding period in 2019 are presented in brackets.

- Aspo's net sales decreased and were EUR 133.2 (141.5) million.
- Operating profit decreased and was EUR 4.0 (4.9) million.
- Profit for the period decreased and stood at EUR 2.6 (3.5) million.
- Earnings per share decreased and were EUR 0.07 (0.10).
- The operating profit of ESL Shipping was EUR 2.3 (3.2) million, Leipurin EUR 0.6 (0.5) million and Telko EUR 2.4 (2.4) million.
- Net cash from operating activities improved and was EUR 13.9 (1.9) million.

Key figures

	1-3/2020	1-3/2019	1-12/2019
Net sales, MEUR	133.2	141.5	587.7
Profit for the period, MEUR	2.6	3.5	16.1
Earnings per share, EUR	0.07	0.10	0.47
Net cash from operating activities, MEUR	13.9	1.9	52.5
Alternative key figures			
Operating profit, MEUR	4.0	4.9	21.1
Operating profit, %	3.0	3.5	3.6
ESL Shipping. operating profit. MEUR	2.3	3.2	14,6
Leipurin. operating profit. MEUR	0.6	0.5	3,0
Telko. operating profit. MEUR *)	2.4	2.4	8,0
Profit before taxes, MEUR	2.9	3.9	18.2
Return on equity, % (ROE)	8.7	11.7	13.5
Equity ratio, %	29.9	28.3	30.1
Gearing, %	158.5	181.1	162.2
Equity per share, EUR	3.80	3.91	3.92
Free cash flow	13.3	-1.1	45.2

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

The global coronavirus pandemic and the resulting restrictions have completely changed also Aspo's operating environment in a short period. The conglomerate structure gives Aspo a certain backbone, also in exceptional circumstances. The Group's cash flows are diversified both across businesses and geographic areas, and the cycles of Aspo's businesses differ from one another, evening out the impact of economic trends on the Group's results. However, we are not immune to tumults in the global economy. Although Aspo's businesses suffered relatively little from the weaker market situation resulting from the pandemic during the first quarter of 2020, we expect the market situation to weaken in all businesses during the second quarter.

Aspo's net cash from operating activities continued to develop strongly during the first quarter, with the free cash flow being EUR 13.3 (-1.1) million. The major investments of recent years have been successfully completed, which is now reflected in significantly improved cash flow figures. No major capital investments are planned for the next few years, and maintenance investments are minor, approximately EUR 5 million on an annual basis. Aspo's gearing decreased during the first quarter, and the Group's liquidity improved further from the 2019 year-end. Overall, Aspo's liquidity position is strong. Cash and cash equivalents increased and were EUR 27.0 million at the end of the review period. Furthermore, the committed revolving credit facilities, totaling EUR 40.0 million, were fully unused.

Leipurin, the most defensive of Aspo's businesses, increased its net sales and profitability during the first quarter of 2020. The collapsed price of oil had a negative impact on Telko's net sales, while its operating profit rate increased and operating profit remained at the comparative period's level. ESL Shipping's operating environment weakened significantly during the entire review period, and the shipping company's net sales and operating profit decreased during the first quarter, mostly due to the smaller transportation volumes of pre-cyclical industrial customers. All in all, I am satisfied with the Group's operating profit of EUR 4.0 (4.9) million, which was achieved in unusually challenging market conditions.

On April 9, we announced that we will withdraw our guidance for 2020, issued in the financial statements release, as it is not possible, at present, to make justified estimates and provide any financial guidance on the basis of these due to the rapidly changing coronavirus situation.

The coronavirus pandemic also affected Aspo's Annual Shareholders' Meeting, which was held on May 4, 2020, using exceptional arrangements to protect the safety of shareholders and employees. Aspo has traditionally been a stable payer of dividends, and the company has aimed to pay increasing dividends in accordance with its dividend policy. Due to the exceptional and difficult to predict market circumstances, Aspo's Board of Directors was, however, forced to reconsider its profit distribution proposal given in conjunction with the financial statements release. According to the Board of Directors' new profit distribution proposal, the Annual Shareholders' Meeting decided that EUR 0.11 per share will be paid in dividends for the 2019 financial year and authorized 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, when the company is able to more closely assess the impact of the coronavirus pandemic on the company's operations in 2020.

I would like to thank the Group's entire personnel for the professionalism and flexibility they have shown in carrying out the measures required in this exceptional situation. On March 16, employees of all of the Group's businesses started to work remotely to the largest possible extent. By doing this, we aim to protect the health of our personnel, customers and other stakeholders. The Group's management model has also been adjusted so that we can respond to rapidly changing conditions as quickly as possible. Unfortunately, we have been forced to adapt our operations and lay off some of our employees for a fixed term due to the market situation weakened by the coronavirus pandemic. Concurrently we are, however, working hard to prepare ourselves for the time after the pandemic and to strengthen our market position in different business operations.

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 aims for an operating profit rate of 6%, ROE of more than 20% on average and gearing of at most 130%. Aspo aims to reach these financial targets in 2023.

Net sales by market area

	1-3/2020 MEUR	Share %	1-3/2019 MEUR	Share %
Finland	46.5	34.9	48.9	34.6
Scandinavia	20.7	15.5	19.3	13.6
Baltic countries	11.5	8.6	13.8	9.8
Russia, other CIS countries and Ukraine	37.4	28.1	37.9	26.8
Other countries	17.1	12.8	21.6	15.3
	133.2	100.0	141.5	100.0

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

Operating environment

The operating environment has become very challenging in a short period. Compared with changes in the macroeconomy related to regular annual cycles or with business challenges with international trade, the coronavirus situation is having a significant impact on the operating environment. The fears caused by the pandemic and the resulting restrictions have 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 has not had any significant impact on Aspo's results during the first quarter. The negative development of raw material prices has reduced net sales, while sales margins have improved and profitability has remained at a satisfactory level. Lower inventory levels and receivables have increased the cash flow, which has typically been negative at the beginning of the year.

Regarding Aspo's long-term financial goals for 2023, the operating profit rate decreased to 3.0% (3.5%), with the target being 6%, and return on equity decreased to 8.7% (11.7%), as results decreased more than equity.

Cash flow and financing

The Group's net cash flow from operating activities in January–March increased clearly from the comparative period to EUR 13.9 (1.9) million. The effect of the change in working capital to net cash from operating activities was EUR 3.8 (-7.9) million, with Telko's improved inventory management having a positive impact on its improvement. As a result of low investment levels, the Group's free cash flow increased to EUR 13.3 (-1.1) million.

	3/2020 MEUR	**3/2019** MEUR	**12/2019** MEUR
Interest-bearing liabilities	214.6	233.7	221.7
Cash and cash equivalents	27.0	13.2	23.7
Net interest-bearing debt	187.6	220.5	198.0

The Group's interest-bearing liabilities decreased to EUR 214.6 million. Net interest-bearing debt decreased to EUR 187.6 million and gearing fell to 158.5% (12/2019: 162.2%, 3/2019: 181.1%). The Group's equity ratio at the end of the review period was 29.9% (12/2019: 30.1%, 3/2019: 28.3%). Net financial expenses totaled EUR -1.1 (-1.0) million. The average rate of interest-bearing liabilities, excluding lease liabilities, was 1.5% (1.6) during the first quarter.

The Group's liquidity position remained strong. Cash and cash equivalents increased and were EUR 27.0 million at the end of the review period. Committed revolving credit facilities, totaling EUR 40.0 million, were fully unused, as in comparative periods. EUR 18 million of Aspo's EUR 80 million commercial paper program was in use (12/2019: EUR 21 million, 3/2019: EUR 19 million).

After the end of the review period, Aspo issued a new hybrid bond of EUR 20 million with a fixed interest rate of 8.75 percent. The hybrid bond does not have a specified maturity date, but the company is entitled to redeem it for the first time in May 2022. At the same time, Aspo repurchased its hybrid bond of EUR 25 million (with an interest rate of 6.75%) at EUR 18.4 million. The repurchase was conditional on the issuance of a new hybrid bond. The unpurchased part, EUR 6.6 million, will be repaid on May 27, 2020.

After the end of the review period, it was agreed to postpone the maturities of both the EUR 20 million revolving credit facility maturing in the second half of 2020 and the EUR 25 million bond to the last quarter of 2021.

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 in many countries and uncertainties over the duration of the pandemic, ongoing trade tensions and geopolitical uncertainties are affecting shipping activities and production decisions made by Aspo's largest customers. Disturbances in supply chains resulting from the pandemic present a risk to all our 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 sheet 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.

Events after the review period

The Annual Shareholders' Meeting was held in Helsinki on May 4, 2020, using exceptional arrangements. Due to restrictions and recommendations resulting from the coronavirus pandemic, the company's Board of Directors decided to change the original meeting date and place to protect the safety of the participants. As a result of changes in market conditions due to the pandemic, the company's Board of Directors decided to change its original proposal for the distribution of profit given in conjunction with the financial statements release. The decisions made at the Annual Shareholders' Meeting are presented in this interim report under "Decisions of the Annual Shareholders' Meeting".

After the review period, Aspo issued a new hybrid bond of EUR 20 million and, at the same time, repurchased its hybrid bond of EUR 25 million at EUR 18.4 million. The unpurchased part, EUR 6.6 million, will be repaid on May 27, 2020.

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. At the end of the review period, the shipping company's fleet consisted of 51 vessels with a total capacity of 468,000 dwt. Of the vessels, 24 are wholly owned (75% of the fleet), two are minority-owned (2%) and the remaining 25 are time-chartered (23%). 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 weather conditions. The shipping company loads and unloads large ocean liners at sea as a special service.

	1-3/2020	1-3/2019	Change,%
Net sales, MEUR	42.7	43.7	-2.3
Operating profit, MEUR	2.3	3.2	-28.1
Operating profit, %	5.4	7.3	

ESL Shipping's general operating environment weakened significantly starting from the beginning of the review period. Restrictions enforced in China at the beginning of the review period due to the coronavirus pandemic had a substantial impact on general price levels in shipping company operations. The expansion of the restrictions to other market areas during March increased uncertainties, and lowered demand and price levels in cargo markets. ELS Shipping has been able to maintain its normal service level in the highly exceptional operating conditions.

Transportation volumes from industrial customers decreased to 3.5 (3.6) million tons during the first quarter of 2020. Transportation volumes in smaller vessel categories remained at a normal level. Demand for loading and unloading services for large ocean liners at sea was low during the first quarter, especially due to the pandemic in Asia and lower transportation volumes for large vessels.

ESL Shipping's net sales decreased from the comparative period to EUR 42.7 (43.7) million. The operating profit also decreased to EUR 2.3 (3.2) million. The decrease in the volumes of coal consumed for energy to one third of the comparative period's level as a result of the unusually warm winter in Central and Northern Europe caused the largest individual change in transportation volumes.

Due to transportation volumes being lower than estimated, some of the shipping company's vessels of more than 10,000 dwt were forced to operate more than expected in very weak spot markets. One of the two large Supramax vessels operated in spot markets in the Atlantic region, while the other operated in contract traffic for the steel industry. The results of these two large vessels were slightly negative due to the poor cargo market situation. The new LNG-fueled vessels functioned well and were profitable. The smaller vessel category of less than 10,000 dwt reached a good volume and operating profit level as expected. In this vessel category, a significant customer agreement in the forest industry sector, about to terminate at the end of 2020, has been extended.

Outlook 2020 for ESL Shipping

The coronavirus pandemic is having a significant impact on many of the company's key customers. Some customers have already announced production restrictions, which will have a significant negative impact on estimated transportation volumes, at least during the second quarter. The shipping company has a number of different customer clusters, whose operations are being affected in different ways by these exceptional circumstances. Transportation volumes from certain customers have, so far, remained at a normal level.

ESL Shipping has taken measures to adapt its operations to the lower demand for transportation services. In Finland, employee cooperation negotiations have been held to prepare for the situation. Operating expenses will be adjusted as necessary. One of the two pusher systems that has provided transportation services for the steel industry has been docked since the middle of March. ESL Shipping is closely monitoring the development of the market and is also prepared to dock other vessels during this spring and summer. At present, it is challenging to estimate when the demand for transportation will return to normal.

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

Three larger vessels will be docked during the second and third quarters of 2020. Furthermore, two smaller vessels will be docked during the third quarter. During these scheduled dockages, new ballast water treatment systems that meet new environmental regulations will be installed in the vessels.

Leipurin

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

	1-3/2020	1-3/2019	Change,%
Net sales, MEUR	26.9	25.9	3.9
Operating profit, MEUR	0.6	0.5	20.0
Operating profit, %	2.2	1.9	

During the first quarter, the coronavirus pandemic and resulting restrictions had a significant impact on Leipurin's operating environment in all operating countries. The situation had a very rapid and strong impact on Leipurin's customers, although there was significant variation between different customer segments. Large industrial bakeries that sell products to the retail sector and the rest of the food industry benefited from high sales volumes resulting from consumer stockpiling. However, the situation was returning back to normal at the end of the review period. 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 have significant sales to this market. Leipurin maintained its good operating capacity, and there were no significant disruptions in the supply chain.

Leipurin's net sales grew during the first quarter, amounting to EUR 26.9 (25.9) million. The operating profit also improved from the comparative period to EUR 0.6 (0.5) million. The operating profit rate during the first quarter was 2.2% (1.9). Net sales in the market area of Russia, other CIS countries and Ukraine increased by approximately 3% to EUR 8.6 (8.3) million, and the operating profit rate in the market area was approximately 6% (6).

Net sales of bakery business, accounting for more than 80% of Leipurin's total net sales, increased slightly during the first quarter. Instead, the operating profit decreased, especially due to increased sales of volume product groups.

Net sales of machinery business increased by roughly 18% during the review period. In particular, Leipurin's own machine production grew. A strong cyclical nature is typical of the machinery business due to the timing of project deliveries. The efforts to improve efficiency of operating methods in own machine production were continued.

The foodservice business, which has so far been primarily concentrated in Finnish markets, represented approximately 4% of Leipurin's total net sales in the first quarter. Net sales declined steeply at the end of the review period as a result of restrictions on restaurants and cafeterias due to the coronavirus pandemic.

In eastern markets, net sales of bakery business grew by 11% in the first quarter, amounting to EUR 7.8 (7.0) million. The operating profit rate of bakery business in the market area of Russia, other CIS countries and Ukraine was approximately 7% (7). The operating profit decreased due to changes in demand caused by the coronavirus pandemic and due to the exchange rate losses resulting from high fluctuations in exchange rates. In western markets, net sales of bakery business increased, driven by the higher sales volumes of basic raw materials sold to industrial customers, while the restrictions, targeting smaller bakeries directly and indirectly, significantly reduced net sales to these customers at the end of the review period. As the proportion of low-margin volume products from total sales increased, profitability decreased from the comparative period.

Outlook 2020 for Leipurin

Because of the rapidly changing situation, it is not possible, at present, to give an accurate estimate of the impact of the coronavirus pandemic on operations, especially in the long term. However, it is expected that the pandemic and the resulting restrictions will reduce overall demand in the near future, and sales mix will shift more towards basic, low-margin raw materials. 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. On the whole, coronavirus pandemic will have a significant negative impact on net sales and operating profit during the coming months. In Finland, employee cooperation negotiations have been held to prepare for the situation.

In machinery business, the order book for the first half of 2020 is satisfactory. Significant machine deliveries planned in Russia for the final quarter of 2019 were postponed to the second quarter of 2020 and partly to the third quarter for reasons independent of the company. The order book of Leipurin's own machine production for the first half is satisfactory, while the second half's order book was low at the end of the review period. Due to the coronavirus pandemic, equipment investment decisions made in bakeries and the food industry may be postponed or canceled.

In eastern markets, the development of local manufacturing and changes in exchange rates have intensified price competition. Leipurin will continue to develop its production and portfolio of bakery raw materials in the region 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.

	1-3/2020	**1-3/2019**	**Change,%**
Net sales, MEUR	63.6	71.9	-11.5
Operating profit, MEUR	2.4	2.4	0.0
Operating profit, %	3.8	3.3	

The global coronavirus pandemic and related measures had a significant impact on Telko's operating environment and operations during the first quarter. The exceptional conditions and the collapsed price of oil reduced the prices of raw materials sold by Telko, intensified price competition, presented challenges in logistics and made customers more cautious in terms of purchases.

In volume plastics, the prices of plastic raw materials fell by 2% from the previous quarter and were roughly 5% lower than during the comparative period. The price development of technical plastics varied from one product group to the next, while being lower than during the comparative period overall. The average prices of chemicals increased by roughly 4% from the previous quarter, being approximately 1% lower than during the comparative period.

Net sales of the Telko segment decreased by 12% during the first quarter to EUR 63.6 (71.9) million. The sales volume of Telko business decreased by 19% from the comparative period. Telko segment's operating profit for the first quarter remained unchanged at EUR 2.4 (2.4) million, and the operating profit rate increased to 3.8% (3.3%).

Net sales in the market area of Russia, other CIS countries and Ukraine decreased by 8% to EUR 26.9 (29.2) million. Net sales in East Asia increased by 3% to EUR 1.9 (1.9) million. In western markets, net sales decreased by 15% to EUR 34.8 (40.8) million. Net sales of chemical business grew by 1% and were EUR 27.1 (26.9) million. Net sales of plastics business declined by 17% and were EUR 32.5 (39.0) million. Net sales of Kauko decreased by 34% to EUR 4.0 (6.1) million.

According to its strategy, Telko has continued its measures to improve the efficiency of its working capital and profitability. Unprofitable customer relationships have been terminated, and the efficiency of pricing has been improved. Telko's sales margin and operating profit rate increased strongly towards the end of the quarter. The decrease in the exchange rates of eastern currencies in March improved the operating profit.

Outlook 2020 for Telko

The coronavirus pandemic is affecting different customer segments in fairly different ways. The sales volume is expected to decrease towards the end of the year, and the decline is expected to be particularly steep during the second quarter. Demand in sectors that depend highly on consumer demand, such as in the automotive, paint and construction product industries, is expected to be low. Instead, demand in the cleaning agent, packaging and food industries is expected to increase, or at least remain at a normal level. Profitability is maintained by means of active pricing and adapted costs.

Telko is monitoring market development and is prepared to improve the efficiency of its operations and reduce expenses, if necessary. In Finland, employee cooperation negotiations have been held to prepare for the situation. Restrictions imposed by the authorities due to the coronavirus pandemic are making operations broadly difficult in all operating countries, and their duration and scope is difficult to estimate at present.

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 first quarter stood at EUR -1.3 (-1.2) million.

COMPANY INFORMATION

Share capital and shares

Aspo Plc's registered share capital on March 31, 2020 was EUR 17,691,729.57 and the total number of shares was 31,419,779 of which the company held 296,650 shares; that is, 0.9% of the share capital.

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

During January–March 2020, a total of 1,501,338 Aspo Plc shares with a market value of EUR 10.9 million were traded on Nasdaq Helsinki, in other words, 4.8% of the shares changed hands. During January–March, the share price reached a high of EUR 8.56 and a low of EUR 5.50. The average price was EUR 7.24 and the closing price at end of March was EUR 5.78. At the end of the review period, the market value excluding treasury shares was EUR 179.9 million.

The number of Aspo Plc shareholders was 10,538 at end of the review period. A total of 1,196,630 shares, or 3.8% of the share capital, were nominee registered or held by non-domestic shareholders.

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. Dividends will be paid on 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 the new member of the Board. 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 appoint Gustav Nyberg as Chairman of the Remuneration Committee and Salla Pöyry and Tatu Vehmas as committee members. At the meeting the Board also decided to appoint Mammu Kaario as Chairman of the Audit Committee, and Mikael Laine, Tatu Vehmas and Heikki Westerlund as committee members.

The Authorized Public Accountant firm Deloitte Oy was elected as company auditor. Deloitte Oy has announced that Jukka Vattulainen, APA, will act as the auditor in charge. The remuneration shall be paid to the auditor according to the reasonable 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 of the treasury shares using the unrestricted equity of the company representing about 1.6% of all the shares in the company. The authorization includes the right to accept treasury shares as a pledge. The authorization is valid until the Annual Shareholders' Meeting in 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 instalments, to be executed by conveying treasury shares. An aggregate maximum amount of 900,000 shares may be conveyed based on the authorization. The authorization is valid until the Annual Shareholders' Meeting in 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 new shares

The Annual Shareholders' 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.

ASPO

FINANCIAL INFORMATION

Aspo Group's condensed consolidated statement of comprehensive income

	1-3/2020 MEUR	1-3/2019 MEUR	1-12/2019 MEUR
Net sales	**133.2**	**141.5**	**587.7**
Other operating income	0.1	0.0	0.9
Share of profits accounted for using the equity method	0.0	0.0	0.0
Materials and services	-85.1	-92.5	-389.1
Employee benefit expenses	-11.2	-11.2	-45.1
Depreciation, amortization and impairment losses	-4.0	-3.6	-14.9
Depreciation, right-of-use assets	-3.3	-3.3	-13.7
Other operating expenses	-25.7	-26.0	-104.7
Operating profit	**4.0**	**4.9**	**21.1**
Financial income and expenses	-1.1	-1.0	-2.9
Profit before taxes	**2.9**	**3.9**	**18.2**
Income taxes	-0.3	-0.4	-2.1
Profit	**2.6**	**3.5**	**16.1**
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Translation differences	-5.9	2.0	4.4
Cash flow hedges	0.0	0.0	0.0
Income tax on other comprehensive income	0.0	0.0	0.0
Other comprehensive income for the period, net of taxes	-5.9	2.0	4.4
Total comprehensive income	**-3.3**	**5.5**	**20.5**
Profit attributable to shareholders	2.6	3.5	16.1
Total comprehensive income attributable to shareholders	-3.3	5.5	20.5
Basic earnings per share, EUR	0.07	0.10	0.47
Diluted earnings per share, EUR	0.07	0.10	0.47

Aspo Group's condensed consolidated balance sheet

Assets	3/2020 MEUR	3/2019 MEUR	12/2019 MEUR
Intangible assets	7.9	8.0	7.9
Goodwill	43.2	43.3	43.3
Tangible assets	176.7	172.2	180.2
Right-of-use assets	19.9	36.6	21.5
Investments accounted for using the equity method	1.4	1.5	1.4
Other non-current assets	0.5	2.8	0.6
Total non-current assets	249.6	264.4	254.9
Inventories	49.1	71.8	55.9
Accounts receivable and other receivables	73.9	85.6	75.4
Cash and cash equivalents	27.0	13.2	23.7
Total current assets	150.0	170.6	155.0
Total assets	**399.6**	**435.0**	**409.9**
Equity and liabilities			
Share capital and premium	22.0	22.0	22.0
Other equity	96.3	99.8	100.1
Total equity	118.3	121.8	122.1
Loans and overdraft facilities	141.1	154.4	141.7
Lease liabilities	7.1	8.8	8.8
Other liabilities	4.7	7.3	4.9
Total non-current liabilities	152.9	170.5	155.4
Loans and overdraft facilities	53.4	43.5	58.2
Lease liabilities	13.1	27.1	13.0
Accounts payable and other liabilities	61.9	72.1	61.2
Total current liabilities	128.4	142.7	132.4
Total equity and liabilities	**399.6**	**435.0**	**409.9**

Aspo Group's condensed consolidated cash flow statement

	1-3/2020 MEUR	1-3/2019 MEUR	1-12/2019 MEUR
CASH FLOWS FROM/USED IN OPERATING ACTIVITIES			
Operating profit	4.0	4.9	21.1
Adjustments to operating profit	7.3	6.8	28.1
Change in working capital	3.8	-7.9	9.3
Interest and other financial expenses paid	-1.4	-1.1	-5.0
Interest and other financial income received	0.8	0.1	1.7
Income taxes paid	-0.6	-0.9	-2.7
Net cash from operating activities	**13.9**	**1.9**	**52.5**
CASH FLOWS FROM/USED IN INVESTING ACTIVITIES			
Investments in tangible and intangible assets	-0.6	-0.6	-5.4
Proceeds from sale of tangible assets	0.0	0.1	0.2
Acquisition of businesses		-2.5	-2.5
Divestment of businesses			0.3
Dividends received			0.1
Net cash used in investing activities	**-0.6**	**-3.0**	**-7.3**
CASH FLOWS FROM/USED IN FINANCING ACTIVITIES			
Change in current loans	-4.5	-0.7	0.7
Proceeds from non-current loans	0.1		30.0
Repayments of non-current loans	-0.7	-0.9	-29.5
Payments of lease liabilities	-3.3	-3.9	-27.7
Hybrid instrument, interests			-1.7
Dividends distributed			-13.7
Net cash used in financing activities	**-8.4**	**-5.5**	**-41.9**
Change in cash and cash equivalents	**4.9**	**-6.6**	**3.3**
Cash and cash equivalents January 1	23.7	19.3	19.3
Translation differences	-1.6	0.5	1.1
Cash and cash equivalents at period-end	**27.0**	**13.2**	**23.7**

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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					2.6	2.6
Translation differences		0.0		-5.9		-5.9
Cash flow hedging		0.0				0.0
Total comprehensive income	0.0	0.0	0.0	-5.9	2.6	-3.3
Transactions with owners:						
Interest on hybrid instrument					-0.4	-0.4
Share-based incentive plan					0.0	0.0
Total transactions with owners	0.0	0.0	0.0	0.0	-0.4	-0.4
Equity March 31, 2020	**22.0**	**16.4**	**25.0**	**-25.1**	**80.0**	**118.3**
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					3.5	3.5
Translation differences				2.0		2.0
Total comprehensive income	0.0	0.0	0.0	2.0	3.5	5.5
Transactions with owners:						
Interest on hybrid instrument					-0.4	-0.4
Share-based incentive plan					0.1	0.1
Total transactions with owners	0.0	0.0	0.0	0.0	-0.3	-0.3
Equity March 31, 2019	**22.0**	**16.3**	**25.0**	**-21.5**	**80.0**	**121.8**

Accounting principles

Aspo Plc's interim report has been prepared in accordance with IAS 34 Interim Financial Reporting standard. 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 measurement principles 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 impact of the coronavirus pandemic on the inventory turnover or on the postponement of accounts receivable payments collection is not known at present. However, 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 extension of payment terms 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 retrospectively.

Aspo Plc applies the guidance on alternative key figures issued by ESMA. In addition to IFRS figures, the company presents other commonly used key figures which are mainly derived from the statement of comprehensive income and balance sheet. According to management, key figures clarify the picture 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.

Net sales and segment information

Aspo Group's reportable 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

	1-3/2020 MEUR	1-3/2019 MEUR	1-12/2019 MEUR
ESL Shipping			
ESL Shipping	42.7	43.7	175.0
	42.7	43.7	175.0
Leipurin			
Bakery business	22.5	21.8	95.3
Machinery business	3.5	3.0	15.3
Foodservice business	0.9	1.1	5.1
	26.9	25.9	115.7
Telko			
Plastics business	32.5	38.9	152.2
Chemicals business	27.1	26.9	118.1
Kauko	4.0	6.1	26.7
	63.6	71.9	297.0
Total	133.2	141.5	587.7

Net sales by timing of revenue recognition

	1-3/2020 MEUR	1-3/2019 MEUR	1-12/2019 MEUR
ESL Shipping			
At a point in time	0.4	0.1	1.6
Over time	42.3	43.6	173.4
	42.7	43.7	175.0
Leipurin			
At a point in time	26.4	24.9	111.5
Over time	0.5	1.0	4.2
	26.9	25.9	115.7
Telko			
At a point in time	63.4	71.7	296.1
Over time	0.2	0.2	0.9
	63.6	71.9	297.0
Total			
At a point in time	90.2	96.7	409.2
Over time	43.0	44.8	178.5
	133.2	141.5	587.7

Net sales by market area

	1-3/2020 MEUR	1-3/2019 MEUR	1-12/2019 MEUR
ESL Shipping			
Finland	20.5	20.2	79.6
Scandinavia	11.2	10.0	46.9
Baltic countries	0.2	1.9	8.1
Russia, other CIS countries and Ukraine	1.9	0.4	0.5
Other countries	8.9	11.2	39.9
	42.7	43.7	175.0
Leipurin			
Finland	10.5	9.9	43.9
Scandinavia	0.0	0.3	0.7
Baltic countries	7.1	7.1	31.5
Russia, other CIS countries and Ukraine	8.6	8.3	37.9
Other countries	0.7	0.3	1.7
	26.9	25.9	115.7
Telko			
Finland	15.5	18.8	71.6
Scandinavia	9.5	9.0	37.2
Baltic countries	4.2	4.8	18.3
Russia, other CIS countries and Ukraine	26.9	29.2	132.8
Other countries	7.5	10.1	37.1
	63.6	71.9	297.0
Total			
Finland	46.5	48.9	195.1
Scandinavia	20.7	19.3	84.8
Baltic countries	11.5	13.8	57.9
Russia, other CIS countries and Ukraine	37.4	37.9	171.2
Other countries	17.1	21.6	78.7
	133.2	141.5	587.7

Reconciliation of segment profit to the group's profit before taxes as well as investments by segment

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
Profit before taxes					2.9
Investments	0.4	0.0	0.2	0.0	0.6

1-3/2019

MEUR	**ESL Shipping**	**Leipurin**	**Telko**	**Unallocated items**	**Group total**
Operating profit	3.2	0.5	2.4	-1.2	4.9
Net financial expenses					-1.0
Profit before taxes					3.9
Investments	0.3	0.1	0.1	0.1	0.6

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 Mar 31, 2020	218.4	64.0	86.8	30.4	399.6
Segment liabilities Jan 1, 2020	26.4	20.2	32.2	209.0	287.8
Segment liabilities Mar 31, 2020	25.2	18.8	33.0	204.3	281.3

Personnel

At the end of the review period, Aspo Group had 916 employees (931 at the end of 2019).

Financial instruments

The Group applies hedge accounting to interest rate swaps to hedge the future interest rate cash flow as fixed. The interest rate swaps are derivative contracts that are recognized at fair value, while changes in fair value are recognized in the fair value reserve under shareholders' equity. Effect of hedge accounting is recognized in other comprehensive income. Interest on interest rate swaps realized during the financial year are recognized in financial items.

On March 31, 2020, the fair value of interest rate swaps in hedge accounting was EUR -0.1 million, and changes in their fair value were EUR 0.0 million.

Level 1 instruments in the valuation hierarchy are subject to active trading in markets. This means that fair values are based directly on market prices. The fair value of Level 2 instruments is based on information obtained from markets. Furthermore, the fair value of Level 3 instruments is not based on verifiable market information.

Aspo's interest rate swaps are in Level 2 of the fair value hierarchy. The Group's other financial assets and liabilities are in Levels 2 or 3 of the fair value hierarchy. Their fair values do not materially differ from their book values. The fair values of long-term loans have been calculated by discounting future cash flows and by considering Aspo's credit margin.

Helsinki, 5 May, 2020

ASPO Plc

Board of Directors

PRESS AND ANALYST CONFERENCE

In order to protect its personnel and stakeholders in the exceptional circumstances caused by the coronavirus situation, Aspo will not hold its traditional press and analyst conference in connection with the announcement of the Q1 interim report. The CEO's presentation on the first quarter of 2020 will be published on May 5, 2020 at 12:00 noon, and the broadcast can be viewed at https://aspo.videosync.fi/2020-q1-results. The video recording will then also be made available on the company's website.

A separate Q&A telephone conference (in Finnish) will also be arranged for analysts, investors and the media on May 5, 2020 at 2 p.m. You can participate in the conference call without pre-registering by calling +358 981 710 310 and dialing 47213654#.

FINANCIAL INFORMATION IN 2020

In 2020, Aspo Plc will publish the following Reports:

- half year financial report for January-June on Wednesday, August 12, 2020
- interim report for January-September on Thursday, October 29, 2020.

Helsinki May 5, 2020

ASPO Plc

Aki Ojanen	Arto Meitsalo
CEO	CFO

For more information, please contact:
Aki Ojanen, CEO, +358 400 106 592. aki.ojanen@aspo.com

DISTRIBUTION:
Nasdaq Helsinki
Key media
www.aspo.com

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.