Aspo Plc
Interim report
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Aspo Group interim report, January 1 to September 30, 2021

Aspo Q3: ESL Shipping and Telko business reached record-breaking results again

July–September 2021
Figures from the corresponding period in 2020 are presented in brackets.

- Aspo's net sales increased by 25% to EUR 148.0 (118.4) million.
- Operating profit more than doubled from the comparative period and was EUR 7.6 (3.6) million.
- The operating profit rate was 5.1% (3.0%).
- Profit for the third quarter was EUR 5.4 (2.0) million.
- Earnings per share increased and were EUR 0.16 (0.05).
- An impairment loss of EUR 3.4 million was recognized on Kauko's goodwill reported in Telko segment. The operating profit adjusted by the impairment loss was EUR 11.0 million, and adjusted earnings per share were EUR 0.27.
- The operating profit of ESL Shipping was EUR 7.1 (-0.1) million, Telko EUR 2.5 (4.2) million, and Leipurin EUR 0.6 (0.3) million. Telko segment's adjusted operating profit, excluding Kauko's impairment loss of EUR 3.4 million, was EUR 6.0 million.
- Net cash from operating activities was EUR 11.1 (9.4) million. Free cash flow was EUR 7.2 (6.1) million.
- Rolf Jansson started as the CEO of Aspo on August 16, 2021, after CEO Aki Ojanen retired on August 15, 2021.
- In September, ESL Shipping announced an investment of EUR 70 million in the next generation's hybrid vessels.

January–September 2021

- Aspo's net sales increased by 15% to EUR 423.2 (367.2) million.
- Operating profit more than doubled to EUR 25.1 (11.7) million, driven by the record performance of ESL Shipping and Telko business.
- The operating profit rate was 5.9% (3.2%).
- Profit for the period increased and was EUR 19.6 (7.3) million.
- Earnings per share improved to EUR 0.59 (0.20).
- The operating profit adjusted by Kauko's EUR 3.4 million impairment loss was EUR 28.5 million, and adjusted earnings per share were EUR 0.70.
- The operating profit of ESL Shipping was EUR 17.0 (2.8) million, Telko EUR 12.5 (10.8) million, and Leipurin EUR 1.2 (1.2) million. Telko segment's adjusted operating profit, excluding Kauko's impairment loss of EUR 3.4 million, was EUR 16.0 million.
- Net cash from operating activities was EUR 33.3 (39.9) million. The impact of the change in working capital was EUR -12.6 (11.4) million. Free cash flow was EUR 23.4 (34.5) million.

Key figures *)

	7-9/2021	7-9/2020	1-9/2021	1-9/2020	1-12/2020
Net sales, MEUR	148.0	118.4	423.2	367.2	500.7
Operating profit, MEUR	7.6	3.6	25.1	11.7	19.3
Operating profit, %	5.1	3.0	5.9	3.2	3.9
ESL Shipping, operating profit, MEUR	7.1	-0.1	17.0	2.8	7.6
Telko, operating profit, MEUR	2.5	4.2	12.5	10.8	14.9
Leipurin, operating profit, MEUR	0.6	0.3	1.2	1.2	1.4
Earnings per share (EPS), EUR	0.16	0.05	0.59	0.20	0.39
Profit before taxes, MEUR	6.6	2.5	22.2	8.4	14.8
Profit for the period, MEUR	5.4	2.0	19.6	7.3	13.4
Net cash from operating activities, MEUR	11.1	9.4	33.3	39.9	65.0
Free cash flow, MEUR	7.2	6.1	23.4	34.5	56.0
Return on equity (ROE), %			22.0	8.3	11.4
Equity ratio, %			31.8	29.0	30.1
Gearing, %			130.9	163.0	149.0
Equity per share, EUR			3.97	3.56	3.63

*) Figures for the third quarter and January-September include an impairment loss of EUR 3.4 million recognized on Kauko's goodwill which reduced earnings per share by EUR 0.11.

Guidance for 2021

Aspo's operating profit will be approximately EUR 30–36 (19.3) million in 2021. The guidance includes the impact of the impairment of Kauko's goodwill of EUR 3.4 million.

Rolf Jansson, CEO of Aspo Group, comments on the third quarter of 2021:

Aspo had a very strong third quarter in 2021, driven by the financial performance of ESL Shipping and Telko business. Strengthened general economic development supported Aspo's performance, with the operating profit during the third quarter increasing to EUR 7.6 (3.6) million, even though costs of EUR 1.75 million related to the change of the CEO and the EUR 3.4 million impairment of Kauko's goodwill had a negative impact on our results. Aspo's earnings per share in January–September increased to EUR 0.59 (0.20). Aspo's strong performance lays a solid foundation for growth and planned investments.

ESL Shipping again achieved the highest results in its history. The very high demand for the transportation of forest industry products, sawn goods, and pulp, as well as metal industry products, has continued to increase cargo prices, important to ESL Shipping.

To respond to the growing demand, ESL Shipping decided on growth investments of EUR 70 million in a series of six energy-efficient and ecological next-generation hybrid vessels, the first of which will start operating at the end of 2023. The new Green Coaster vessels will operate in the Baltic Sea and the North Sea, and they will be at the core of ESL Shipping's strategy of being an industrial partner.

Telko's good market situation continued. Growing demand and growth in sales of higher value-added products in line with the strategy supported Telko businesses' record-breaking performance. High demand and disruptions in production and supply chains due to the coronavirus pandemic, had a negative impact on our businesses through problems with the availability of raw materials.

Prices for Leipurin's products generally increased, even though price volatility remained high. Structural changes in Leipurin's market, accelerated by the coronavirus pandemic, affect net sales. Industrial bakeries are still strong in a difficult market situation. Relative sales of basic products increased driven by the growing significance of industrial sales channels. However, the impact is market-specific, and the coronavirus pandemic still had a significant impact on Leipurin's sales in the Baltic countries and Russia, in particular.

Our core operations consist of owning, leading and developing business operations over the long term. All in all, Aspo is in a good position to take the next development steps. We will announce more news about Aspo's strategy and the outlook of Aspo's businesses at our Capital Markets Day on December 1, 2021.

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%.

The operating profit rate increased significantly to 5.9% (3.2%). Return on equity improved significantly and was 22.0% (9/2020: 8.3%). Return on equity, excluding Kauko's impairment loss of EUR 3.4 million, was 25.5%. Gearing continued to decrease and was 130.9% (12/2020: 149.0%).

At the end of 2020, Aspo's Board of Directors defined a new long-term sustainability target, according to which the businesses Aspo owns will be forerunners in sustainability in their respective fields. The work to set new business-specific sustainability targets has continued, and the targets will be announced at our Capital Markets Day on December 1, 2021.

Operating environment

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

Net sales by market area

	1-9/2021 MEUR	Share %	1-9/2020 MEUR	Share %	Change %
Finland	139.5	33	129.8	35	7
Scandinavia	77.2	18	56.2	15	37
Baltic countries	38.9	9	34.0	9	14
Russia, other CIS countries and Ukraine	111.3	26	103.9	28	7
Other countries	56.3	13	43.3	12	30
Total	423.2	100	367.2	100	15

The Group's main market areas are Finland, Scandinavia, the Baltic region, and eastern markets (Russia, other CIS countries, and Ukraine). Net sales exceeded the comparative period's level, even though there were changes between market areas. The relative decrease in net sales in eastern markets resulted from ESL Shipping's rapid growth, Telko's business acquisition of ILS Group in 2020 in Sweden, and structural changes in Leipurin's markets in Russia.

Cash flow and financing

The Group's net cash flow from operating activities in January–September was EUR 33.3 (39.9) million. The impact of the change in working capital on cash flow during the review period was EUR -12.6 (11.4) million, mainly due to an increase in Telko's inventories. Free cash flow was EUR 23.4 (34.5) million. ESL Shipping's dockage investments were postponed to 2021 due to the pandemic, which reduced the free cash flow.

	9/2021	**9/2020**	**12/2020**
	MEUR	MEUR	MEUR
Interest-bearing liabilities	186.1	210.0	201.4
Cash and cash equivalents	23.7	28.5	32.3
Net interest-bearing debt	162.4	181.5	169.1

Net interest-bearing liabilities decreased to EUR 162.4 million and gearing fell to 130.9% (9/2020: 163.0%; 12/2020: 149.0%). The Group's equity ratio at the end of the period was 31.8% (9/2020: EUR 29.0%; 12/2020: 30.1%).

Net financial expenses in January–September decreased to EUR -2.9 (-3.3) million. The average interest rate of interest-bearing liabilities, excluding lease liabilities, was 1.6% (1.6%).

The Group's liquidity position remained strong. Cash and cash equivalents were EUR 23.7 million at the end of the review period (12/2020: EUR 32.3 million). At the end of the review period, the committed revolving credit facilities, totaling EUR 40.0 million, were fully unused, as in the comparative period. EUR 5 million of Aspo's EUR 80 million commercial paper program were in use (9/2020: EUR 17 million; 12/2020: EUR 11 million).

Short-term risks and uncertainties in business operations

Globally, there are many geopolitical risk clusters, the development of which is difficult to predict. Changes in these regions may be very rapid and unpredictable, which is why it is difficult to estimate their impact on Aspo's businesses. International sanctions have been imposed, which may also affect Aspo's businesses directly or indirectly. Furthermore, various countries have imposed import duties or other trade restrictions on each other's products. However, for now they have not had any direct impact on Aspo's business operations.

Increased financial activities have caused the prices of many raw materials, components and logistics services to increase rapidly, and increased uncertainties over the functioning of logistics in certain market situations. Aspo may temporarily benefit from this increase in prices, while the prices of purchased raw materials or leased capacity, such as leased vessels, are increasing at the same time. Longer delivery times for spare parts, components and raw materials, and any rapid price changes in different market situations, are also increasing risks.

The coronavirus pandemic continues to have an impact on Aspo's businesses. Any new variants of the coronavirus and their rapid spread may lead to various interruptions and financial losses.

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

ASPO'S BUSINESSES

ESL Shipping

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

	7-9/2021	7-9/2020	Change,%	1-9/2021	1-9/2020	Change,%
Net sales, MEUR	47.3	31.6	49.7	136.7	107.2	27.5
Operating profit, MEUR	7.1	-0.1	7200.0	17.0	2.8	507.1
Operating profit, %	15.0	-0.3		12.4	2.6	

ESL Shipping had a historically strong third quarter, being an excellent indication of the results of the shipping company's long-term on-shore and off-shore development activities. Operating profit during the quarter reached a record level of EUR 7.1 (-0.1) million, despite the continued significant docking program. In contract traffic, demand for transportation remained very strong throughout the summer season, and market freight levels were high in all vessel categories. The operating profit rate of 15.0% (-0.3%) achieved during the third quarter was excellent. The transportation volumes of the shipping company increased to 3.9 (3.1) million tonnes. Net sales increased by 50% from the weak comparative period and stood at EUR 47.3 (31.6) million.

Demand and transportation volumes among all ESL Shipping's main customers increased to the expected strong level. Transportation volumes among all steel industry customers increased significantly from the exceptionally weak comparative period. Demand for loading and unloading of vessels at sea was at a good level during the third quarter, while fluctuations in demand were occasionally considerable. In the forest and chemical industries, demand for transportation was at a high level, as expected.

All of the shipping company's vessels have operated in their ideal regions, including Canada and the Northeast Passage in the Arctic region. The profitability of all the shipping company's vessel categories was historically strong during the third quarter. While the market freight rates in all vessel categories improved significantly from the comparative period, the price levels of new and extended time-chartering contracts in the smaller vessel category are increasing at the same time. The price of ship fuel also increased very strongly from the comparative period, but its cost impact was largely offset by the fuel clauses included in transport contracts.

ESL Shipping's solid operational expertise enabled the extremely effective operation of its vessels during the third quarter. Ports have continued to be very congested in the shipping company's main operating areas due to higher traffic volumes, and partly due to the impact of the coronavirus pandemic on port operations.

The long-term development of sustainability and the maintenance of a high level of safety are essential to the shipping company's operations. During the third quarter, the coronavirus pandemic continued to have an impact on crew changes, maintenance and spare parts deliveries on ESL Shipping's vessels due to insufficient flight connections and various travel restrictions. Advance testing and quarantine arrangements for crew members continued to increase costs.

During the third quarter, the company made planned investments in the environmental friendliness of its vessels by docking five larger and two smaller vessel units. In total, there were 116 dockage days.

The dockage of one larger vessel was postponed to the final quarter for a reason attributable to the shipyard. Smaller time-chartered vessels were out of service more than usual because of prolonged docking and coronavirus infections, among other reasons.

In September, AtoB@C, ESL Shipping's Swedish subsidiary, announced that it would build a series of six energy-efficient next-generation hybrid vessels to respond to growing demand. The vessels will be built at the Chowgule and Company Private Limited shipyard in India, and they will start operating from the third quarter of 2023. The new vessels of ice class 1A will be top of the line in terms of their cargo capacity, technology and innovation. The greenhouse gas emissions of the new vessels, including CO_2 emissions, per transported cargo unit will be nearly 50% lower than those of current vessels, which makes them the most effective in the world in their size category. The vessels' batteries, shore-side electricity solutions and hybrid operations enable wholly emission- and noise-free visits to ports. The total value of the investment is approximately EUR 70 million, and its cash flows will be divided between 2023 and 2024. AtoB@C Shipping can expand the order by several optional vessels.

ESL Shipping's net sales in January–September increased significantly from the weak comparative period, amounting to EUR 136.7 (107.2) million. The operating profit increased more than sixfold and was historically strong, at EUR 17.0 (2.8) million. The operating profit rate was 12.4% (2.6%), which exceeds the shipping company's current long-term target.

Outlook for ESL Shipping for 2021

Demand for transportation in the company's main market area in Northern Europe was at a good level in all vessel categories. Most of the shipping company's transportation capacity has been secured in the Baltic Sea and Northern Europe through long-term agreements. The general development of cargo markets will continue to have the highest impact on the performance of the shipping company's largest Supramax vessels during the last quarter of the year. Considering the trend in recent years, the cargo prices of large vessels are now at a high level. The development of raw material prices and the uncertainty related to availability may affect the development of international cargo markets during the rest of the year. Difficulties in the availability of semiconductors have also restricted production in the automotive industry in Europe, and this may also have an impact on transportation volumes in the steel industry, for example.

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

ESL Shipping aims to improve its ability and flexibility to adapt its operations in accordance with the prevailing transportation demand. The number and properties of time-chartered vessels will continue to be reviewed in accordance with any changes in the development and focuses of customer demand. In the smaller vessel category, the price level in new and extended time-chartering contracts has increased, and is expected to still increase significantly.

In Northern Europe, customers' interest in environmentally friendly sea transportation with minimal carbon emissions is increasing considerably. In addition to ESL Shipping's investments in new highly environmentally friendly vessels, the shipping company is preparing long-term cooperation with leading energy suppliers to provide sea transportation with even lower carbon emissions in the future. Relating to the new vessels ordered and their options, ESL Shipping is exploring opportunities to use various new solutions related to the ownership and financing of vessels, used broadly in international shipping company operations, to speed up its operational development. During the rest of the year, one larger vessel unit will be docked for approximately 20 days.

Telko

Telko is a leading expert in and supplier of plastic raw materials, industrial chemicals and lubricants. It operates as a responsible partner in the value chain by bringing together well-known international principals and customers. Its competitive advantages include technical support, efficient logistics and local expert service in both the east and the west. Kauko, reported as part of the Telko segment, is a specialist in demanding work environments, building smart device and service packages that ensure effective and seamless daily activities for employees, even in the most demanding working conditions. The Telko segment has companies in Finland, the Baltic countries, Scandinavia, Poland, Romania, Russia, Belarus, Ukraine, Kazakhstan, Uzbekistan, China, and Germany.

	7-9/2021	7-9/2020	Change,%	1-9/2021	1-9/2020	Change,%
Net sales, MEUR	73.0	62.5	16.8	205.1	185.6	10.5
Operating profit, MEUR	2.5	4.2	-40.5	12.5	10.8	15.7
Operating profit, %	3.4	6.7		6.1	5.8	

The Telko segment's net sales increased significantly during the third quarter to EUR 73.0 (62.5) million. Its operating profit stood at EUR 2.5 (4.2) million. The operating profit rate was 3.4% (6.7%). The EUR 3.4 million impairment loss of Kauko's goodwill reduced the Telko segment's results. Kauko's goodwill was tested for impairment in the context of strategy work, and the strategy numbers were found to produce considerably lower future cash flows than previously estimated. This was due to unsatisfactory performance after the peak in 2020, which was driven by covid related business opportunity.

The strong increase in net sales, continuing in Telko's business operations, raised Telko business's operating profit during the third quarter to a record-breaking level. Demand remained high in all business operations, while difficulties in availability continued to restrict the development of volumes. Prices remained high, but fairly stable, during the quarter.

In the third quarter, Telko business's net sales increased by 26.8% to EUR 69.6 (54.9) million. Its operating profit stood at EUR 5.8 (3.5) million. Telko's sales increased especially in higher value-added products and in eastern markets. Organic growth has been strongest in the plastics business. The efficiency of Telko business' use of capital has remained strong.

The net sales of the plastics business increased by 27% during the third quarter, amounting to EUR 38.1 (30.0) million. Growth remained strong, especially in eastern markets. The overall price level for plastics continued to be exceptionally high, albeit stable. Availability problems continued in all markets and applied to all product groups. In September, availability increased slightly among lower value-added products. Demand remained high.

The net sales of the chemicals business increased by 18% to EUR 22.2 (18.8) million. Availability issues continued to significantly restrict sales. Product prices remained at an exceptionally high level. Driven by the rising price of crude oil, prices for certain products increased even further. The lack of transportation capacity and the high cost level in marine logistics raised costs and had a negative impact on availability. Demand in key customer segments has remained stable, even though the high cost level causes challenges in certain customer groups.

The net sales of the lubricants business increased by 52% to EUR 9.3 (6.1) million. The high price level and the acquisition of ILS Group in 2020 were the most significant drivers of sales growth. Prices of lubricants remained stable during the third quarter. Availability issues have not been as significant as in other business areas.

The Telko segment's net sales increased by 11% during January–September to EUR 205.1 (185.6) million. Its operating profit stood at EUR 12.5 (10.8) million. The operating profit rate was 6.1%

(5.8%). Telko business' net sales in January–September increased by 16.8% to EUR 195.2 (167.1) million. Its operating profit stood at EUR 16.0 (9.4) million.

Kauko's net sales decreased by 55% during the third quarter, amounting to EUR 3.4 (7.6) million. Kauko's operating profit decreased to EUR -3.3 (0.7) million due to the EUR 3.4 million impairment of goodwill. In addition, Kauko's net sales in January–September decreased by 46% to EUR 9.9 (18.5) million. Kauko's operating result in January–September decreased to EUR -3.4 (1.4) million. High-quality protective equipment delivered to the public sector increased Kauko's net sales and operating profit during the comparative period.

Outlook for Telko for 2021

Telko's short-term outlook is still associated with uncertainties. The availability situation will continue to be challenging, even though gradual improvements can be seen in some product groups. Transportation costs will remain high.

Demand is expected to remain fairly strong. Production difficulties due to the availability of raw materials and components independent of Telko will have a negative impact on Telko's certain customer groups. This will have an indirect impact on demand for products offered by Telko.

Product prices are expected to remain high as a result of increases in crude oil prices and difficulties in deliveries. Growth is expected to remain strong in all markets, especially in eastern markets.

After the review period Aspo announced that Telko will acquire all shares of Estonian company Mentum AS. Mentum is a Castrol ambassador, and it operates in the premium lubricants business in automotive, industrial and marine business in the Baltic countries. The acquisition will increase Telko's sales by 10 million euros. The transaction will not significantly affect Telko's profitability in 2022. The acquisition is subject to the approval of the competition authorities. The transaction is expected to close during 2021.

Leipurin

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

	7-9/2021	7-9/2020	Change,%	1-9/2021	1-9/2020	Change,%
Net sales, MEUR	27.7	24.3	14.0	81.4	74.4	9.4
Operating profit, MEUR	0.6	0.3	100.0	1.2	1.2	0.0
Operating profit, %	2.2	1.2		1.5	1.6	

Leipurin's sales developed positively during the third quarter, even though the market situation remained challenging due to the coronavirus pandemic. Price level for Leipurin's raw materials generally increased, even though price volatility remained high. The share of technical products has decreased, and the relative sales of basic products have increased. Consumer demand has shifted to lower priced product groups. The restrictions continue to make it difficult to complete product development projects. Structural changes in Leipurin's market, accelerated by the coronavirus pandemic, affect net sales. Industrial bakeries are still strong in a difficult market situation.

Leipurin's net sales grew especially in Finland and the Baltics compared to the weak sales level in 2020. In Russia, where there have been structural changes in sales to the grocery stores' in-shop bakeries, Leipurin's revenue development has been more moderate. The coronavirus pandemic still had a significant impact on Leipurin’s sales in the Baltic countries but also in Russia and CIS countries.

Leipurin’s net sales increased by 14% in the third quarter, amounting to EUR 27.7 (24.3) million. Operating profit doubled from the comparative period to EUR 0.6 (0.3) million. The operating profit rate during the third quarter was 2.2% (1.2%). In the Finnish market area, Leipurin’s net sales increased by 22% to EUR 11.2 (9.2) million. In the Baltic market area, net sales grew by 11% to EUR 8.1 (7.3) million.

Net sales of the bakery business increased by 11% in the third quarter and stood at EUR 25.4 (22.9) million, accounting for roughly 92% of Leipurin’s total net sales. In the Finnish and Baltic market areas, the net sales and operating profit of the bakery business increased through the lightening of coronavirus restrictions and their impact, as a result of which the total net sales of the bakery business started to increase.

Net sales of the machinery business increased by 64% to EUR 2.3 (1.4) million. A strong cyclical nature is typical of the machinery business due to the timing of project deliveries. During the third quarter, the aftersales functions of Leipurin’s trading machines and Vulganus Oy were merged to improve customer service and enable the more effective use of resources and additional efforts in enhancing maintenance and spare parts sales.

Leipurin’s net sales in January–September increased by 9% to EUR 81.4 (74.4) million. Operating profit remained unchanged from the comparative period, being EUR 1.2 (1.2) million. Machine deliveries to Russia transferred from previous years and the recovery of the bakery business in the Finnish and Baltic market areas increased net sales. The low profitability of the machinery business and the pricing challenges caused by exchange rate changes in eastern markets had a negative impact on the operating profit.

Outlook for Leipurin for 2021

Restrictions related to the coronavirus pandemic vary in Leipurin’s operating countries. The markets and the circumstances of Leipurin’s customers are expected to normalize, provided that restrictions continue to be lifted. Demand in domestic markets will recover, while the lack of tourists will have a negative impact on demand in the Baltic region and Finland, in particular. The impact of the pandemic and extreme weather conditions on global supply chains is highlighted, affecting the price levels and availability of certain raw materials and delivery times in general. Raw material prices are increasing steeply. The Vulganus order book has become stronger, and deliveries will increase the company’s net sales in 2022.

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 for other operations was EUR -2.6 (-0.8) million in the third quarter. Costs increased as a result of higher personnel costs, including the costs of EUR 1.75 million related to the change of the CEO, and individual short-term projects.

COMPANY INFORMATION

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

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

Share capital and shares

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

During January–September 2021, a total of 3,031,732 Aspo Plc shares with a market value of EUR 29.2 million were traded on Nasdaq Helsinki, in other words, 9.6% of all shares changed hands. During the review period, the share price reached a high of EUR 11.58 and a low of EUR 8.28. The average price was EUR 9.63, and the closing price at the end of the review period was EUR 10.82. At the end of the review period, the market value, less treasury shares, was EUR 338.2 million.

The company had 11,498 shareholders at the end of the review period. A total of 1,269,726 shares, or 4.04% of the share capital, were nominee registered or held by non-domestic shareholders.

Remuneration

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

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

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

Decisions of the Annual Shareholders' Meeting

Dividend

Aspo Plc's Annual General Meeting held on April 8, 2021 decided, as proposed by the Board of Directors, that EUR 0.35 per share be distributed in dividends for the 2020 financial year, and that no dividend 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 on November 5, 2021 to shareholders who, on the record date of October 29, 2021, are registered in the list of shareholders maintained by Euroclear Finland Oy.

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 Chair of the Board and Mammu Kaario as Vice Chair. In addition, the Board decided to elect Heikki Westerlund as Chair of the Remuneration Committee, and Salla Pöyry and Tatu Vehmas as its members, and Mammu Kaario as Chair of the Audit Committee, and Patricia Allam, Mikael Laine and Tatu Vehmas as its members.

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

Board authorizations

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

The Annual General Meeting on April 8, 2021 authorized the Board of Directors to decide on the acquisition of no more than 500,000 treasury shares using the unrestricted equity of the company, representing around 1.6% of all the shares in the company. The authorization includes the right to accept treasury shares as a pledge. The authorization is valid until the Annual Shareholders' Meeting in 2022 but not more than 18 months from the approval at the Annual Shareholders' Meeting.

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

The Annual General 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 an issue of new shares against payment. The authorization includes the right of the Board of Directors to decide on all of the other terms and conditions of the conveyance and thus also includes the right to decide on a directed share issue, in deviation from the shareholders' pre-emptive right, if a compelling financial reason exists for the company to do so. The total number of new shares to be offered for subscription may not exceed 1,500,000. The authorization is valid until the Annual Shareholders' Meeting in 2022 but not more than 18 months from the approval at the Annual Shareholders' Meeting.

FINANCIAL INFORMATION

Aspo Group's condensed consolidated statement of comprehensive income

	7-9/2021 MEUR	7-9/2020 MEUR	1-9/2021 MEUR	1-9/2020 MEUR	1-12/2020 MEUR
Net sales	**148.0**	**118.4**	**423.2**	**367.2**	**500.7**
Other operating income	0.2	0.2	0.4	0.4	0.5
Share of profits accounted for using the equity method	0.0	-0.1	-0.1	-0.1	-0.4
Materials and services	-92.1	-76.6	-259.4	-234.1	-315.8
Employee benefit expenses	-13.3	-10.2	-38.9	-32.0	-44.0
Depreciation, amortization, and impairment losses	-7.3	-3.9	-15.5	-11.8	-15.8
Depreciation, leased assets	-3.4	-3.2	-10.1	-9.8	-13.2
Other operating expenses	-24.5	-21.0	-74.5	-68.1	-92.7
Operating profit	**7.6**	**3.6**	**25.1**	**11.7**	**19.3**
Financial income and expenses	-1.0	-1.1	-2.9	-3.3	-4.5
Profit before taxes	**6.6**	**2.5**	**22.2**	**8.4**	**14.8**
Income taxes	-1.2	-0.5	-2.6	-1.1	-1.4
Profit	**5.4**	**2.0**	**19.6**	**7.3**	**13.4**
Other comprehensive income					
Items that may be reclassified to profit or loss in subsequent periods:					
Translation differences	0.8	-3.5	2.3	-7.5	-7.8
Cash flow hedging				0.1	0.1
Other comprehensive income for the period, net of taxes	0.8	-3.5	2.3	-7.4	-7.7
Total comprehensive income	**6.2**	**-1.5**	**21.9**	**-0.1**	**5.7**
Profit attributable to shareholders	5.4	2.0	19.6	7.3	13.4
Total comprehensive income attributable to shareholders	6.2	-1.5	21.9	-0.1	5.7
Basic earnings per share, EUR	0.16	0.05	0.59	0.20	0.39
Diluted earnings per share, EUR	0.16	0.05	0.59	0.20	0.39

Aspo Group's condensed consolidated balance sheet

Assets	9/2021 MEUR	9/2020 MEUR	12/2020 MEUR
Intangible assets	51.4	51.0	55.2
Tangible assets	167.5	174.0	169.1
Leased assets	19.4	18.4	20.1
Investments accounted for using the equity method	0.9	1.3	1.0
Other non-current assets	0.8	0.6	0.8
Total non-current assets	240.0	245.3	246.2
Inventories	51.6	43.8	42.4
Accounts receivable and other receivables	78.3	71.4	63.2
Cash and cash equivalents	23.7	28.5	32.3
Total current assets	153.6	143.7	137.9
Total assets	**393.6**	**389.0**	**384.1**
Equity and liabilities			
Share capital and premium	22.0	22.0	22.0
Other equity	102.1	89.4	91.5
Total equity	124.1	111.4	113.5
Loans and overdraft facilities	116.4	164.8	149.1
Lease liabilities	6.8	6.6	7.2
Other liabilities	4.3	4.3	4.5
Total non-current liabilities	127.5	175.7	160.8
Loans and overdraft facilities	49.8	26.3	32.5
Lease liabilities	13.1	12.2	13.4
Accounts payable and other liabilities	79.1	63.4	63.9
Total current liabilities	142.0	101.9	109.8
Total equity and liabilities	**393.6**	**389.0**	**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

	1-9/2021 MEUR	1-9/2020 MEUR	1-12/2020 MEUR
CASH FLOWS FROM/USED IN OPERATING ACTIVITIES			
Operating profit	25.1	11.7	19.3
Adjustments to operating profit	26.5	21.2	29.2
Change in working capital	-12.6	11.4	23.0
Interest paid	-3.0	-2.6	-4.4
Interest received	0.2	0.6	0.7
Income taxes paid	-2.9	-2.4	-2.8
Net cash from operating activities	**33.3**	**39.9**	**65.0**
CASH FLOWS FROM/USED IN INVESTING ACTIVITIES			
Investments	-11.1	-5.7	-7.2
Investment subsidy	1.0		2.5
Proceeds from sale of tangible assets	0.2	0.2	0.2
Acquisition of businesses			-4.7
Dividends received		0.1	0.1
Net cash used in investing activities	**-9.9**	**-5.4**	**-9.0**
CASH FLOWS FROM/USED IN FINANCING ACTIVITIES			
Change in current loans	-6.8	-6.0	0.8
Repayments of non-current loans	-8.8	-1.8	-18.9
Payments of lease liabilities	-10.0	-9.7	-13.0
Hybrid bond repayment		-25.0	-25.0
Proceeds from Hybrid bond issue		20.0	20.0
Hybrid bond, interest paid	-1.7	-1.6	-1.6
Hybrid bond, transaction costs paid		-0.3	-0.3
Dividends paid	-5.6	-3.4	-6.9
Net cash used in financing activities	**-32.9**	**-27.8**	**-44.9**
Change in cash and cash equivalents	**-9.5**	**6.7**	**11.1**
Cash and cash equivalents January 1	32.3	23.7	23.7
Translation differences	0.9	-1.9	-2.5
Cash and cash equivalents at period-end	**23.7**	**28.5**	**32.3**

*) The EU has subsidized ESL Shipping's energy-efficiency and environmental investments regarding the LNG-fueled vessels deployed in 2018. To obtain the subsidy, it was required that the activities listed in the agreement are carried out and that the arising costs are documented in an approved manner. For 2016–2020, ESL Shipping was able to receive at most EUR 5.9 million in subsidies, of which EUR 2.1 million were received in 2016, EUR 2.5 million in November 2020, and the last installment of EUR 1.0 million in September 2021. The subsidy received has been recognized to reduce the acquisition costs of vessels and presented as a decrease in investments in the year of receipt. The subsidy will be recognized as income in the form of lower depreciation expense during the useful life of the vessels.

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**	**-26.9**	**81.9**	**113.5**
Comprehensive income:						
Profit for the period					19.6	19.6
Translation differences				2.3		2.3
Total comprehensive income				2.3	19.6	21.9
Transactions with owners:						
Dividend payment					-10.9	-10.9
Interest on hybrid bond					-1.3	-1.3
Share-based incentive plan					0.9	0.9
Total transactions with owners					-11.3	-11.3
Equity September 30, 2021	**22.0**	**16.5**	**20.0**	**-24.6**	**90.2**	**124.1**
Equity January 1, 2020	**22.0**	**16.4**	**25.0**	**-19.2**	**77.8**	**122.1**
Comprehensive income:						
Profit for the period					7.3	7.3
Translation differences				-7.5		-7.5
Cash flow hedging		0.1				0.1
Total comprehensive income		0.1		-7.5	7.3	-0.1
Transactions with owners:						
Dividend payment					-3.4	-3.4
Hybrid bond			-5.0			-5.0
Hybrid bond interest and transacion costs					-1.5	-1.5
Share-based incentive plan					-0.6	-0.6
Total transactions with owners			-5.0		-5.5	-10.5
Equity September 30, 2020	**22.0**	**16.5**	**20.0**	**-26.7**	**79.6**	**111.4**

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 901 employees (896 at the end of 2020).

Net sales and segment information

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

ASPO

Aspo Group disaggregation of net sales

Net sales by business area

	7-9/2021 MEUR	7-9/2020 MEUR	1-9/2021 MEUR	1-9/2020 MEUR	1-12/2020 MEUR
ESL Shipping					
ESL Shipping	47.3	31.6	136.7	107.2	148.4
	47.3	31.6	136.7	107.2	148.4
Telko					
Plastics business	38.1	30.0	107.0	91.1	122.9
Chemicals business	22.2	18.8	60.2	57.7	74.6
Lubricants business	9.3	6.1	28.0	18.3	27.4
Kauko	3.4	7.6	9.9	18.5	26.4
	73.0	62.5	205.1	185.6	251.3
Leipurin					
Bakery business	25.4	22.9	70.6	66.4	90.6
Machinery business	2.3	1.4	10.8	8.0	10.4
	27.7	24.3	81.4	74.4	101.0
Total	148.0	118.4	423.2	367.2	500.7

Net sales by timing of revenue recognition

	7-9/2021 MEUR	7-9/2020 MEUR	1-9/2021 MEUR	1-9/2020 MEUR	1-12/2020 MEUR
ESL Shipping					
At a point in time	0.7	0.7	2.7	1.6	2.3
Over time	46.6	30.9	134.0	105.6	146.1
	47.3	31.6	136.7	107.2	148.4
Telko					
At a point in time	72.9	62.3	204.7	185.1	250.7
Over time	0.1	0.2	0.4	0.5	0.6
	73.0	62.5	205.1	185.6	251.3
Leipurin					
At a point in time	26.5	23.8	77.8	70.9	97.2
Over time	1.2	0.5	3.6	3.5	3.8
	27.7	24.3	81.4	74.4	101.0
Total					
At a point in time	100.1	86.8	285.2	257.6	350.2
Over time	47.9	31.6	138.0	109.6	150.5
	148.0	118.4	423.2	367.2	500.7

Net sales by market area

	7-9/2021 MEUR	7-9/2020 MEUR	1-9/2021 MEUR	1-9/2020 MEUR	1-12/2020 MEUR
ESL Shipping					
Finland	21.3	13.8	64.1	50.6	69.4
Scandinavia	11.2	9.0	36.7	29.9	41.3
Baltic countries	0.5	0.9	1.2	1.1	2.2
Russia, other CIS countries and Ukraine	0.8	1.0	1.9	3.3	5.4
Other countries	13.5	6.9	32.8	22.3	30.1
	47.3	31.6	136.7	107.2	148.4
Telko					
Finland	15.5	17.7	44.9	50.1	67.7
Scandinavia	13.0	8.3	38.3	26.3	36.6
Baltic countries	4.8	4.0	15.5	12.4	16.0
Russia, other CIS countries and Ukraine	31.2	26.3	83.3	77.0	104.4
Other countries	8.5	6.2	23.1	19.8	26.6
	73.0	62.5	205.1	185.6	251.3
Leipurin					
Finland	11.2	9.2	30.5	29.1	39.8
Scandinavia	0.6	0.0	2.2	0.0	0.0
Baltic countries	8.1	7.3	22.2	20.5	27.9
Russia, other CIS countries and Ukraine	7.6	7.5	26.1	23.6	31.7
Other countries	0.2	0.3	0.4	1.2	1.6
	27.7	24.3	81.4	74.4	101.0
Total					
Finland	48.0	40.7	139.5	129.8	176.9
Scandinavia	24.8	17.3	77.2	56.2	77.9
Baltic countries	13.4	12.2	38.9	34.0	46.1
Russia, other CIS countries and Ukraine	39.6	34.8	111.3	103.9	141.5
Other countries	22.2	13.4	56.3	43.3	58.3
	148.0	118.4	423.2	367.2	500.7

Segment information

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

1-9/2021

MEUR	ESL Shipping	Telko	Leipurin	Unallocated items	Group total
Operating profit	17.0	12.5	1.2	-5.6	25.1
Net financial expenses				-2.9	-2.9
Profit before taxes					22.2

1-9/2020

MEUR	ESL Shipping	Telko	Leipurin	Unallocated items	Group total
Operating profit	2.8	10.8	1.2	-3.1	11.7
Net financial expenses				-3.3	-3.3
Profit before taxes					8.4

Investments by segment

MEUR		ESL Shipping	Telko	Leipurin	Unallocated items	Group total
Investments	1-9/2021	9.6	0.4	0.1	0.0	10.1
Investments	1-9/2020	5.4	0.3	0.0	0.0	5.7

Segment assets and liabilities

MEUR	ESL Shipping	Telko	Leipurin	Unallocated items	Group total
Assets Jan 1, 2021	210.4	77.7	59.9	36.1	384.1
Assets Sept 30, 2021	213.6	93.1	59.5	27.4	393.6
Liabilities Jan 1, 2021	27.7	32.7	19.9	190.3	270.6
Liabilities Sept 30, 2021	30.3	40.4	16.9	181.8	269.4

Helsinki, October 27, 2021

Aspo Plc
Board of Directors

Press and analyst conference

A press, analyst and investor conference will be held at FLIK's Studio Eliel in Sanomatalo, Töölönlahdenkatu 2, 00100 Helsinki, on Wednesday, October 27, 2021 at 2:00 pm (entrance to the Studio Eliel is located inside Sanomatalo at the end of Elielinaukio).

The interim report will be presented by CEO Rolf Jansson. The presentation material will be available before the start of the conference on the company's website at www.aspo.com/en.

The press conference will be held in Finnish, and it can also be followed by a live webcast at https://aspo.videosync.fi/2021-q3-results, or by calling +358 9 817 103 10310 (62598237#) 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.

Helsinki, October 27, 2021

Aspo Plc

Rolf Jansson	Arto Meitsalo
CEO	CFO

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