ASPO

Aspo Group Q1 2023 interim report

Growth and stable profitability

CEO Rolf Jansson

May 3, 2023

Growth and stable profitability

- Net sales from continuing operations increased by 10% to EUR 141.6 (128.8) million ⬄ 5-10 % growth target.
- Comparable operating profit from continuing operations amounted to EUR 8.4 (8.7) million and the comparable operating profit rate was 5.9% (6.7%) ⬄ 8% operating profit rate target.
- ROE, Group total, stood at 19.7% (21.2%) ⬄ target >20%
- Gearing decreased to 106.0% (108.4) ⬄ target <130%

Changes in reporting structure

- The Non-core businesses segment was established to separate the results of the non-core businesses of Aspo from the results of the continuing businesses. All the entities in the segment are either held for sale or in the process of being closed down.

Q1 2023

Net sales, Group total
EUR 147.5 million (162.2)

Net sales, continuing operations
EUR 141.6 million (128.8)

Comparable operating profit, continuing operations
EUR 8.4 million (8.7)

Operating profit, continuing operations
EUR 8.6 million (4.0)

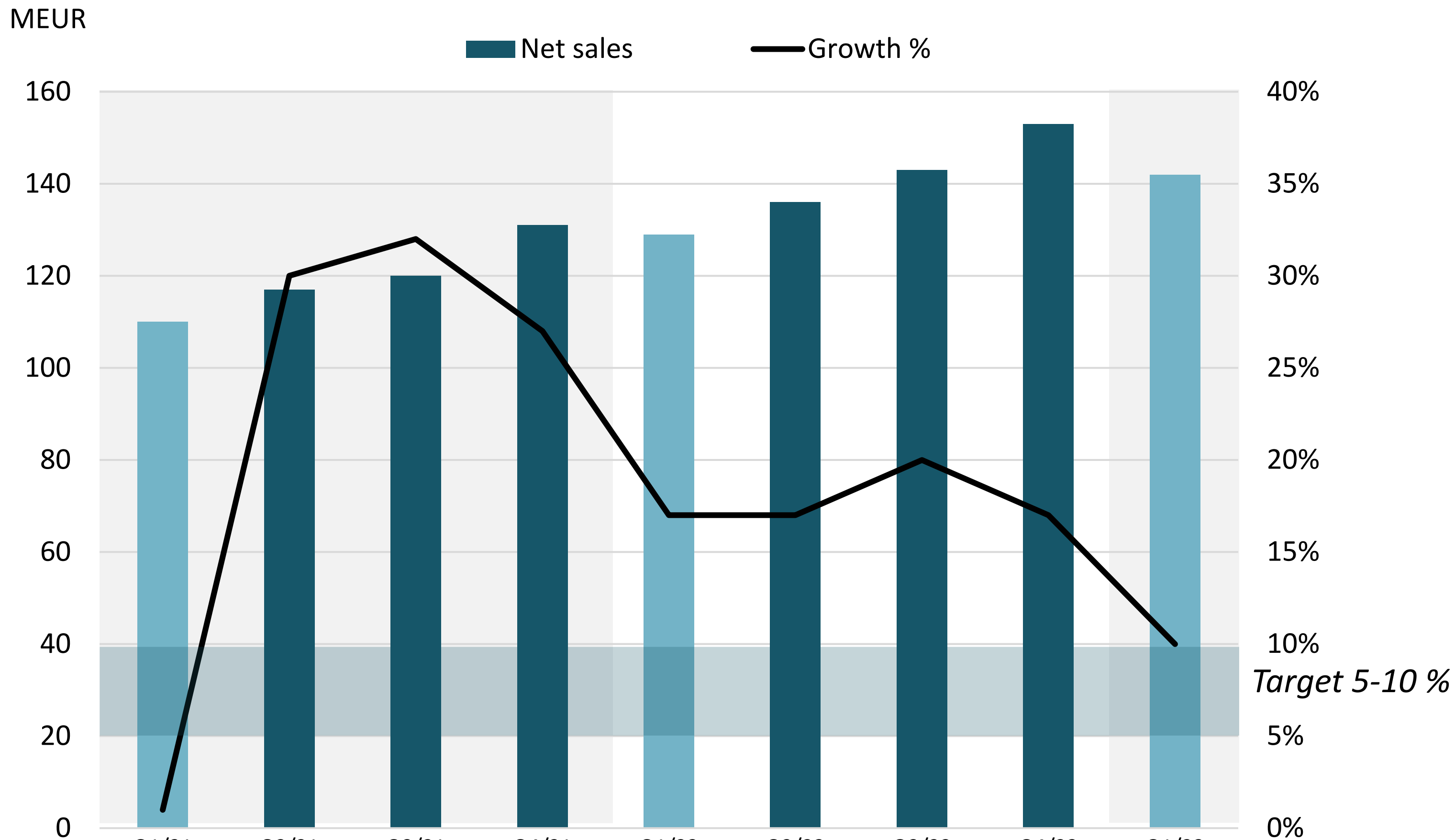
Comparable operating profit, Group total
EUR 8.0 million (15.0)

Operating profit, Group total
EUR 8.5 million (10.1)

EPS, Group total
EUR 0.21 (0.21)

Net cash from operating activities, Group total
EUR 12.2 million (15.2)

Aspo's continuing operations showed 10% growth

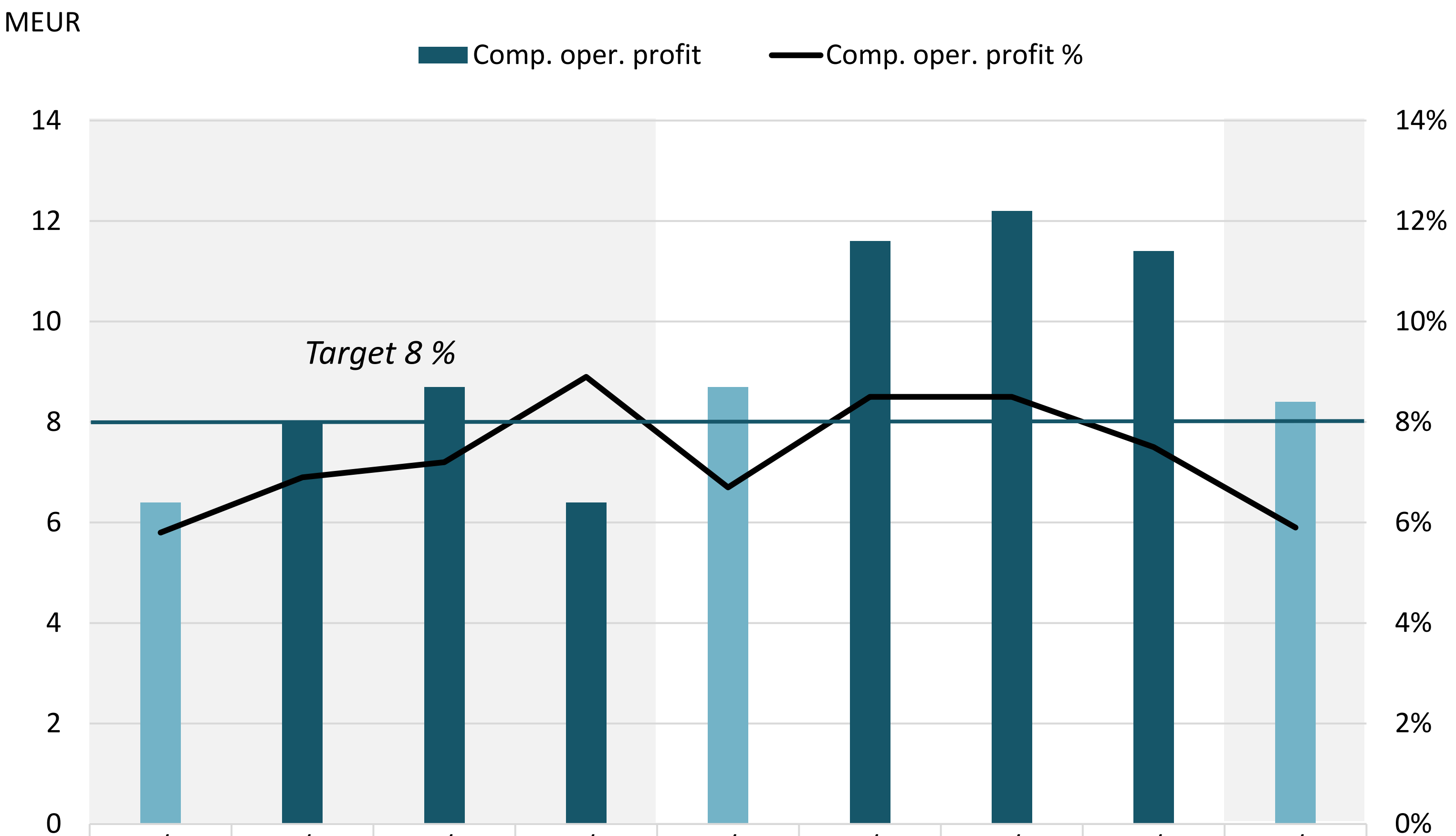


	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23
Net sales	110	117	120	131	129	136	143	153	142
Growth %	1%	30%	32%	27%	17%	17%	20%	17%	10%

Net sales growth compared to the same quarter in the previous year.

- In Q1 2023, Aspo's net sales from continuing operations increased by 10% to EUR 141.6 (128.8) million
  - ESL Shipping's net sales somewhat decreased due to a more challenging business environment
  - Telko grew both organically and due to acquisitions
  - Leipurin saw very positive net sales growth driven by the Kobia acquisition and inflation

Comparable operating profit for continuing operations stable

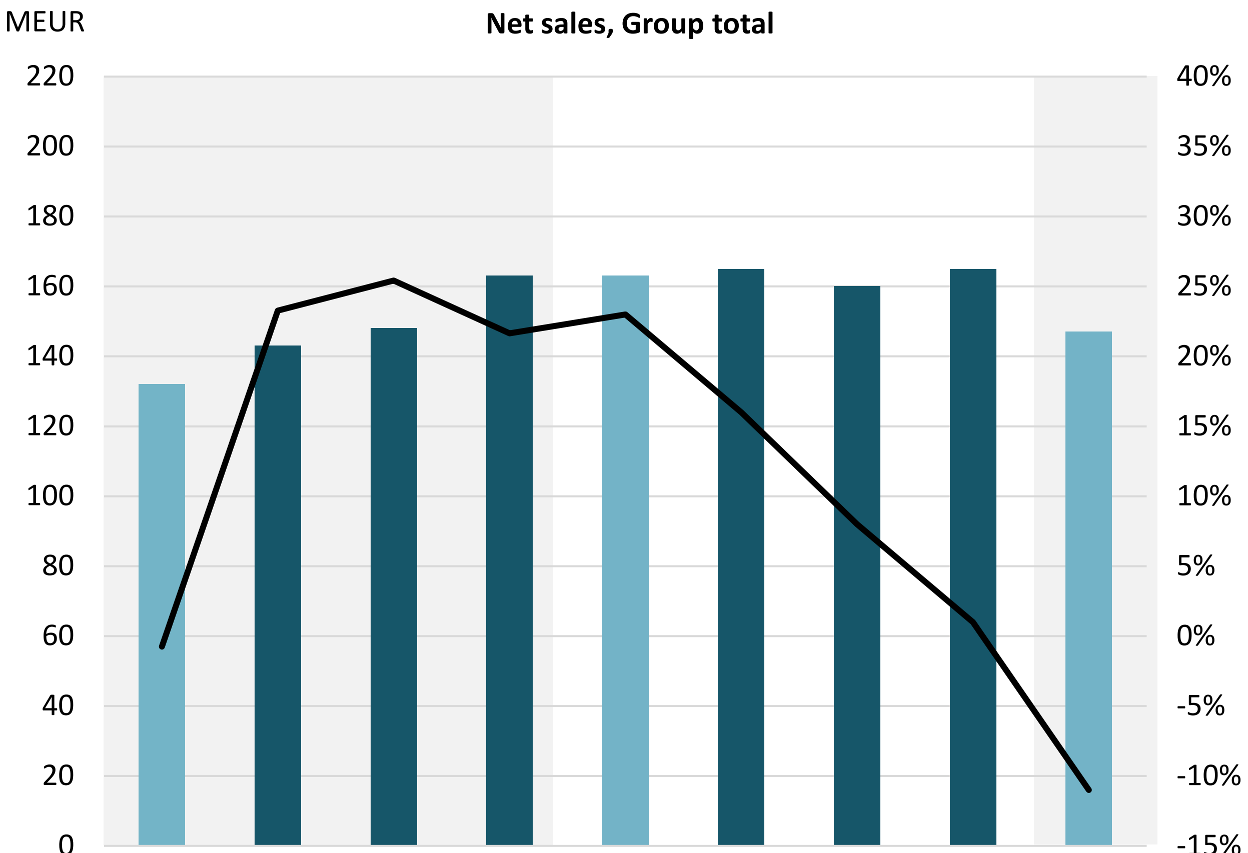


	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23
Comp. oper. profit	6,4	8,0	8,7	6,4	8,7	11,6	12,2	11,4	8,4
Comp. oper. profit %	5,8 %	6,9 %	7,2 %	8,9 %	6,7 %	8,5 %	8,5 %	7,5 %	5,9 %

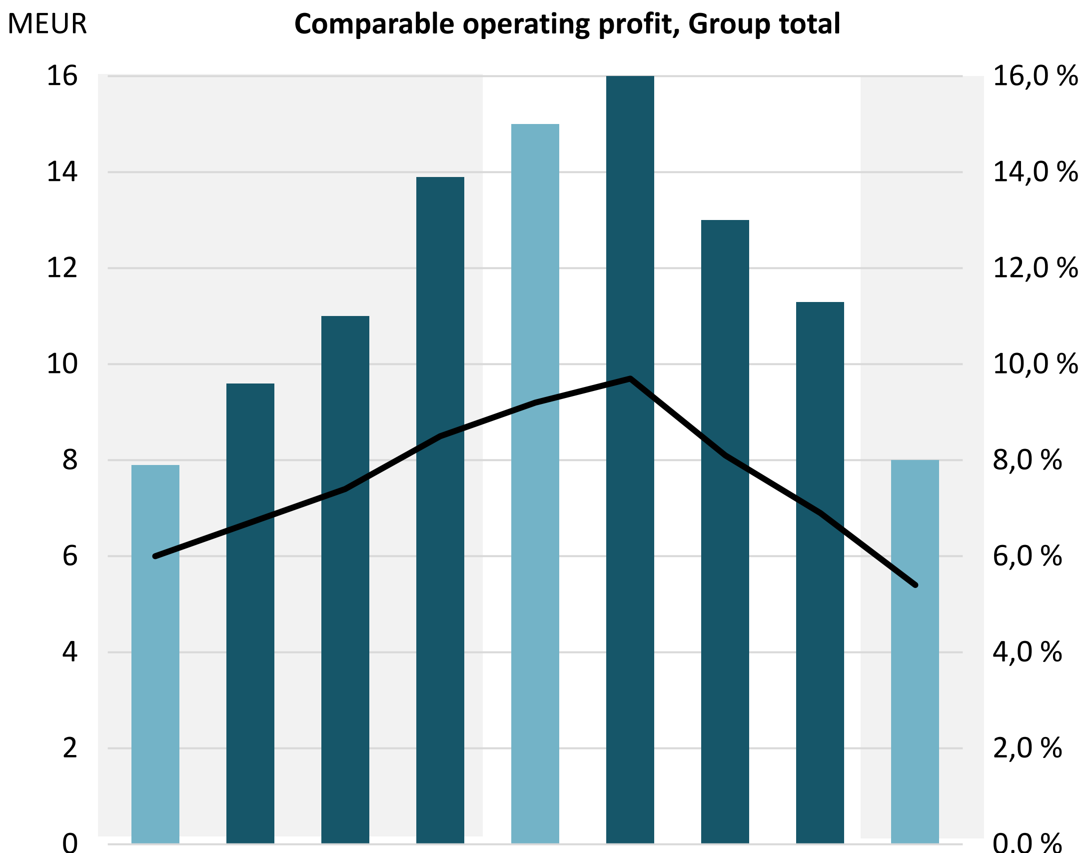
Operating profit from continuing operations was EUR 8.6 (4.0) million in Q1 including items affecting comparability totaling EUR 0.2 (-4.7) million. Operating profit rate from continuing operations was 6.1% (3.1%).

- Comparable operating profit from continuing operations was EUR 8.4 (8.7) million and the comparable operating profit rate was 5.9% (6.7%).
  - The operating profit developed positively both for Leipurin and Telko.
  - The divestments of Vulganus and Kauko (discontinued) contributed to Aspo's improved profitability.
  - Also cost reductions on Group level had a positive effect on profitability.
  - ESL Shipping's profitability remained on a satisfactory level considering the more challenging business environment.

Group total net sales and comparable operating profit in decline



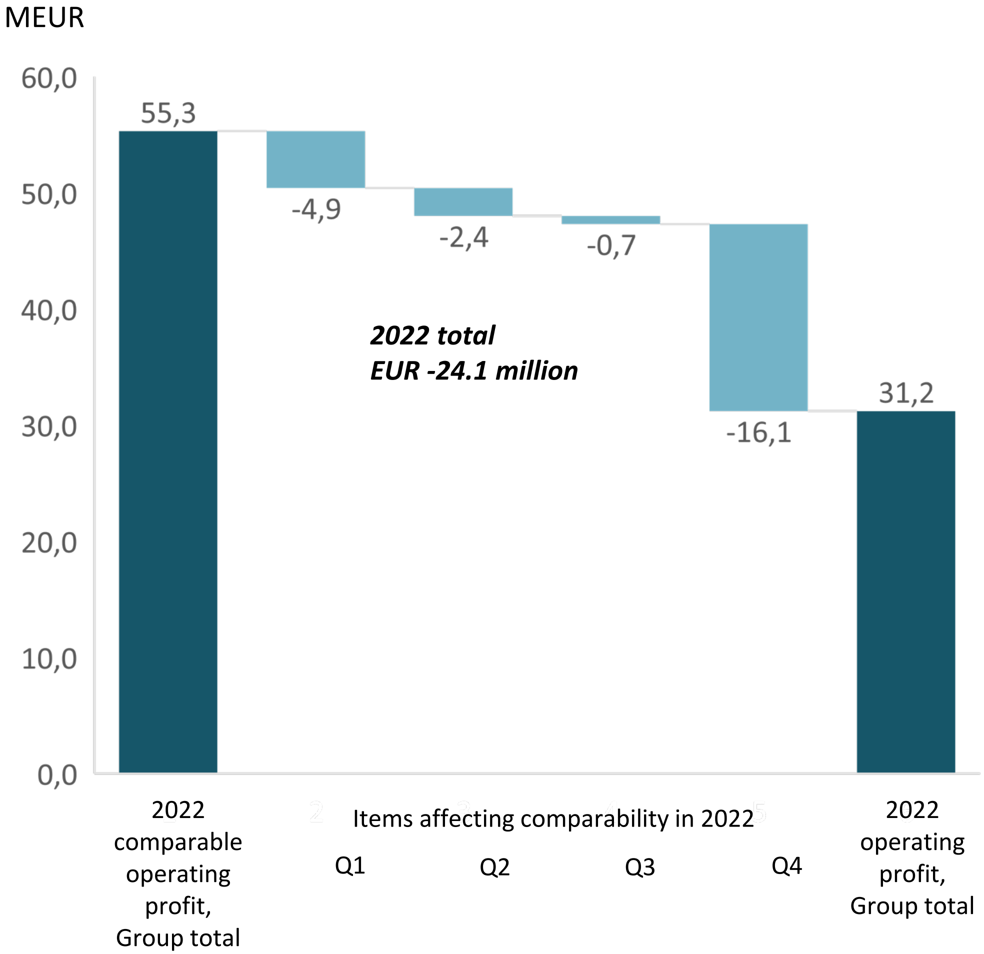
	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23
Net sales	132	143	148	163	163	165	160	165	147
Growth %	-1%	23%	25%	22%	23%	16%	8%	1%	-11%



	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23
Comp. oper. profit	7,9	9,6	11,0	13,9	15,0	16,0	13,0	11,3	8,0
Comp. oper. profit %	6,0 %	6,7 %	7,4 %	8,5 %	9,2 %	9,7 %	8,1 %	6,9 %	5,4 %

Items affecting comparability totaled EUR +0.5 million in Q1 2023 vs. EUR –4.9 million in Q1 2022

- In the first quarter of 2023, items affecting comparability totaled EUR 0.5 million.
  - EUR 0.2 million of the items were reported in the Leipurin segment and consisted of the sales gain of the sale and lease back transaction of Kobia's property in Gothenburg.
  - EUR 0.3 million of the items come from the Non-core businesses segment and relate to valuation adjustments of the eastern businesses held for sale.
- In 2022, items affecting comparability totaled EUR -24.1 million, of which EUR -20.7 million resulted from the impact of Russia's invasion in Ukraine on Aspo Group's business operations. Items affecting comparability relating to the Kauko segment totaled EUR -2.5 million. Other items affecting comparability totaled EUR -0.9 million.



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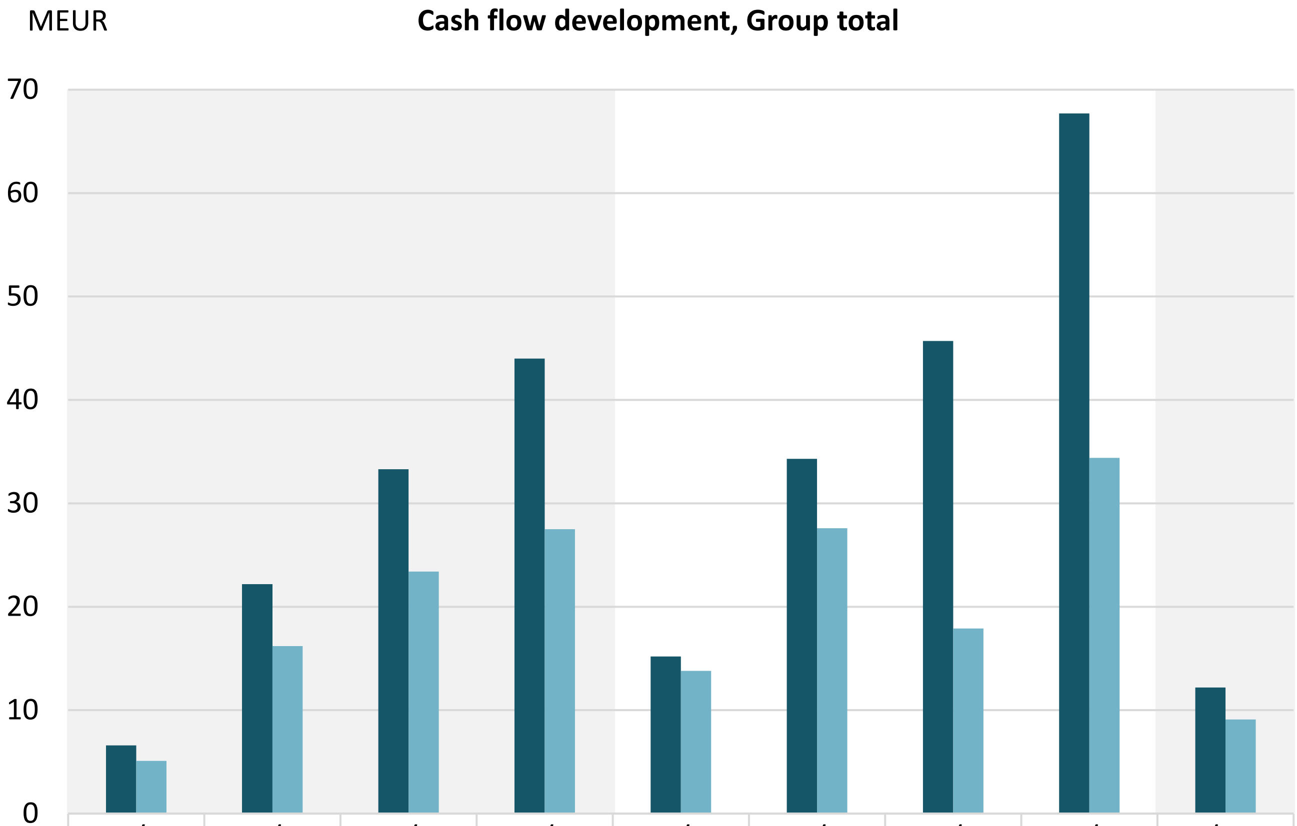
Operating profit, Group total was EUR 8.5 million in Q1 2023 and EUR 10.1 million in Q1 2022

In EUR million	Continued operations	Discontinued operations	of which Non-core businesses	Group total
Comparable operating profit	8.4 (8.7)	-0.4 (6.3)	-0.4 (6.5)	8.0 (15.0)
Items affecting comparability	0.2 (-4.7)	0.3 (-0.2)	0.3 (-0.2)	0.5 (-4.9)
Reported operating profit	**8.6 (4.0)**	**-0.1 (6.1)**	**-0.1 (6.3)**	**8.5 (10.1)**

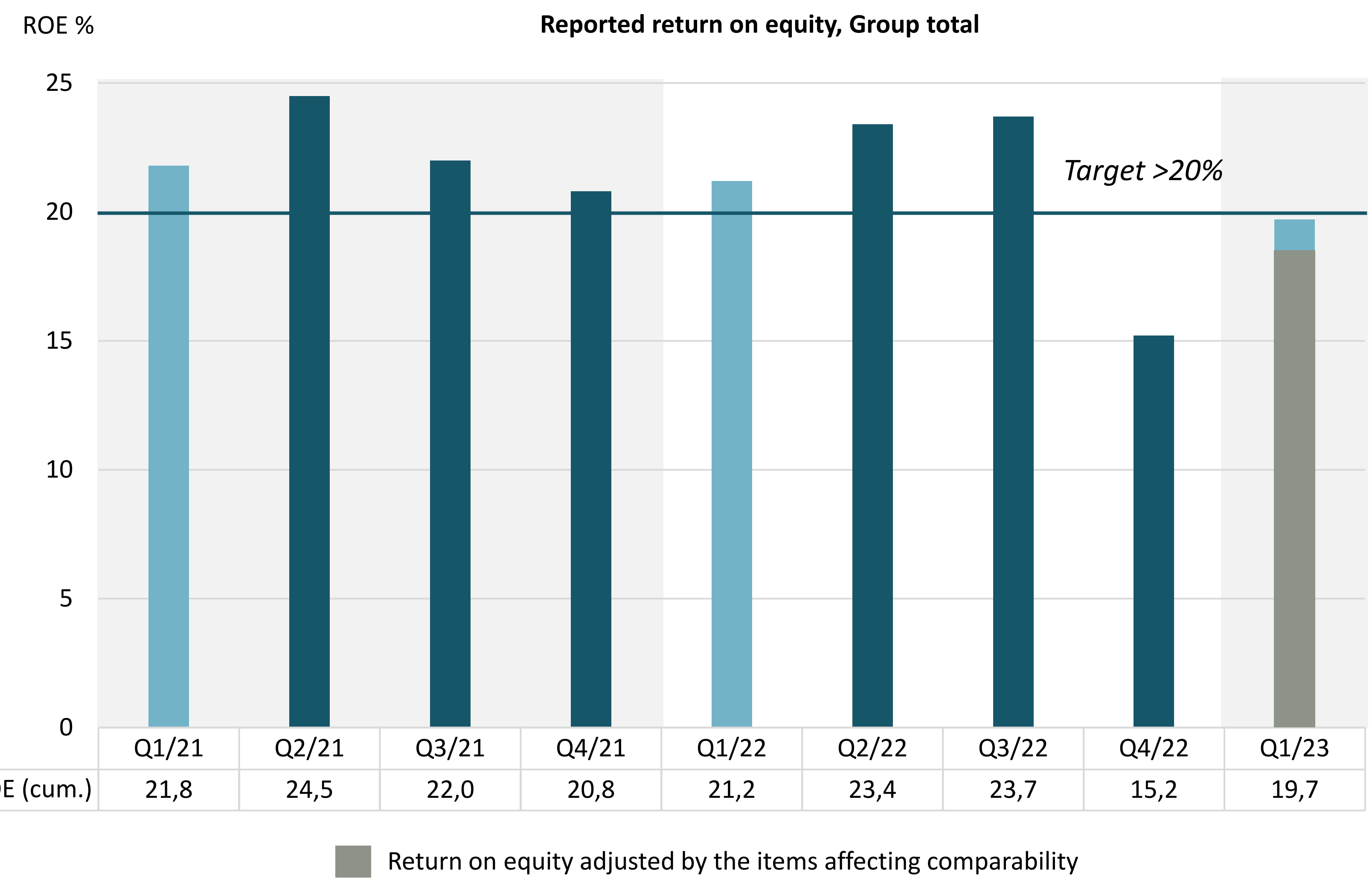
Cash flow development remained strong



	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/2023
Operating cash flow (cum.)	6,6	22,2	33,3	44,0	15,2	34,3	45,7	67,7	12,2
Free cash flow (cum.)	5,1	16,2	23,4	27,5	13,8	27,6	17,9	34,4	9,1

- Net cash from operating activities was EUR 12.2 (15.2) million for Q1 2023. All core business of Aspo contributed to the solid cash flow.
- The impact of the change in working capital on cash flow was EUR -0.6 (-0.6) million, driven by increased receivables of sold products, whereas the value of inventories decreased.
- Free cash flow was EUR 9.1 (13.8) million. The cash flow used in investing activities include:
  - Investments of EUR 1.8 (2.8) million, which consisted mainly of ESL Shipping's Green Coaster advance payments.
  - EUR 3.7 million cash outflow from the acquisitions of Eltrex and
  - EUR 2.4 million cash inflow from the sale of Kobia's property in Gothenburg, Sweden.

ROE close to target and last year’s level



	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23
ROE (cum.)	21,8	24,5	22,0	20,8	21,2	23,4	23,7	15,2	19,7

- Return on equity adjusted by the items affecting comparability was 18.6% (34.0%). Reported ROE was 19.7% (21.2%).
- ROE was on a similar level as last year, considering:
  - The fairly flat profitability development of the continuing operations
  - The strong profitability in Russia in 2022 vs. 2023
  - The significant negative items affecting comparability in 2022

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Aspo's risk exposure related to Russia's invasion has to a large extent been mitigated

- After receiving the required approvals from the Russian authorities, Telko received the funds for the sale of the share capital of its Russian subsidiary to Russian industrial operator GK Himik on April 19, 2023.
  - The original sales price was approximately EUR 9.5 million as announced in October 2022. The received sales price was EUR 5.7 million after mandatory valuation adjustments.
  - Considering the already recognized write-downs, the transaction will not generate further sales gains or losses except for the translation differences which amount to approximately EUR -8.6 million, based on the current exchange rate of the Russian ruble. The reclassification of the translation differences does not reduce the equity of the Group.
- Leipurin expects its exit from Russia, Belarus and Kazakhstan to be completed during the first half of 2023. The transaction still needs to be approved by the local authorities, which creates uncertainty.
- Net sales from the Non-core businesses declined by 81% during Q1 2023 to EUR 5.9 (31.6) million, divided between Leipurin EUR 4.3 million and Telko EUR 1.6 million. The comparable operating profit was EUR -0.4 million. The Leipurin entities contributed positively to the profit, whereas the impact of Telko's entities was negative.

Promising development of sustainability KPIs continued

- Aspo's key target is to reduce carbon intensity, CO_2 (tn) per net sales (EUR thousand), by 30% by 2025. Starting level (2020) was 0.44 and target level for 2025 is 0.30.
- During the last 12 months, the carbon intensity has kept improving driven by net sales growth in combination with operational efficiency and new operating models and was 0.32. The target for 2023 is 0.36. Sales growth, weather conditions and improved operating models contributed to the solid development.
- Another key target is to improve safety. TRIF (Total Recordable Injury Frequency) for the last 12 months was 8.8 (2022: 8.1). The incident frequency target for 2023 is 7.0.

Carbon intensity, LTM

0.32 (0.33 in 2022)

Target 2023:

0.36

Incident frequency (TRIF), LTM

8.8 (8.1 in 2022)

Target 2023:

7.0

Aspo’s core business segments

Forerunner and industrial partner

ESL Shipping

Accelerated growth

TELKO

Towards full potential

LEIPURIN®

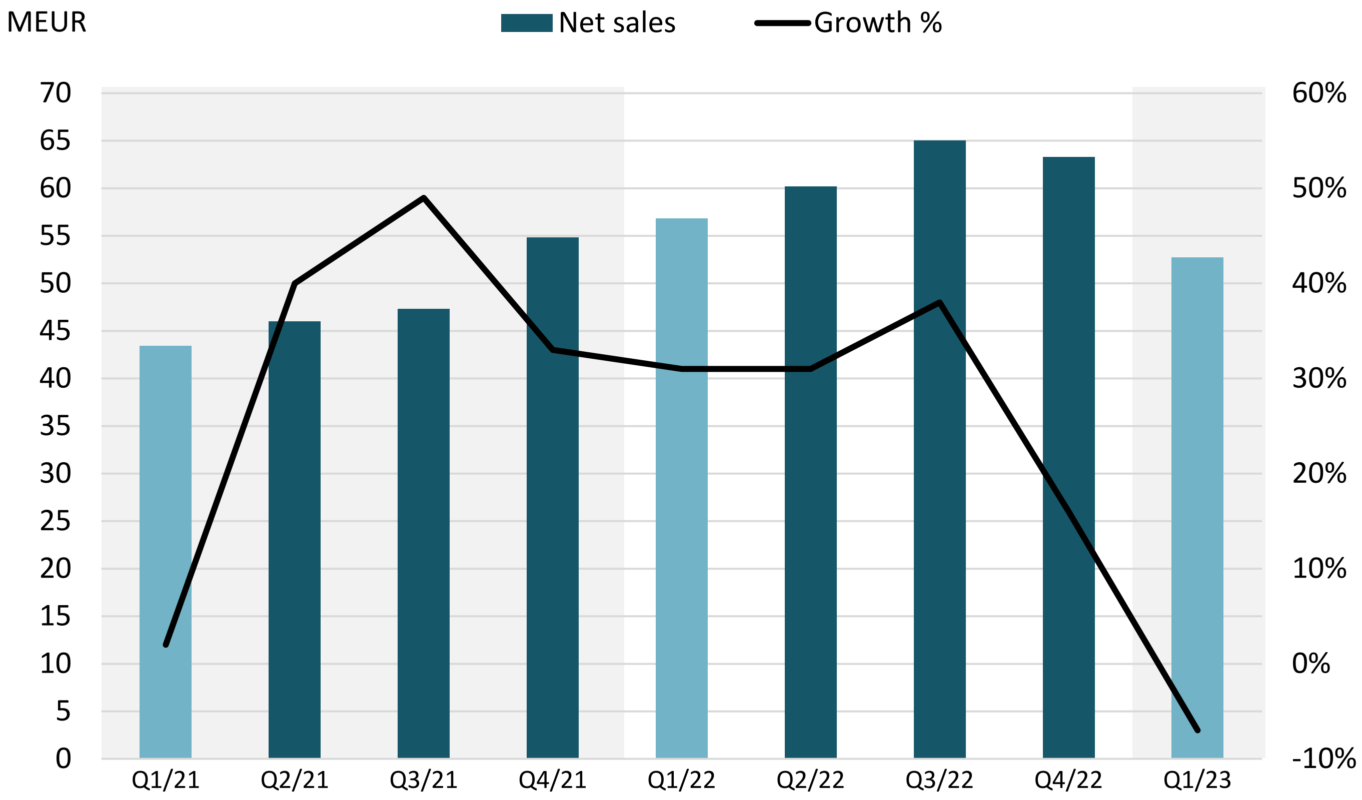
Discontinued operations (incl. Non-core businesses)

Non-core businesses include: Telko Russia and Belarus, Leipurin Russia, Belarus and Kazakstan, ESL Shipping Russia, and Kauko GmbH. In addition, discontinued operations include Kauko Oy in the comparative periods of 2022 and 2021.

ESL Shipping

Satisfactory profitability development considering the business environment

Lack of vessel capacity, the strike, and decline in supramax demand impacted ESL Shipping's sales negatively



	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23
Net sales	43,4	46,0	47,3	54,8	56,8	60,2	65,0	63,3	52,7
Growth %	2%	40%	49%	33%	31%	31%	38%	16%	-7%

Net sales growth compared to the same quarter in the previous year.

- In Q1, ESL Shipping's net sales decreased by 7% from the previous year to EUR 52.7 (56.8) million.
- Handysize vessels had stable volume demand, but coaster vessel volumes suffered not only from the strike but also from capacity constraints due to limited availability of time charted tonnage, and an unexpected off-hire maintenance of two owned sister vessels.
- For the Supramax vessels, the spot cargo market activity and freight rate levels were significantly lower during Q1 2023 than during the comparative period.
- As a result, the cargo volumes transported by ESL Shipping decreased from the comparative period to 3.3 (3.8) million tons.
- Going forward, a temporary softening in the market is to be expected which is partly balanced due to limited availability of vessel capacity in the Baltic Sea region. Demand from ESL Shipping's key customer industries, including metal, forestry and coal, are expected to be lower than in the previous year.
- ESL Shipping's investments in energy-efficient vessels will strengthen its competitiveness and market position in the future.

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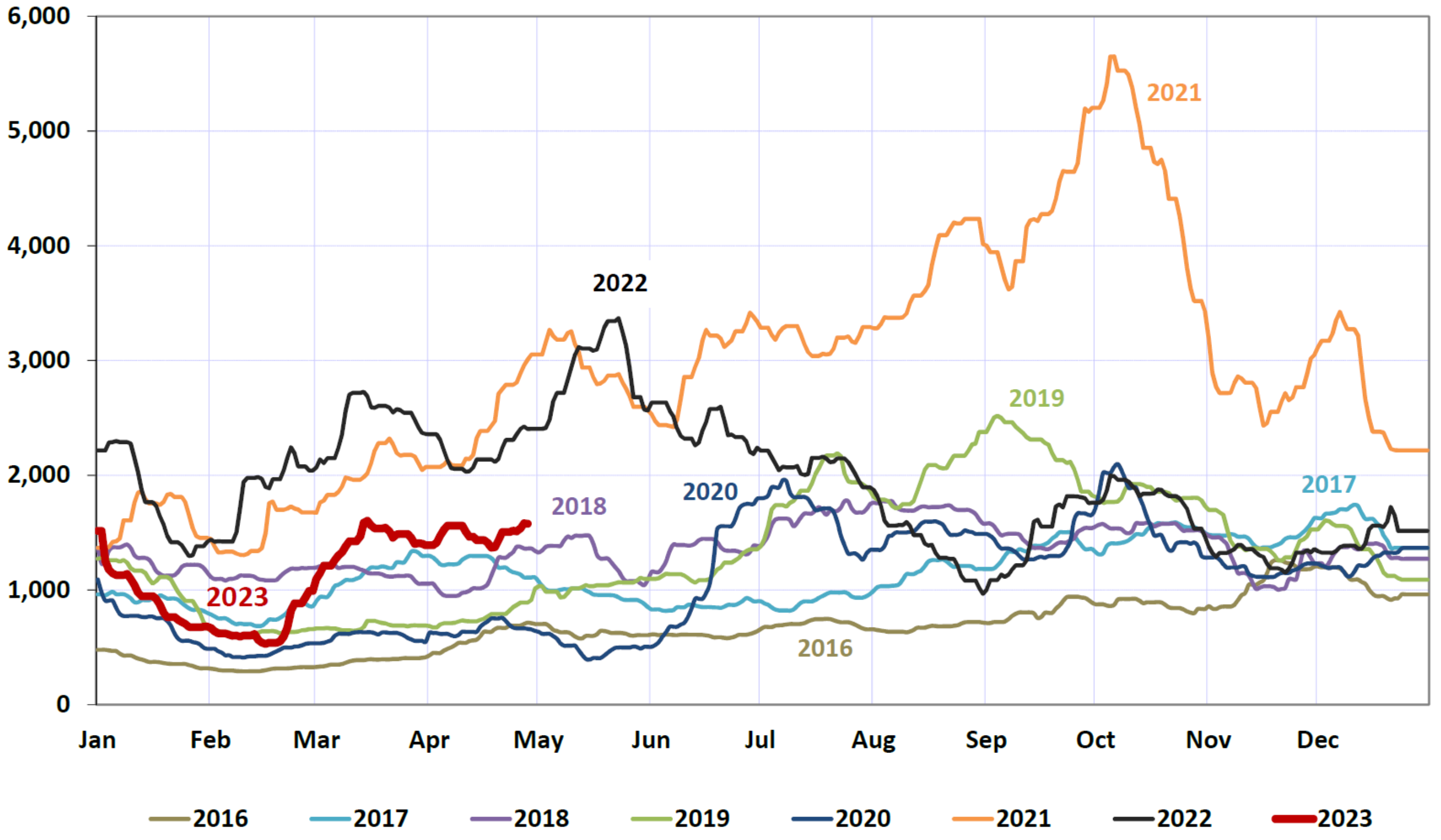
Measures to accelerate ESL Shipping's green transition

- Aspo's Board of Directors has decided to initiate a program to support and accelerate ESL Shipping's low-carbon growth strategy.
- The green transition will offer ESL Shipping significant growth opportunities and subsequently require new financing models
- The aim is to assess a selection of alternative measures to execute its ESG-driven strategy, including investments in new fossil-free vessels and technologies. The measures include:
  - a launch of a new investment pool of green vessels
  - a possible equity injection in ESL Shipping by a minority shareholder, and
  - the sale of the shipping company's two Supramax vessels.
- Aspo will in all scenarios remain as a committed majority owner of ESL Shipping.

The Baltic Dry index has increased since mid February

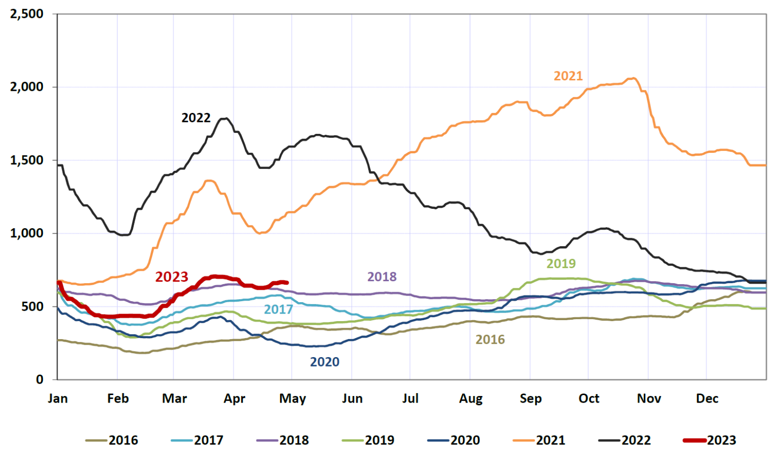
ESL Shipping

Baltic dry index

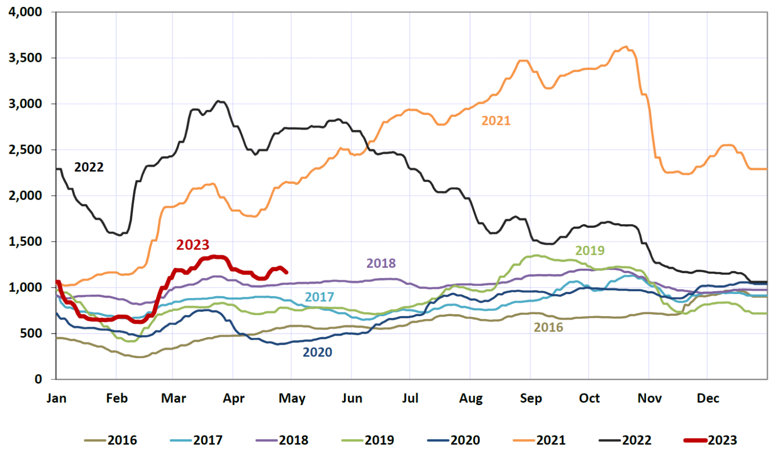


Source: Baltic dry Index, banchero costa network April 28, 2023. The Baltic Dry Index provides a benchmark for the price of moving the major raw materials by sea. The Baltic Dry Index takes into account 23 different shipping routes carrying coal, iron ore, grains and many other commodities.

Baltic handysize index



Baltic supramax index



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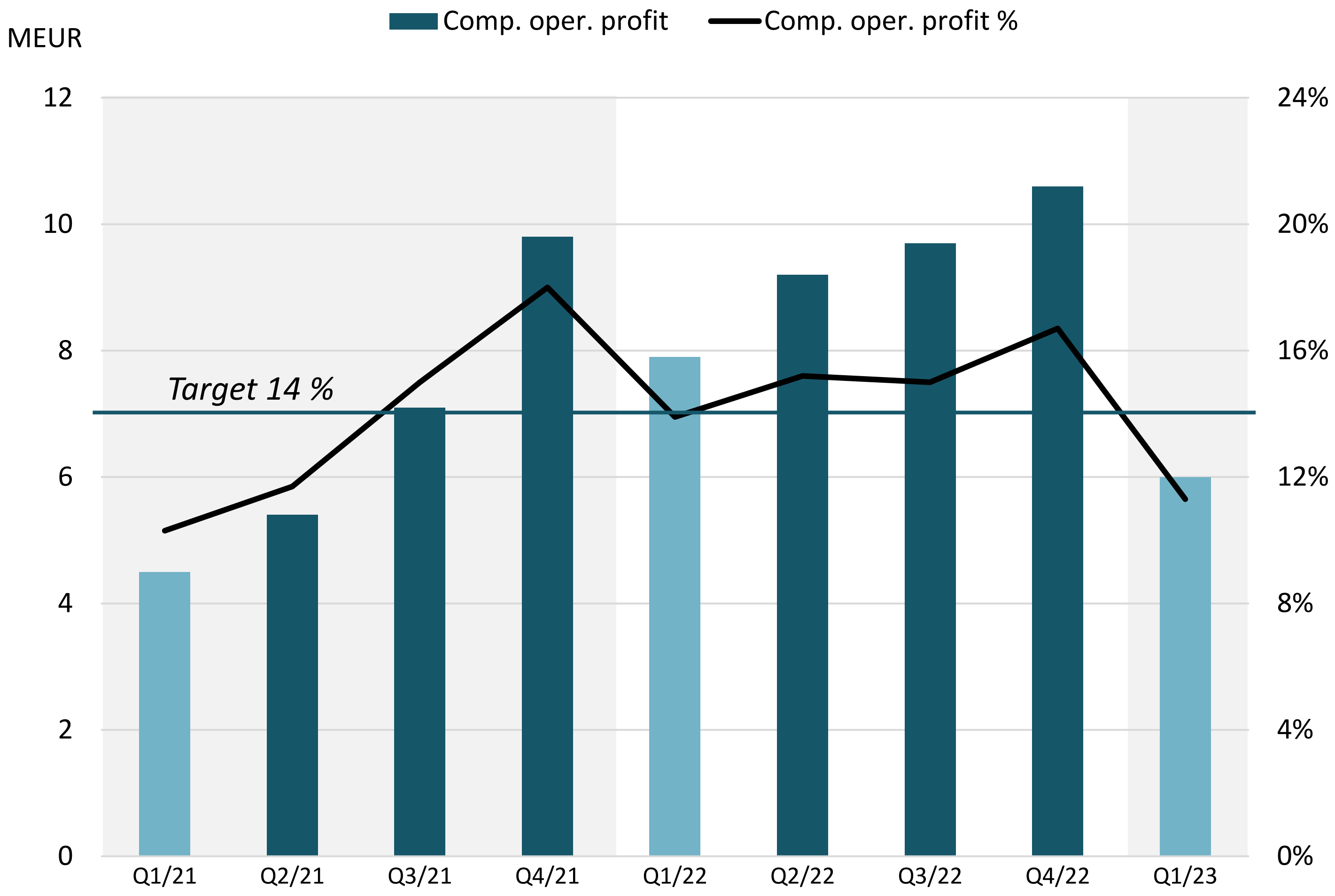
Profitability remained satisfactory, despite a more challenging business environment



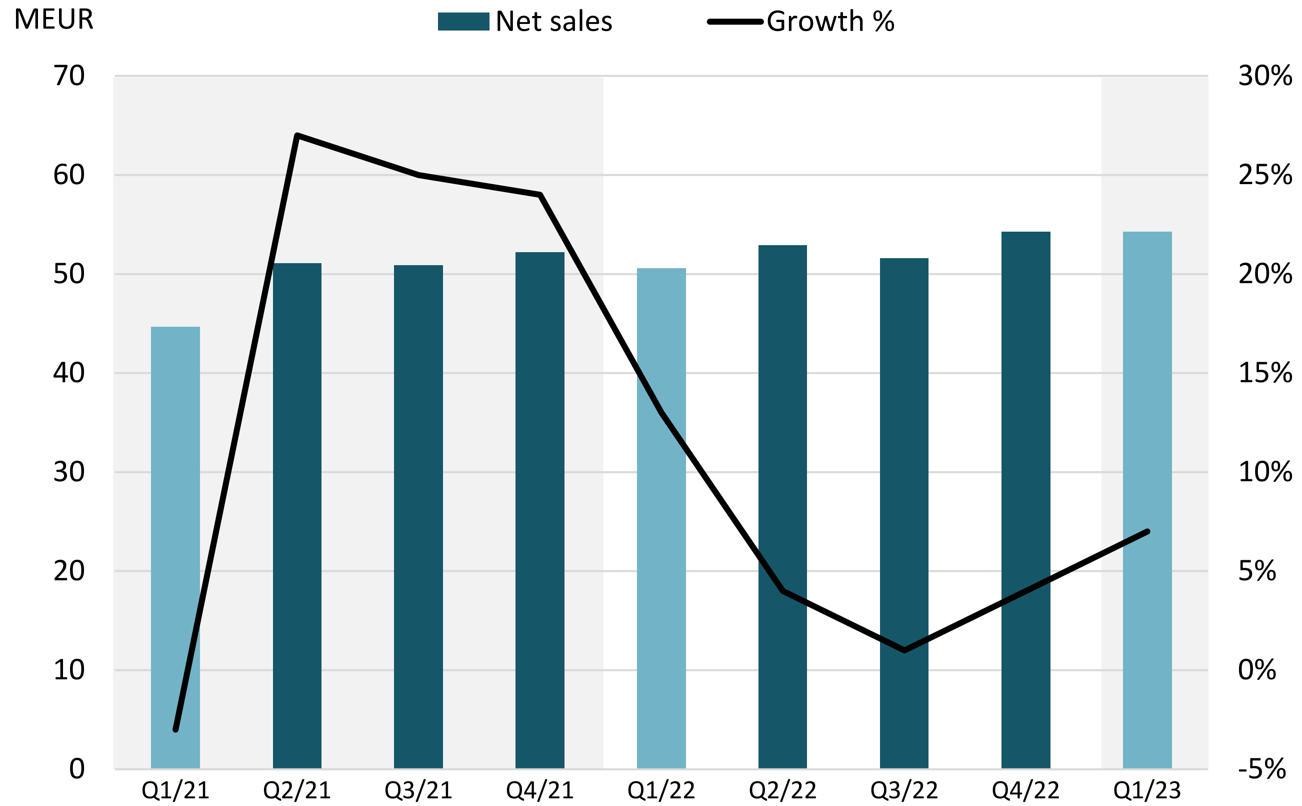
	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23
Comp. oper. profit	4,5	5,4	7,1	9,8	7,9	9,2	9,7	10,6	6,0
Comp. oper. profit %	10,3 %	11,7 %	15,0 %	18,0 %	13,9 %	15,2 %	15,0 %	16,7 %	11,3 %

- In Q1, the comparable operating profit decreased to EUR 6.0 (7.9) million, with comparable operating profit rate being 11.4% (13.9%).
- Despite being lower than last year's record level, the operating profit for the first quarter of 2023 is still considered good. The decline in operating margin was driven by:
  - The strike and high costs of the time charted vessels, both impacting the coaster segment, in particular
  - Decline in demand and spot market rates for the Supramax vesels
- The prices of diesel and liquefied natural gas (LNG) continued to decrease from the previous quarter. In historical context fuel prices are still high. Changes in energy prices are effectively offset through long-term fuel clauses in transportation agreements.
- The majority of the transportation capacity has been secured through long-term agreements with the exception of the Supramax vessels.
- The planned dockings for Q2 and Q3 2023 will have a negative profit impact.
- Near-term a temporary softening in customer demand will impact ESL Shipping's profitability negatively.

TELKO

Growth and modest profit improvement

Telko on a healthy organic and non-organic growth path

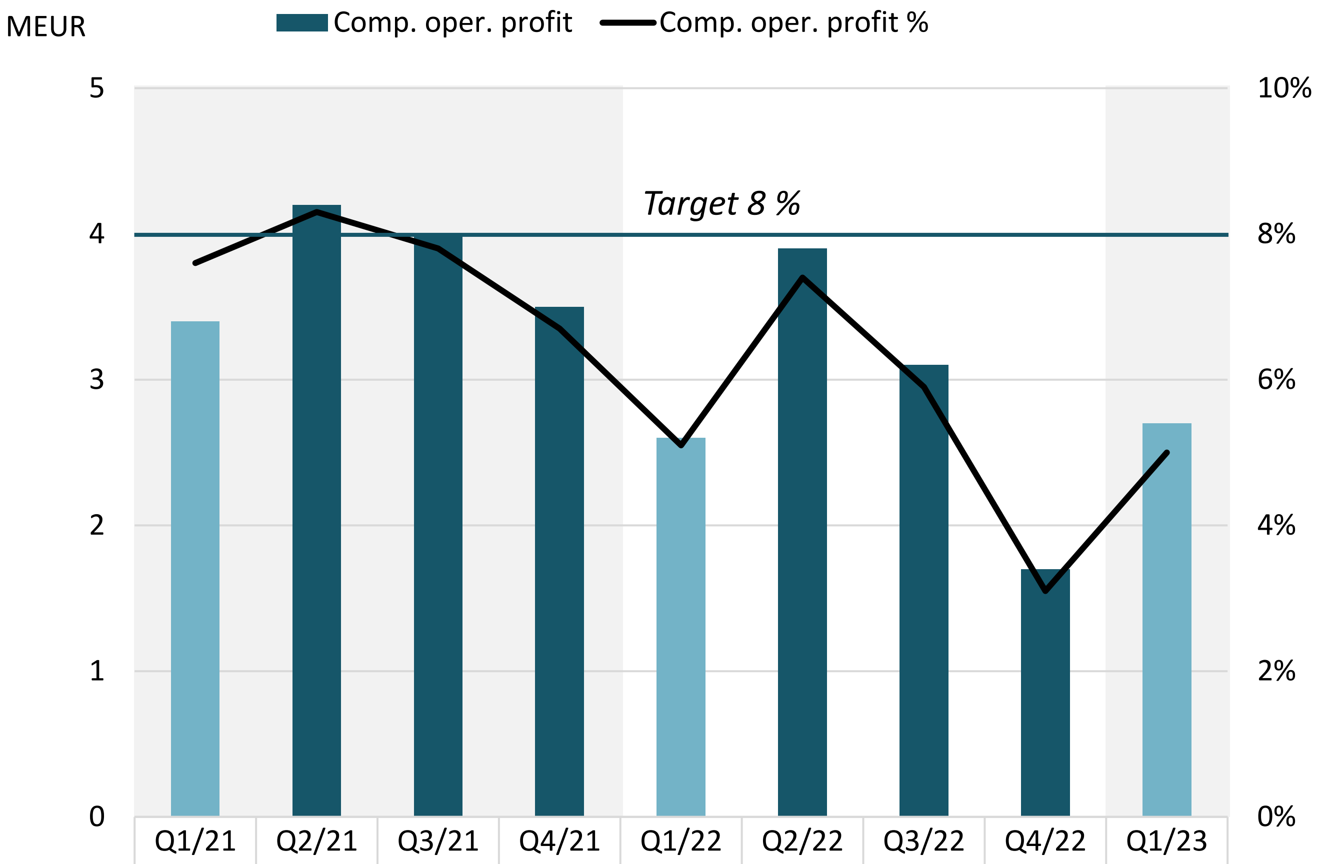


	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23
Net sales	44,7	51,1	50,9	52,2	50,6	52,9	51,6	54,3	54,3
Growth %	-3%	27%	25%	24%	13%	4%	1%	4%	7%

Net sales growth compared to the same quarter in the previous year.

- In Q1, Telko's net sales increased with 7% to EUR 54.3 (50.6) million.
- Organic growth and the acquisition of Eltrex contributed positively to Telko's sales growth, whereas the war had a clearly negative sales impact in Ukraine compared to the first quarter last year.
- Sales development overall positive:
    - Plastics (-2% in Q1): Demand in all segments was below average. Price levels overall in decline, but stabilizing. Negative development especially in volume plastics.
    - Chemicals (+25% in Q1): Demand remained relatively healthy. Prices continued to decline in many product lines, but the development was quite balanced. Eltrex contributed EUR 1.4 million in net sales during the quarter.
    - Lubricants (+12% in Q1): High demand especially for Industrial lubricants continued and generated sales growth. Prices stabilized after a long period of continuous increases. All prices are clearly above long-term average levels.
- In general, the business outlook in the European market looks somewhat softer than a year ago.
    - Plastics: No sudden changes expected, lowering trend in pricing
    - Chemicals: Healthy demand, some price erosion will continue in a controlled manner. Positive effect of Eltrex.
    - Lubricants: Continued stable development

Modest improvement in operating profit



	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23
Comp. oper. profit	3,4	4,2	4	3,5	2,6	3,9	3,1	1,7	2,7
Comp. oper. profit %	7,6 %	8,3 %	7,8 %	6,7 %	5,1 %	7,4 %	5,9 %	3,1 %	5,0 %

- In Q1, Telko's comparable operating profit increased to EUR 2.7 (2.6) million, and its comparable operating profit rate was 5.0% (5.1%).
- Healthy profitability development in chemicals and lubricants, whereas the market softening impacted negatively the profitability in plastics, especially in volume products.
- Despite market softening, demand will be moderated by the heterogenic cyclicality of the diversified customer base, and hence Telko's business remains fairly resilient to changes in overall market development.
- M&A process costs impacted operating profit negatively.
- The recent acquisitions have proved to be successful, and they have had a positive impact on the existing businesses. Telko will accelerate its growth through acquisitions to achieve set strategic goals in all three business segments.
- In order to secure good profitability, Telko will further strengthen its cost efficiency and continue developing its operating model towards better scalability and flexibility, including good inventory control. Actions are ongoing.

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Positive sales growth and profitability development

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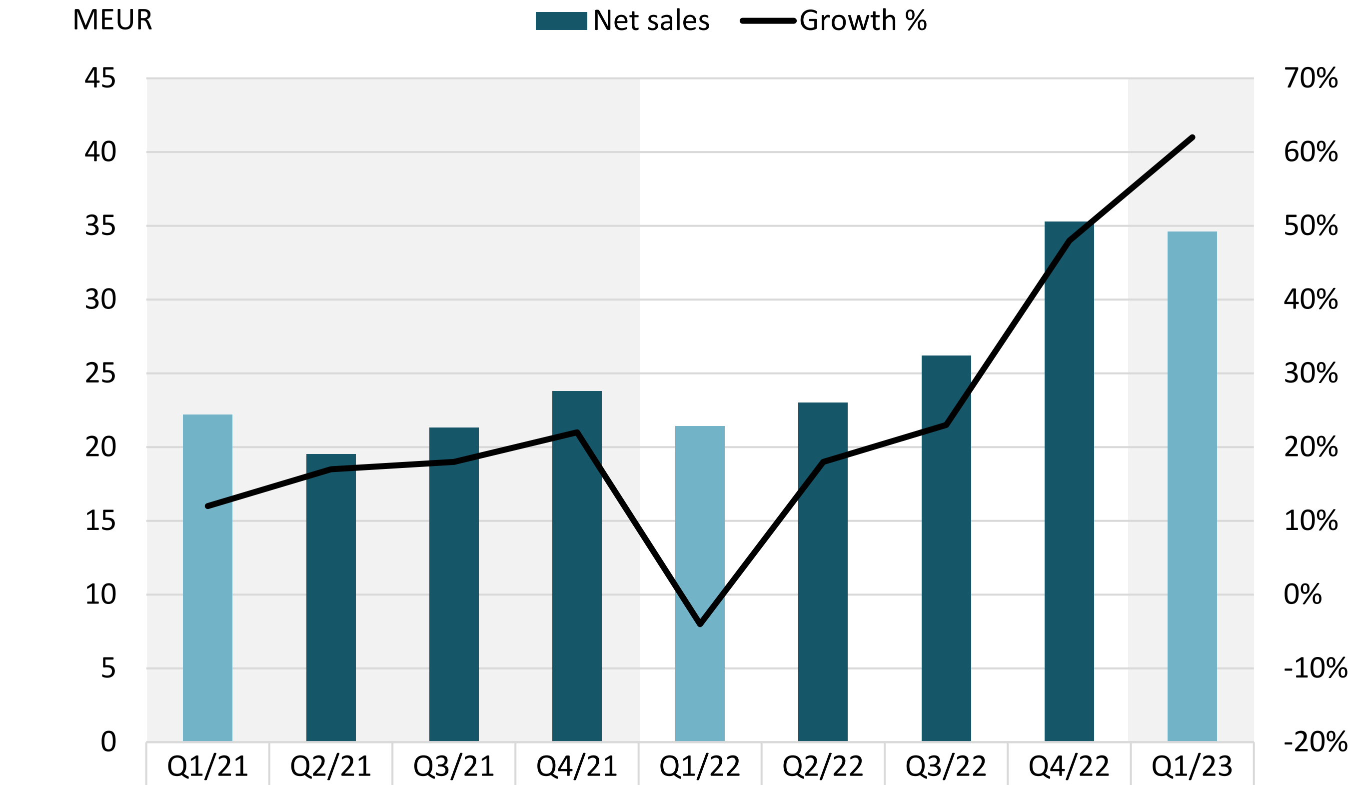
Growth driven by the Kobia acquisition and inflation

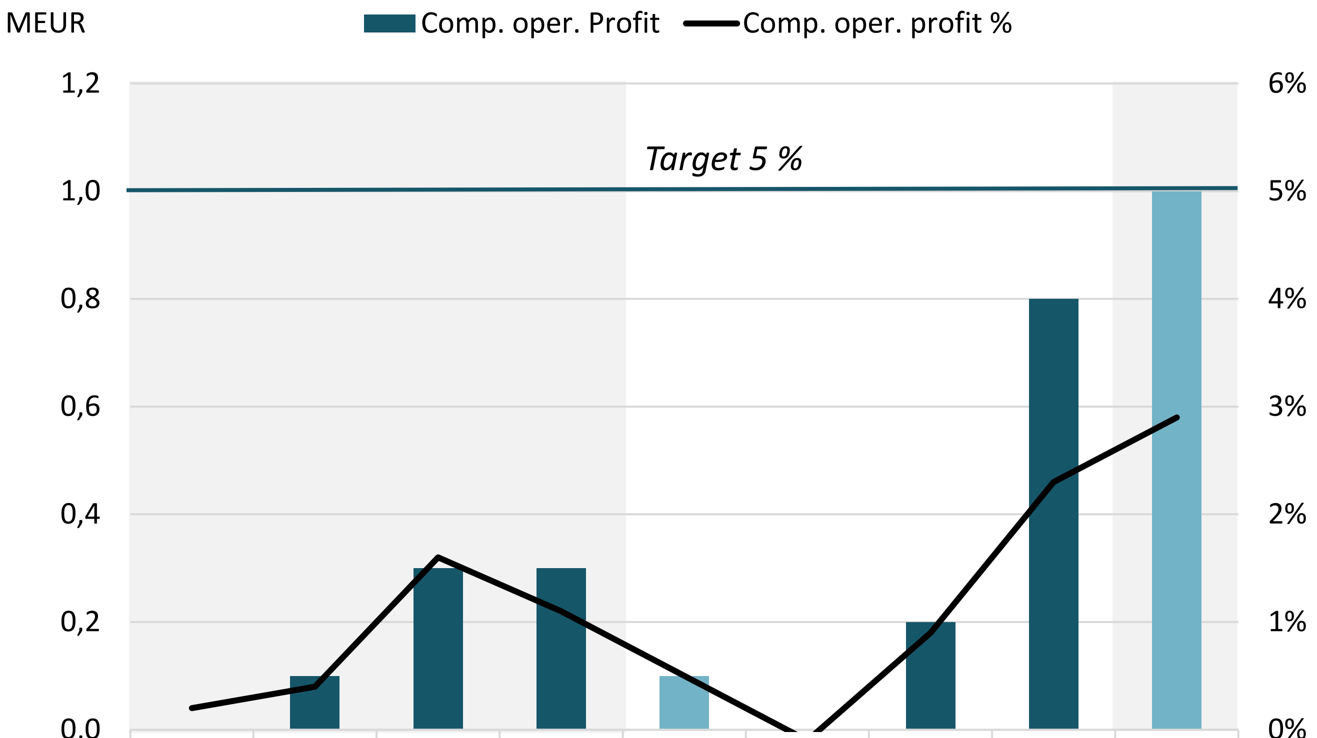


	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23
Net sales	22,2	19,5	21,3	23,8	21,4	23	26,2	35,3	34,6
Growth %	12%	17%	18%	22%	-4%	18%	23%	48%	62%

Net sales growth compared to the same quarter in the previous year.

- In Q1, Leipurin's net sales increased by 62% to EUR 34.6 (21.4) million, despite the divestment of Vulganus.
- The increase in raw material prices in global markets continued to positively impact on Leipurin's sales during the first quarter. Measured in kilo volume, the decline in sales continued in Finland, Sweden and the Baltic countries.
  - In Finland, net sales increased by 14% to EUR 11.9 (10.4) million.
  - In the Baltic countries, net sales increased by 19% to EUR 9.4 (7.9) million.
  - Net sales of the Ukraine business unit decreased by 40% to EUR 0.3 (0.5) million.
  - Sweden (including Kobia AB) contributed with EUR 13.0 million and approximately 38% of Leipurin's net sales in Q1 2023.
  - Sales to bakeries increased by 80% to EUR 25.7 (14.3) and sales to the food industry increased by 26% to EUR 2.9 (2.3) million.
- Going forward, we see that the market will offer a highly stable environment also with opportunities for organic growth in selected market segments. Leipurin will benefit from being more clearly focused on food ingredient sales and being a more synergistic group.

Leipurin continues on a positive profitability improvement trend



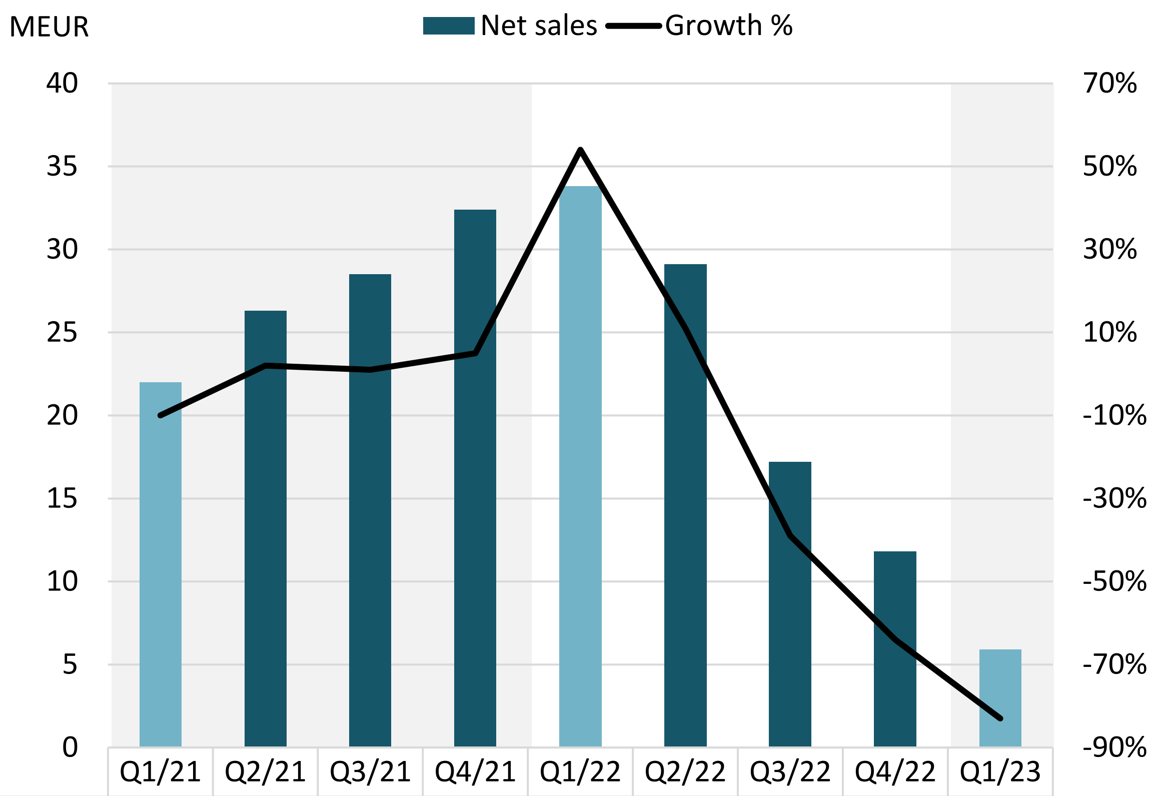
	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23
Comp. oper. Profit	0,0	0,1	0,3	0,3	0,1	0,0	0,2	0,8	1,0
Comp. oper. profit %	0,2 %	0,4 %	1,6 %	1,1 %	0,5 %	-0,1 %	0,9 %	2,3 %	2,9 %

Operating profit of EUR 1.2 million (-0.8) in Q1 and operating profit rate 3.5% (-3.7%), including items affecting comparability totaling EUR 0.2 (-0.9) million.

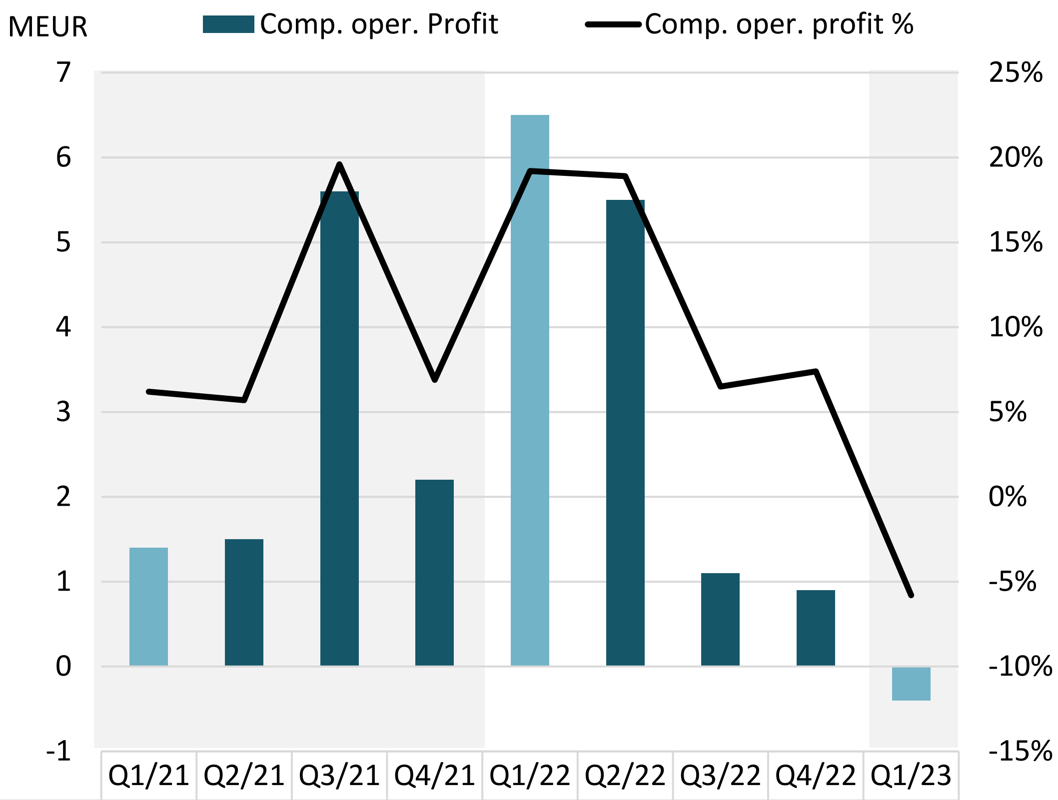
- Leipurin's comparable operating profit for the first quarter stood at EUR 1.0 (0.1) million, and the comparable operating profit rate was 2.9% (0.5%). Excluding Vulganus, the operating profit Q1 2022 was EUR 0.4 million.
- The volume decrease has been predominantly in the low-margin commodity items, resulting in an improved product mix, so the positive development in gross profits continued even at slightly lower total volumes.
- The Leipurin-Kobia integration is progressing according to plan with strong cross sales synergies and evidence of the benefits of a wider Nordic presence of Leipurin Group.
- Other profit improvement measures of Leipurin Group include upgrading of commercial activities, measures for improving supply chain efficiency, and management of operating expenditures.
- Leipurin Group remains in a good position to further improve its profitability. Inflation is expected to decelerate going forward, increasing the importance of inventory management.

Discontinued operations, including non-core businesses

Net sales and profitability of the discontinued operations declined



	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23
Net sales	22,0	26,3	28,5	32,4	33,8	29,1	17,2	11,8	5,9
Growth %	-10%	2%	1%	5%	54%	11%	-39%	-64%	-83%



	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23
Comp. oper. Profit	1,4	1,5	5,6	2,2	6,5	5,5	1,1	0,9	-0,4
Comp. oper. profit %	6,2 %	5,7 %	19,6 %	6,9 %	19,2 %	18,9 %	6,5 %	7,4 %	-5,8 %

Including Telko Russia and Belarus, Leipurin Russia, Belarus, and Kazakhstan, ESL Shipping Russia, Kauko GmbH (the Non-core businesses segment) and Kauko Oy.

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Aspo's financial position

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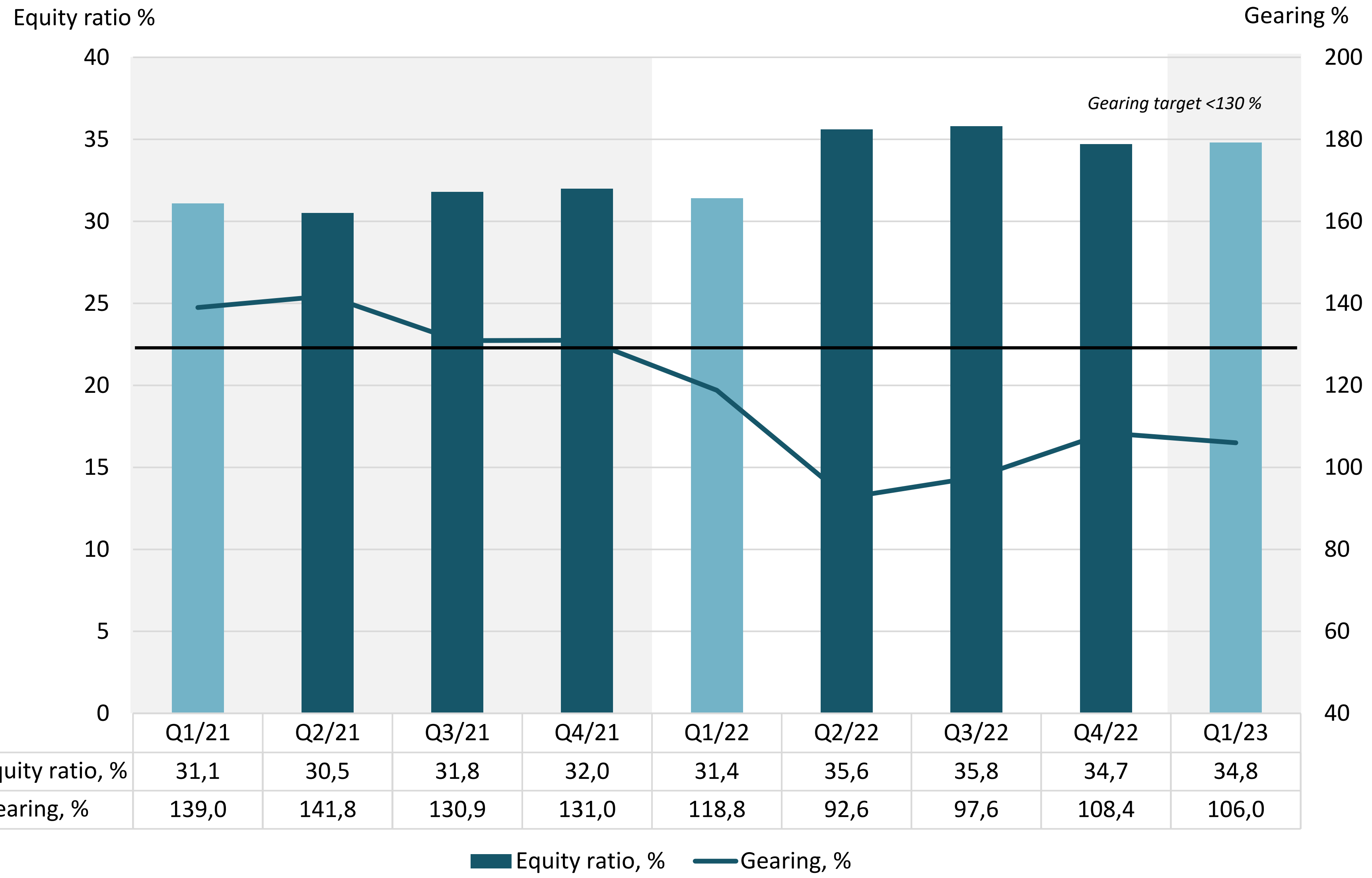
Aspo's balance sheet KPI’s strengthened further



	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23
Equity ratio, %	31,1	30,5	31,8	32,0	31,4	35,6	35,8	34,7	34,8
Gearing, %	139,0	141,8	130,9	131,0	118,8	92,6	97,6	108,4	106,0

- Net interest-bearing debt was EUR 156.7 (155.7) million and gearing decreased to 106.0% (108.4%).
- The Group’s equity ratio at the end of the review period was 34.8% (34.7%).

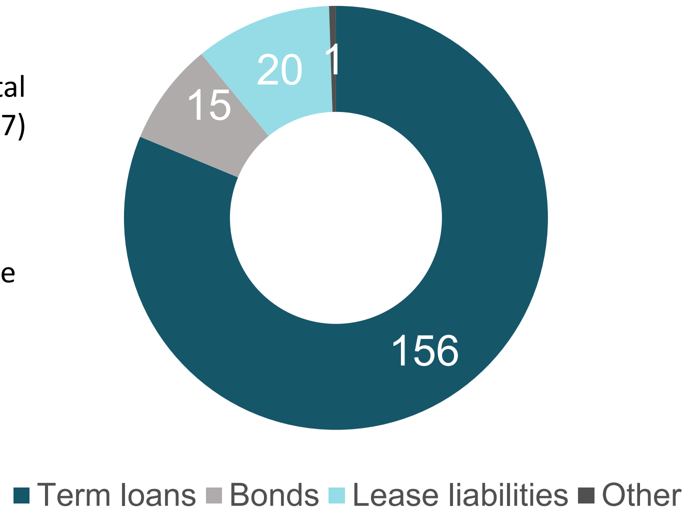
ASPO

Strong liquidity combined with balanced maturity structure

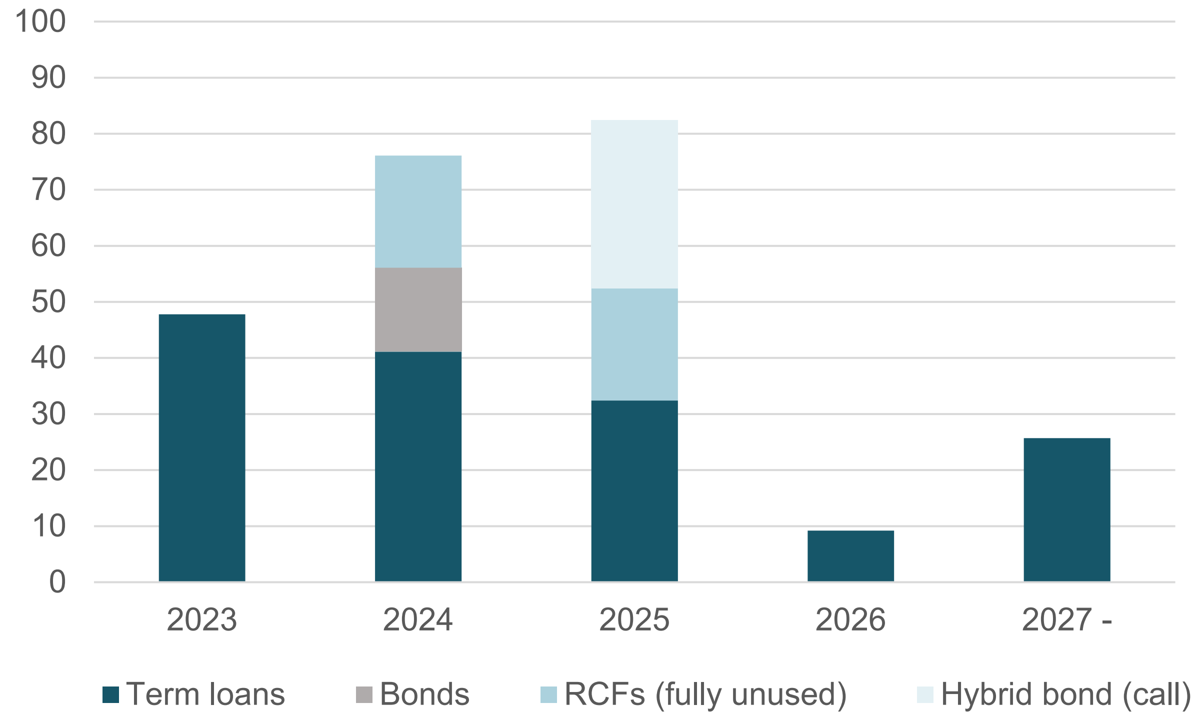
Interest-bearing debt incl. lease liabilities (mEUR)

Net interest-bearing debt total EUR 156.7 (155.7) million

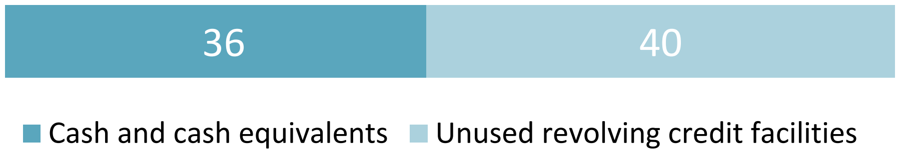
Avg interest rate 3.7% (1.3%)



Maturity profile



Liquidity (mEUR)



ASPO

All businesses in a good position to execute their strategies

- The green transition will offer ESL Shipping significant growth opportunities, and Aspo has initiated a program to support and accelerate ESL Shipping's low-carbon growth strategy.
- Telko compensates for the lost business in Russia and Belarus with organic and non-organic growth. Scalability remains key for success.
- Leipurin has shown very good development in net sales and profitability, and keeps focusing on continued profit improvement, supported by growth in prioritized segments.
- Financial guidance for 2023, given on February 15, 2023: Aspo Group's comparable operating profit will be higher than EUR 35 (55.3) million in 2023.

Q & A