Aspo Group Q2 2023 interim report

After a solid Q1, Aspo's profitability weakened in Q2

CEO Rolf Jansson

August 10, 2023

After a solid Q1, Aspo's profitability weakened in Q2

- Net sales from continuing operations grew 3% 1-6/2023 (3% decline in Q2/ 2023)
- Operating profit from continuing operations amounted to EUR 12 million during 1-6/2023 (EUR 3.6 million in Q2/ 2023)
- ROE adjusted by the items affecting comparability was 14.3%
- Solid operating cash flow of EUR 18.7 million
- The equity ratio was 34.8%

- Strategy execution 1-6/2023
  - Telko Russia fully exited
  - Signing of Leipurin exits from Russia, Belarus and Kazakhstan
  - Telko Eltrex acquisition
  - Sale and leaseback of Kobia's warehouse properties in Gothenburg, Hässleholm and Tyresö

	Q2 2023	Q1-Q2 2023
Net sales, continuing operations	EUR 132.6 million (136.2)	EUR 274.2 million (265.0)
Comparable operating profit, continuing operations	EUR 3.6 million (11.7)	EUR 12.0 million (20.4)
Return on equity, adjusted by items affecting comparability	14.3% (32.3%)	
Gearing ratio	EUR -0.19 (Dec 31, 2022: 0.31)	
Net cash from operating activities, Group total	EUR 6.5 million (19.1)	EUR 18.7 million (34.3)

ASPO

Working hard to reach year 2023 sustainability targets

- Aspo's key target is to reduce emission intensity, **CO2 (tn) per net sales (EUR thousand)**, by 30% by 2025
  - Starting level (2020) was 0.44
  - Q2/2023 Rolling 12 months: 0.34
  - Target level for 2023 is 0.36
  - Target level for 2025 is 0.30
- Key drivers of development:
  - Operational efficiency
  - New operating models
  - Weather conditions
  - Fleet structure
  - Net sales growth
- **TRIF (Total Recordable Injury Frequency)** for the last 12 months was 8.6 (2022: 8.1). The TRIF target for 2023 is 7.0
- Aspo’s **employee survey** completed in June 2023 resulted in an AA-rating and a people power index of 79, which equals the rating last year, and is clearly above the global industry benchmark (74)

Emission intensity, LTM

0.34 (0.33 in 2022)

Target 2023:

0.36

Incident frequency (TRIF), LTM

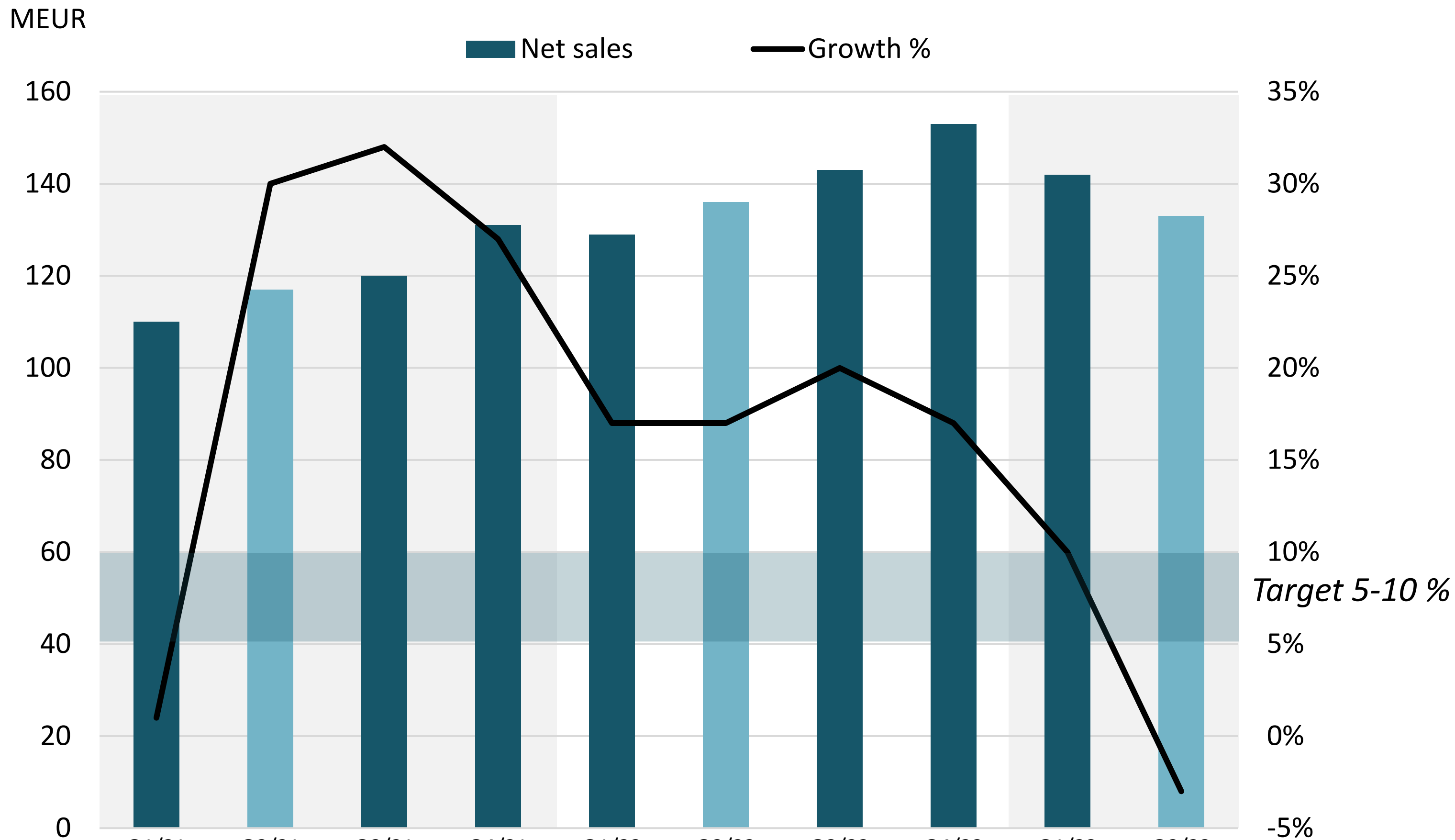
8.6 (8.1 in 2022)

Target 2023:

7.0

ASPO

Flat net sales development from Aspo's continuing operations

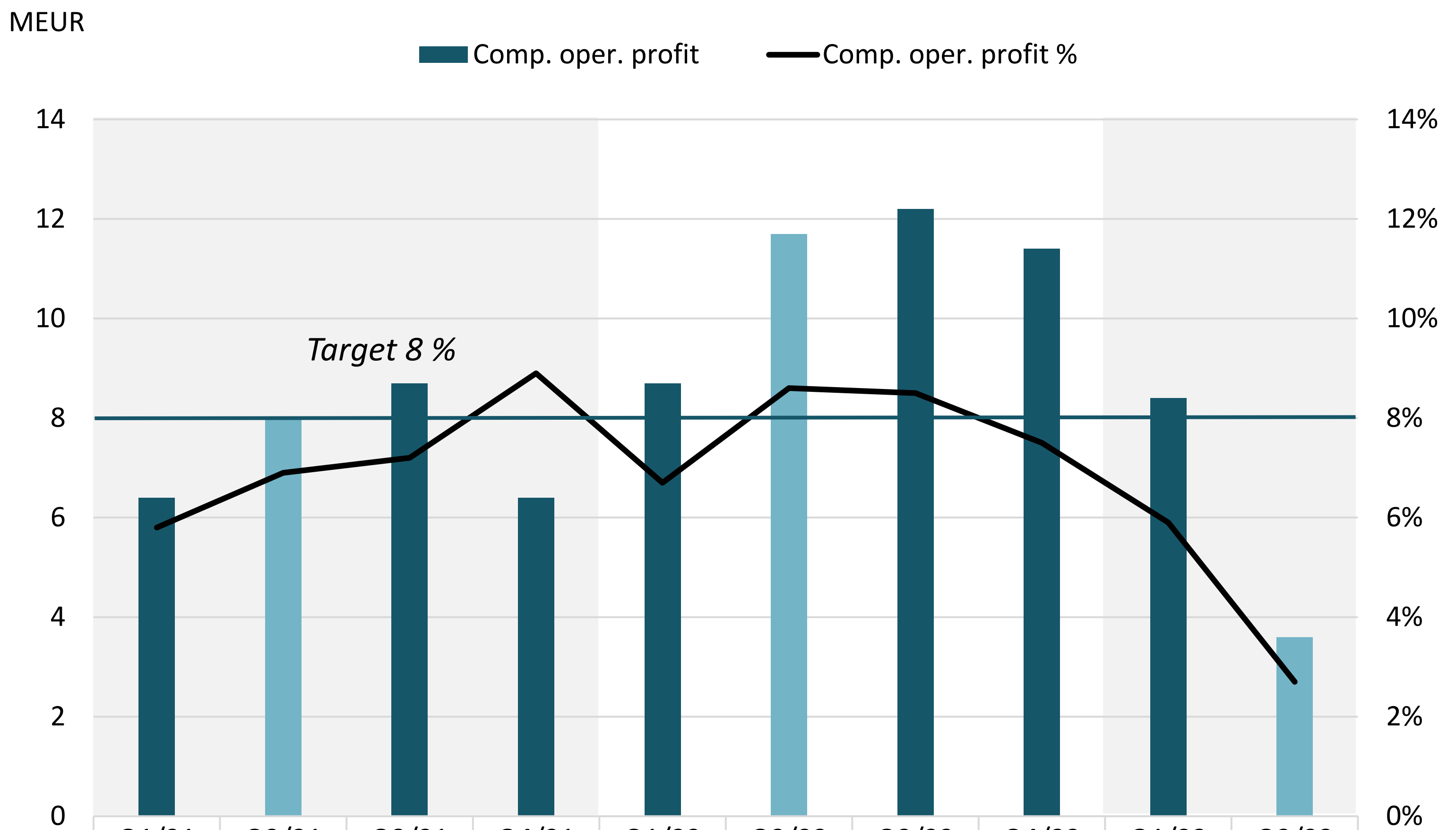


	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23
Net sales	110	117	120	131	129	136	143	153	142	133
Growth %	1%	30%	32%	27%	17%	17%	20%	17%	10%	-3,0 %

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

- For January-June 2023, net sales from continuing operations increased by 3% to EUR 274.2 (265.0) million
- In Q2 2023, Aspo's net sales from continuing operations decreased by 3% to EUR 132.6 (136.2) million
  - ESL Shipping's sales decreased significantly due to softening demand and decline in fuel prices
  - Telko's sales developed positively driven by acquisitions
  - The Kobia acquisition and inflation contributed to Leipurin's strong sales growth

Aspo's comparable operating profit from continuing operations at EUR 3.6 million



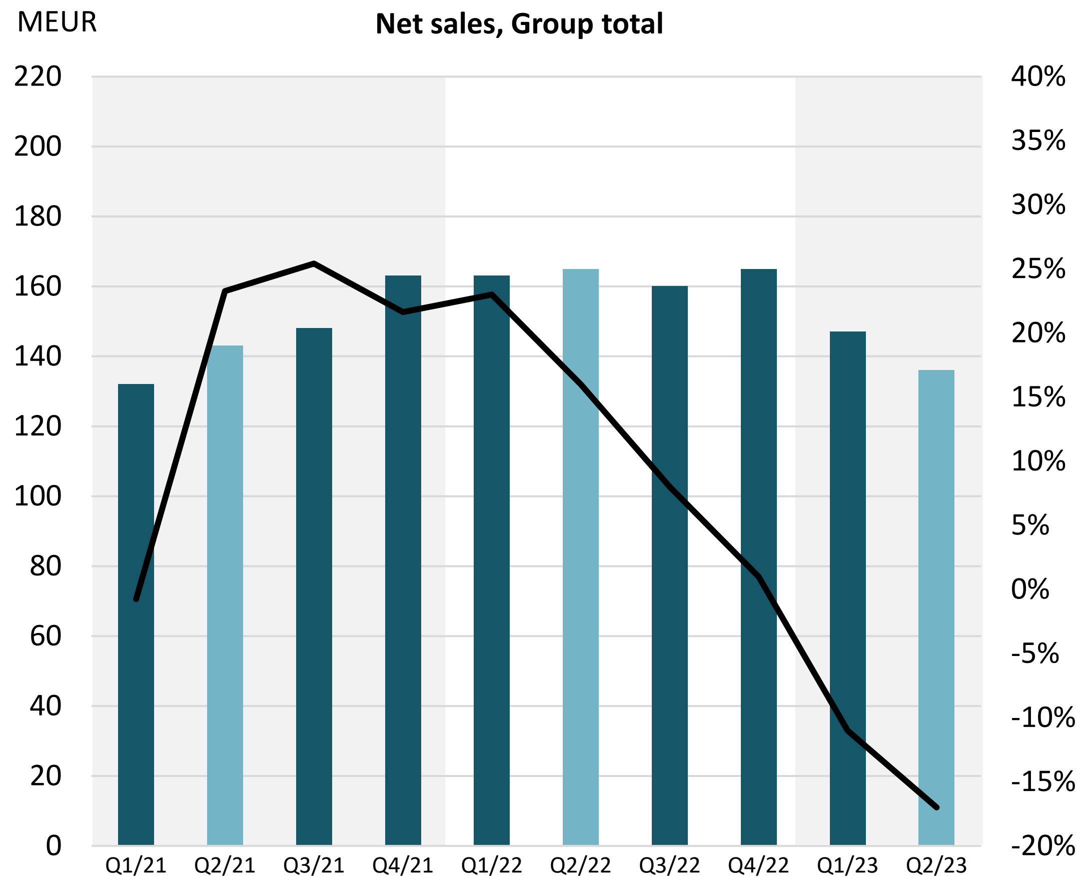
	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23
Comp. oper. profit	6,4	8,0	8,7	6,4	8,7	11,7	12,2	11,4	8,4	3,6
Comp. oper. profit %	5,8 %	6,9 %	7,2 %	8,9 %	6,7 %	8,6 %	8,5 %	7,5 %	5,9 %	2,7 %

- In January-June, comparable operating profit from continuing operations was EUR 12.0 (20.4) million, and the comparable operating profit rate was 4.4% (7.7%)
- Comparable operating profit from continuing operations was EUR 3.6 (11.7) million and the comparable operating profit rate was 2.7% (8.6%)
  - Leipurin significantly improved its profitability based on the successful transformation
  - ESL Shipping and Telko showed a decline in profitability impacted by challenging market conditions

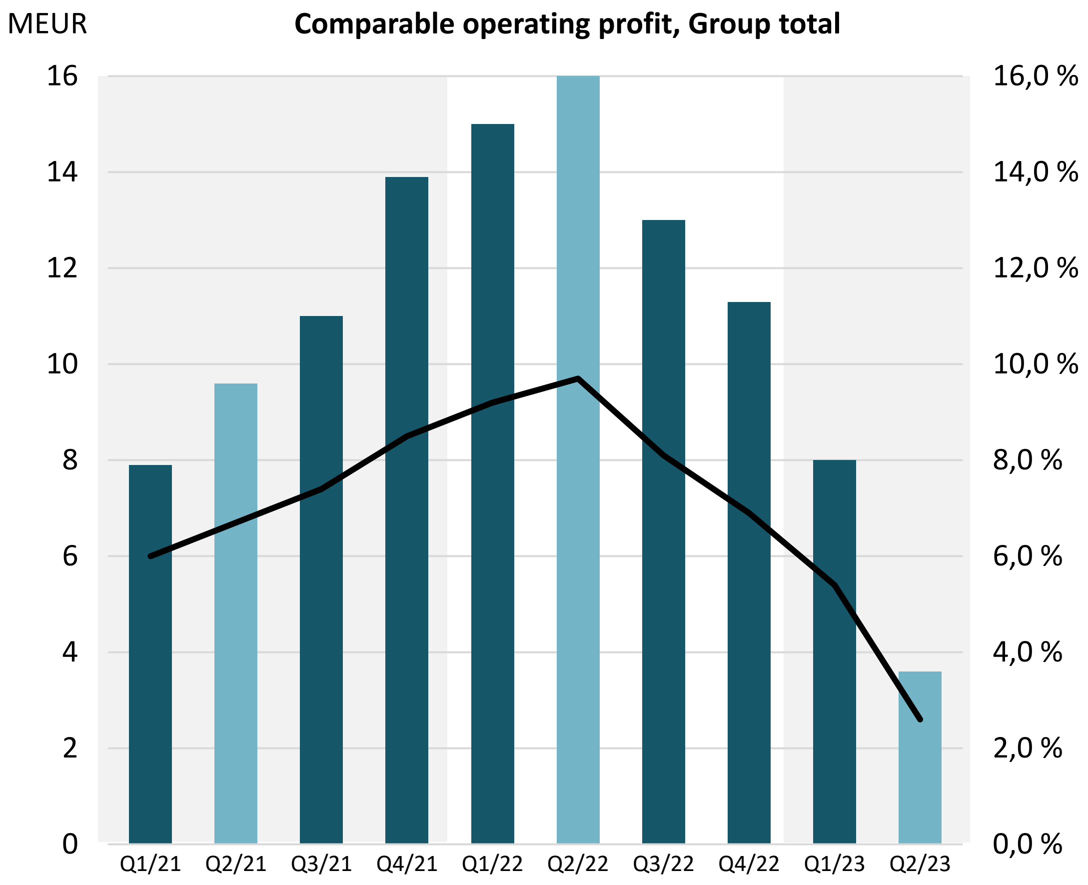
Operating profit from continuing operations was EUR 2.8 (11.7) million in Q2 including items affecting comparability totaling EUR -0.8 (0.0) million. Operating profit rate from continuing operations was 2.1% (8.6%).

ASPO

Group total net sales and comparable operating profit in decline, driven by the Russian exits



	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23
Net sales	132	143	148	163	163	165	160	165	147	136
Growth %	-1%	23%	25%	22%	23%	16%	8%	1%	-11%	-17,0 %

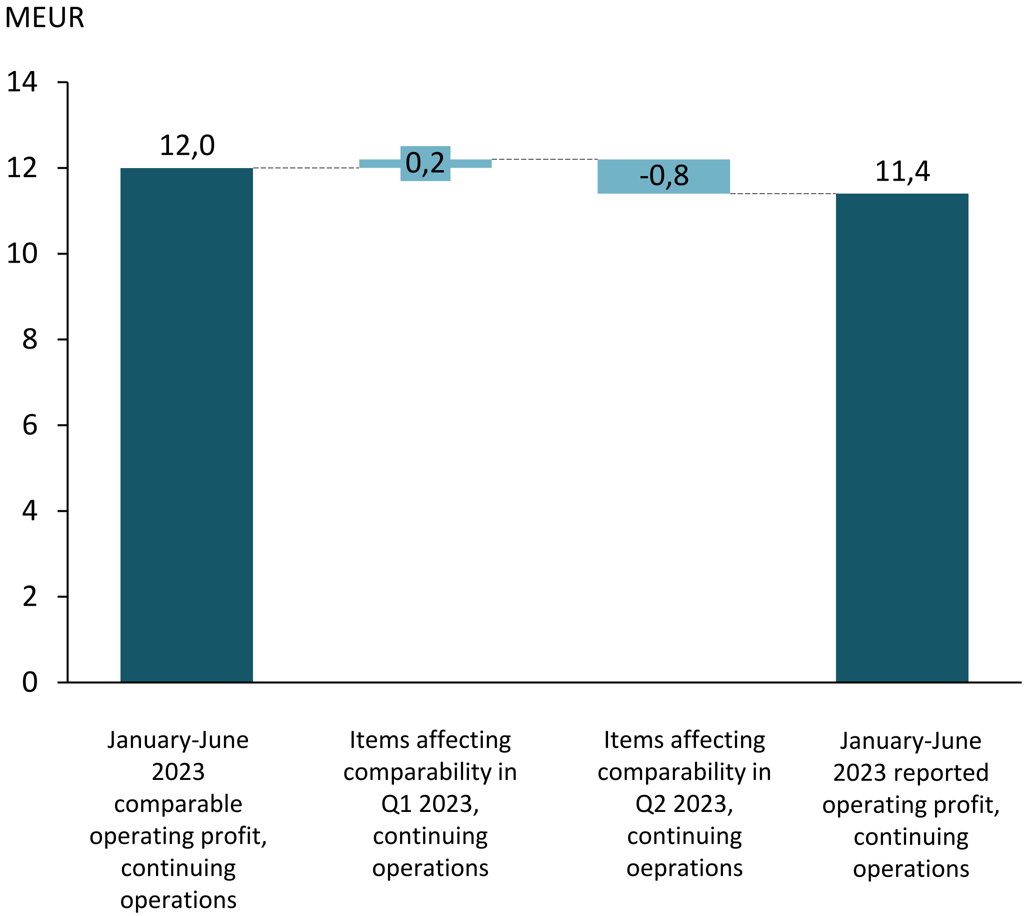


	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23
Comp. oper. profit	7,9	9,6	11,0	13,9	15,0	16,0	13,0	11,3	8,0	3,6
Comp. oper. profit %	6,0 %	6,7 %	7,4 %	8,5 %	9,2 %	9,7 %	8,1 %	6,9 %	5,4 %	2,6 %

Items affecting comparability 1-6/2023 totaled EUR -8.3 million, primarily related to Telko's exit from Russia

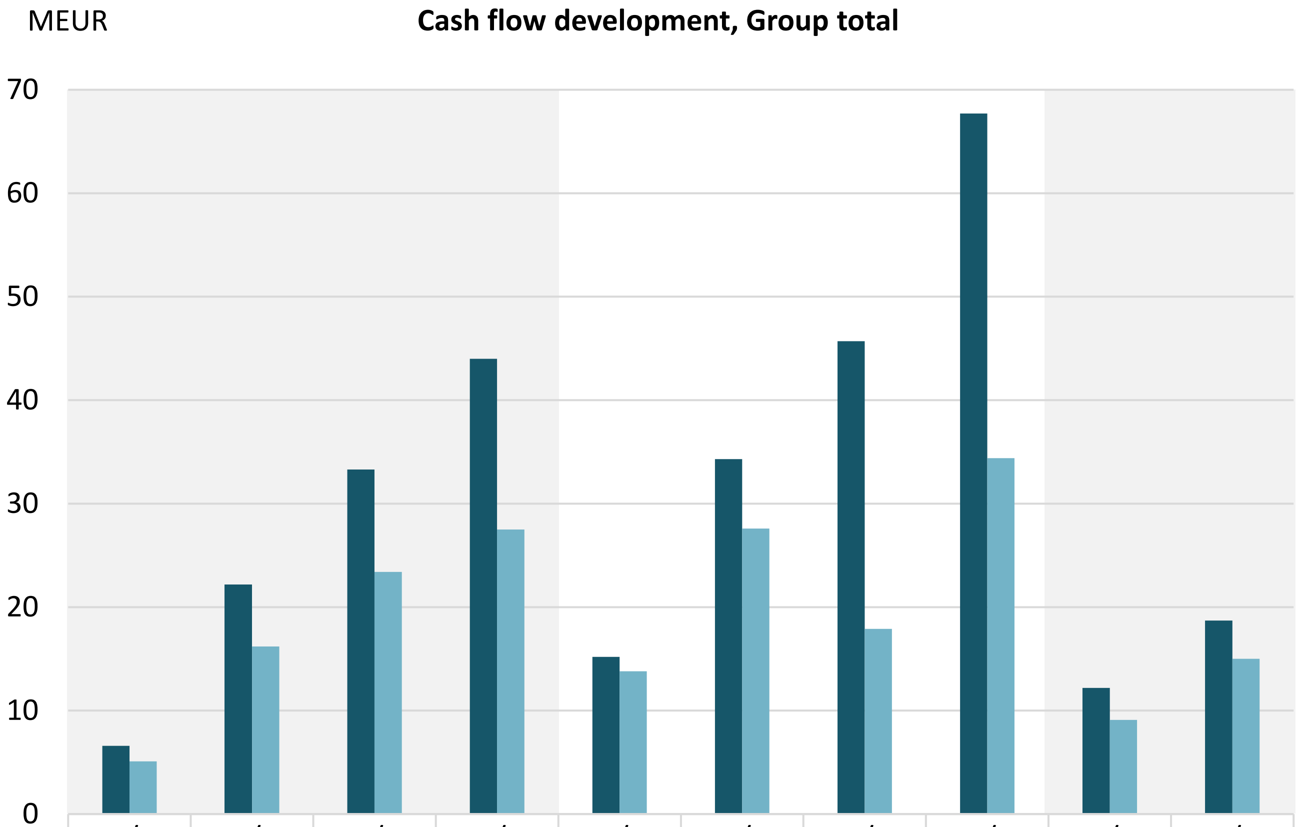
- Items affecting comparability totaled EUR -8.8 (-2.4) million in Q2
  - EUR -0.8 million concerning continued operations
    - Telko segment EUR -1.0 million related to inventory write downs caused by Russia's invasion in Ukraine
    - Leipurin segment EUR 0.3 million the gain on the sale and lease back transactions of Kobia's properties in Hässleholm and Tyresö
    - Other operations EUR -0.1 million related to corporate restructuring
  - Discontinued operations EUR -8.0 million related to the loss on divestment of Telko's subsidiary in Russia (primarily accumulated translation differences)
- In January-June items affecting comparability totaled EUR -8.3 (-7.3) million at Group total level
  - EUR -0.6 million concerning continued operations
  - EUR -7.7 million concerning discontinued operations
- In 2022, items affecting comparability totaled EUR -24.1 million

Operating profit bridge, continuing operations 1-6/2023



ASPO

Solid cash flow, strengthened by sales of Kobia properties

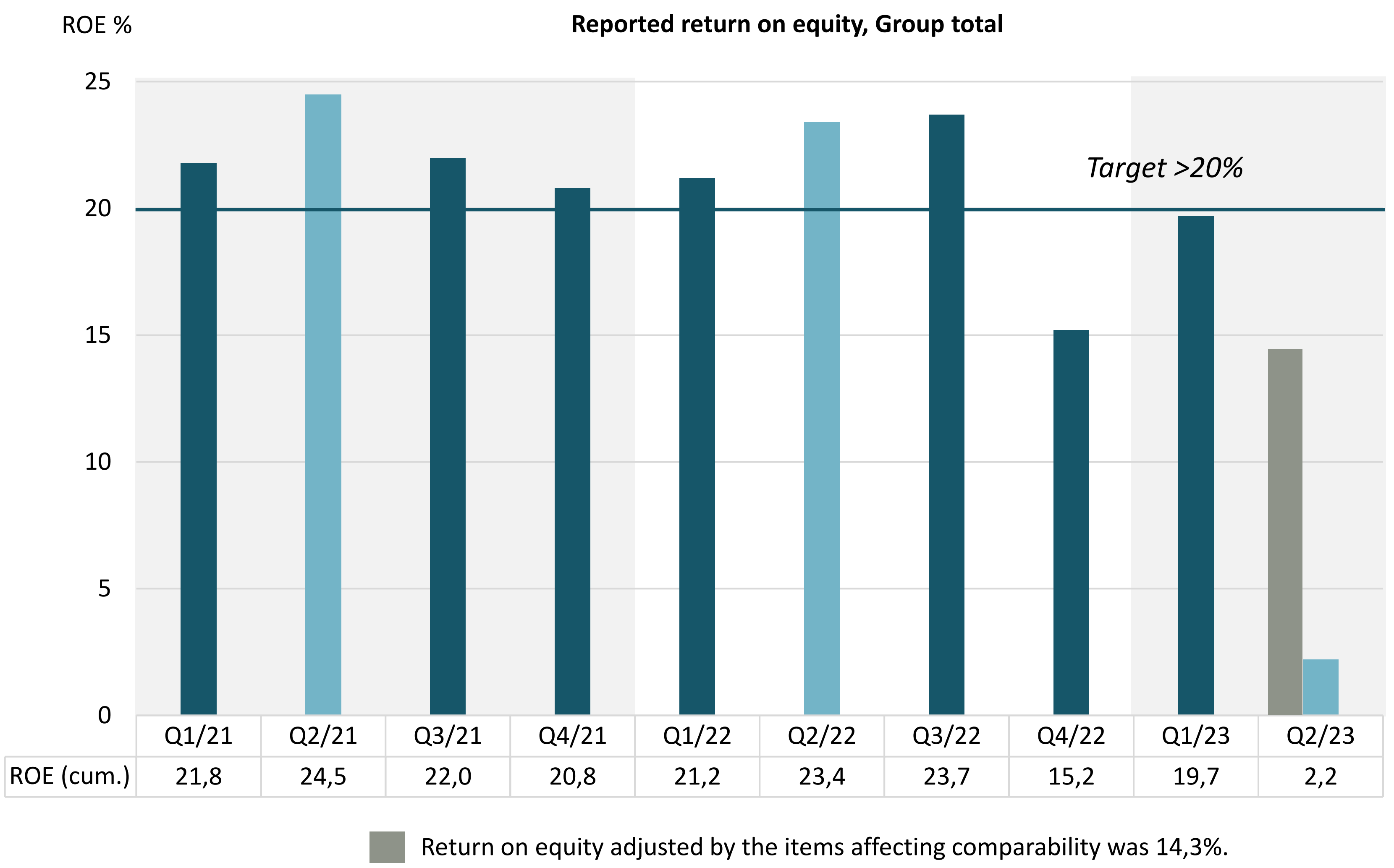


	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23
Operating cash flow (cum.)	6,6	22,2	33,3	44,0	15,2	34,3	45,7	67,7	12,2	18,7
Free cash flow (cum.)	5,1	16,2	23,4	27,5	13,8	27,6	17,9	34,4	9,1	15,0

- Net cash from operating activities was EUR 18.7 million (34.3)
  - Cash flow of all businesses was positive, and the decrease compared to the comparative period came from ESL Shipping
  - The impact of the change in working capital on cash flow was limited to EUR 0.8 million (2.3)
- Free cash flow was EUR 15.0 million (27.6)
  - Investments of EUR 5.9 million consisted mainly of ESL Shipping's Green Coasters
  - EUR 3.9 million cash outflow from the acquisitions of Eltrex
  - EUR 4.4 million cash outflow from the sale of Telko's subsidiary in Russia
  - EUR 10.1 million cash inflow from the sale of Kobia's properties in Sweden
  - Other cash inflow of EUR 0.4 million

ASPO

Return on equity adjusted by items affecting comparability at 14.3%



- Return on equity adjusted by the items affecting comparability was 14.3% (32.3%)
- Reported ROE was 2.2% (23.4%). ROE was on modest level especially due to the loss from discontinued operations resulting mainly from the reclassification of translation differences with no impact on Group total equity

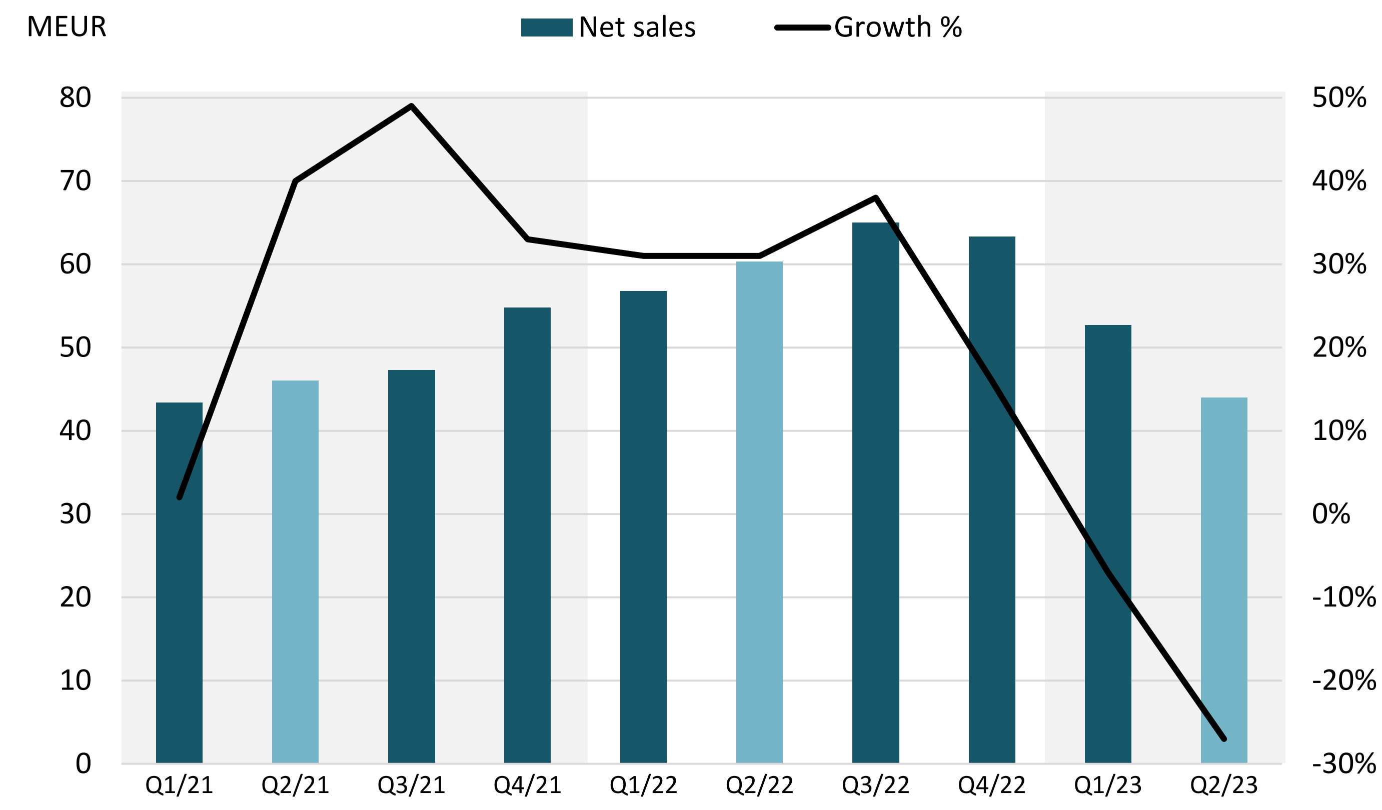
Aspo is in a good position for future sustainable value creation

- The war in Ukraine and exits of selected Eastern markets have caused a decline in Aspo's net sales and profitability. The Russian exits are almost completed, which frees-up resources to pursue Aspo's western focused strategy
- ESL Shipping's market will grow significantly due to the green industrial transition in the Nordics. Hence, there is great opportunity to accelerate ESL Shipping's sustainability driven growth by investing in fossil free transportation technologies. The first steps have already been taken, e.g. via investing in twelve green coasters. The ambition is to further focus on industrial partnerships and long-term contracts, which in combination with the sustainability focus will offer a strong future platform for stable and growing earnings. To finance this growth, alternative measures are being assessed, incl. the sale of the two supramax vessels, a launch of a new investment pool for green vessels, and a possible equity injection in ESL Shipping by a minority shareholder
- These measures will also decrease Aspo's capex burden into ESL Shipping and free up capital to be invested into the other businesses of Aspo, incl. acquisitions of Telko and investments to grow the profitability of Leipurin
- Telko focuses on compounding and efforts to enhance scalability. The business model of Telko provides good returns considering solid margins combined with a light balance sheet. The market of Telko is very fragmented offering room for additional acquisitions beyond Eltrex, Johan Steenks, etc. Telko's ambition is to develop towards a leading European player with a focus towards specialty products
- The transformation of Leipurin is well under way. There are still significant opportunities in the areas of commercial, supply chain, sourcing and leadership model to further grow and develop Leipurin's profitability. After the Russian exit, Leipurin is focused on west, which will offer stable market development with growth opportunities in prioritised market segments

ESL Shipping

ESL Shipping suffered from low spot market demand

Low spot market demand and fuel prices caused net sales decline



	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23
Net sales	43,4	46,0	47,3	54,8	56,8	60,3	65,0	63,3	52,7	44,0
Growth %	2%	40%	49%	33%	31%	31%	38%	16%	-7%	-27%

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

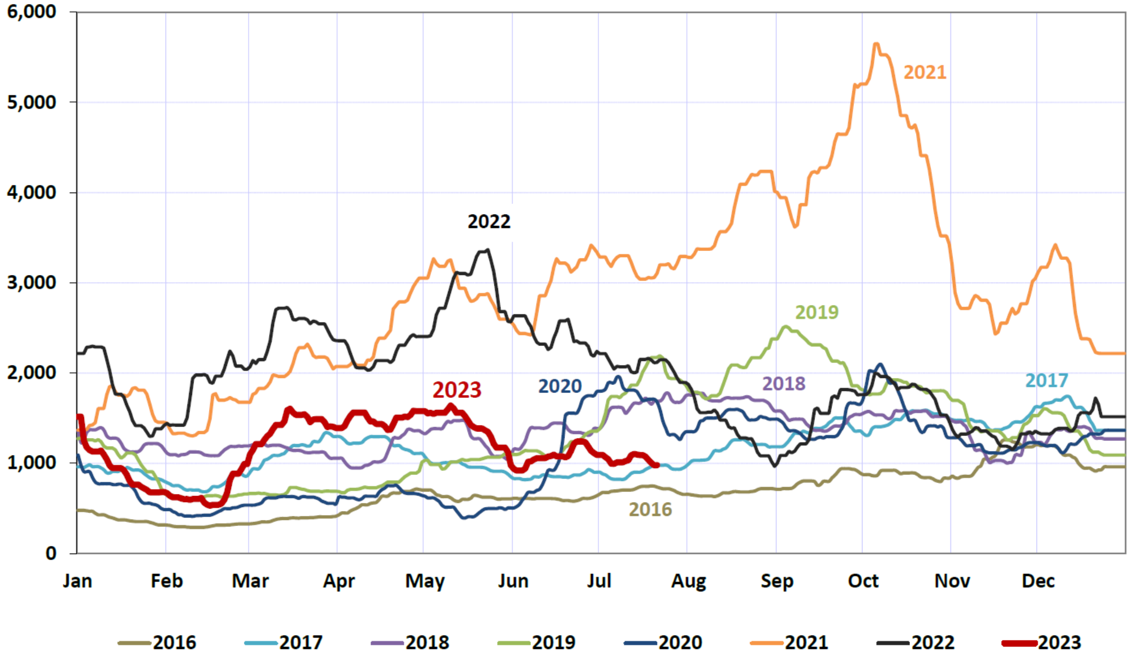
- In January-June, net sales decreased by 17% from the comparative period, amounting to EUR 96.7 (117.1) million
- In Q2, ESL Shipping's net sales decreased by 27% from the comparative period to EUR 44.0 (60.3) million
- Weakened demand as expected especially in the spot market and for the two supramax vessels. Volume demand for the handysize vessels was slightly lower than expected driven by low energy coal volumes. The coaster volumes remained at a satisfactionary / expected level, despite capacity constraints for time charted vessels
- The cargo volumes transported by ESL Shipping decreased from the comparative period to 3.0 (3.3) million tons. The prices of diesel and LNG continued to decrease and had consequently a negative effect on net sales development. Seasonal maintenance breaks and dockings caused decline in net sales
- Going forward, ESL Shipping 's main markets are expected to suffer from low level of industrial activity throughout the summer season and to pick up again later during the second half of the year. The transportation demand of ESL Shipping's key industries, steel and forest, are expected to be fairly stable, but lower than previous year

ESL Shipping will benefit from the green transition in the medium and long term

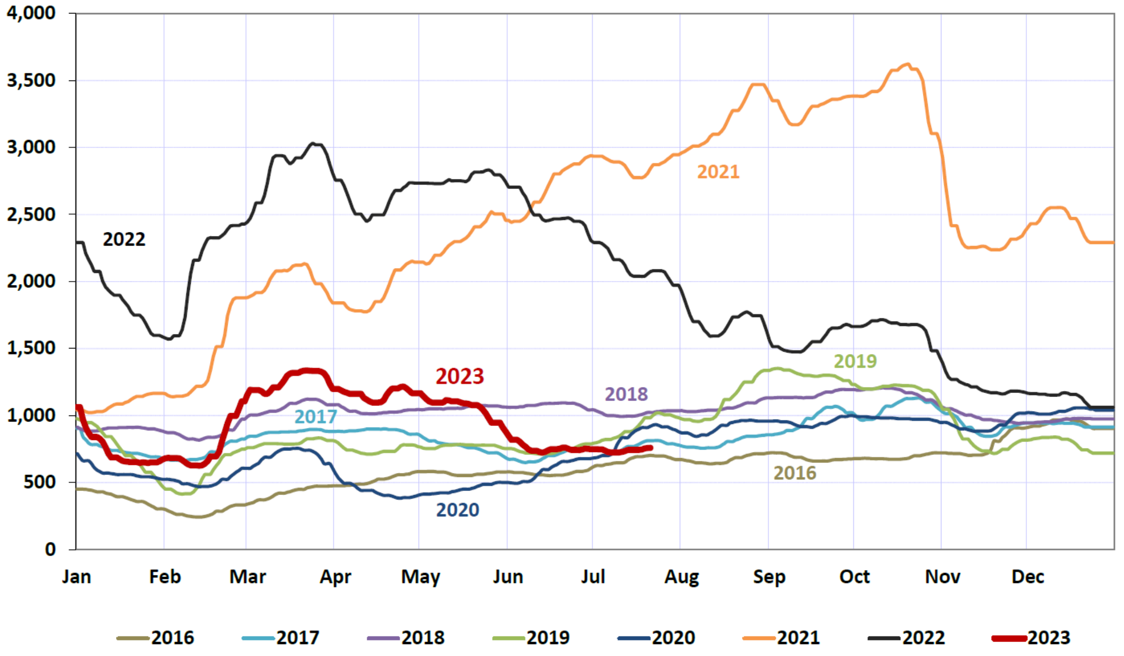
- The green transition is expected to substantially enlarge ESL Shipping's market
- The investment into twelve green coaster is progressing as planned. A total of six vessels are already under construction and the first vessel in the series, Electramar, was successfully launched in June and is expected to be delivered during fall 2023.
- In end of April 2023, Aspo's board of directors launched a program to accelerate ESL Shipping's low-carbon growth strategy. Three measures are being assessed:
    - 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
- All measures aim to strengthen ESL Shipping's capacity to invest in new fossil-free vessels and technologies, and thereby support the green transition of its industrial partners
- The program has progressed according to plan, and first results are expected still during year 2023

The Baltic Dry index has declined since May 2023 to a historically low level

Baltic dry index

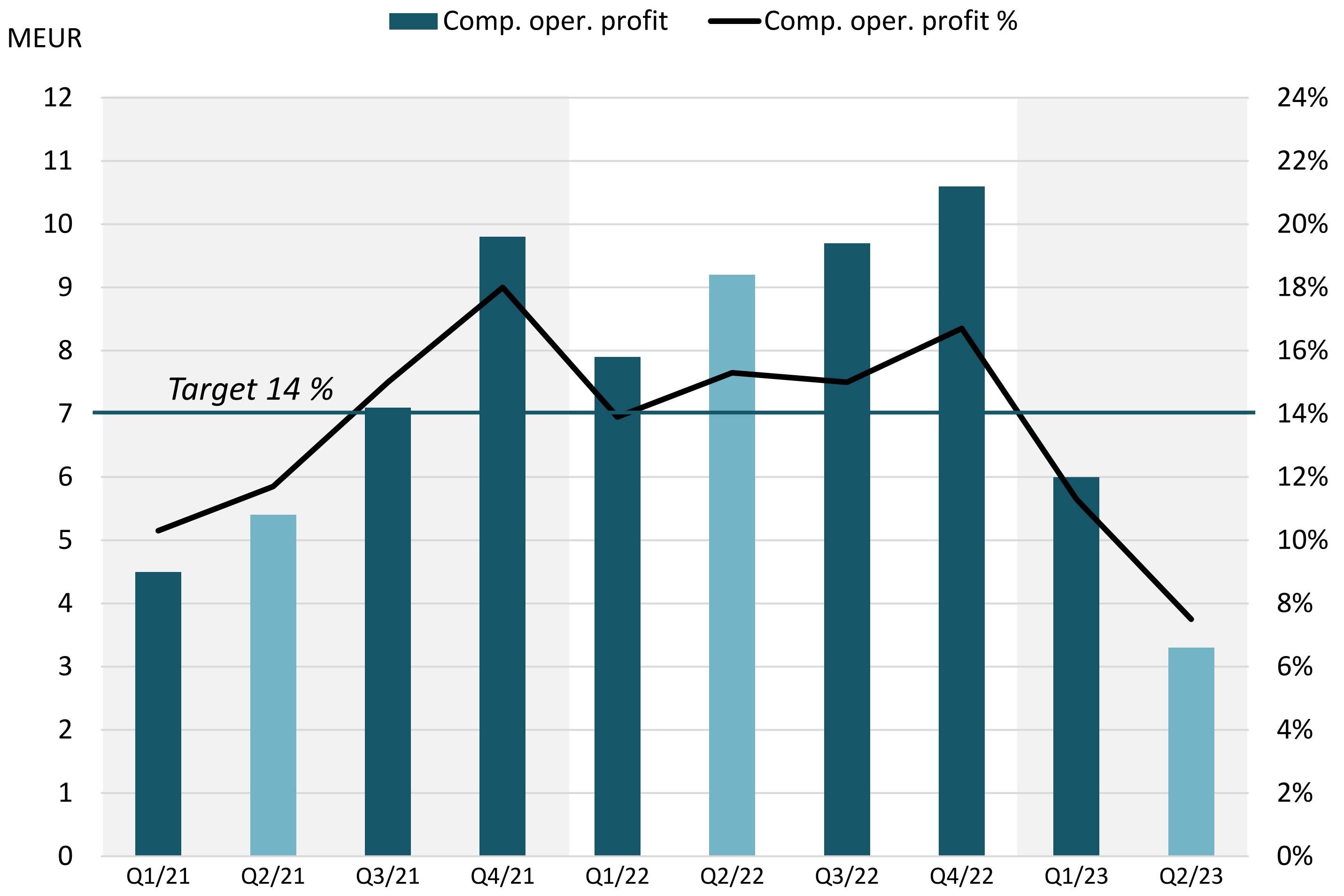


Baltic supramax index



Source: Baltic dry Index, banchero costa network July 21, 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.

Poor profitability due to market softness, supramax losses, dockings, and expensive time charted coasters

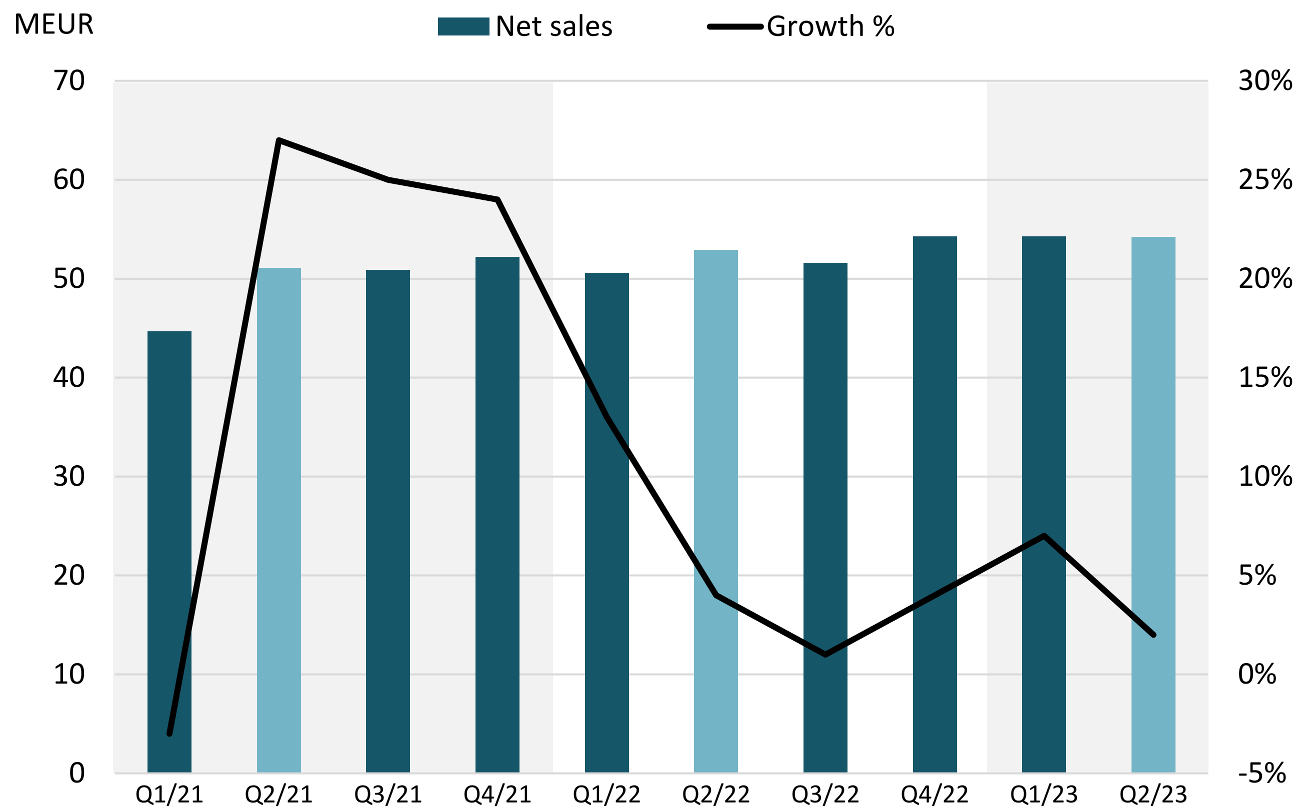


	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23
Comp. oper. profit	4,5	5,4	7,1	9,8	7,9	9,2	9,7	10,6	6,0	3,3
Comp. oper. profit %	10,3 %	11,7 %	15,0 %	18,0 %	13,9 %	15,3 %	15,0 %	16,7 %	11,3 %	7,5 %

- In January-June, the comparable operating profit decreased to EUR 9.3 (17.1) million and the comparable operating profit rate was 9.6% (14.6%)
- In Q2, the comparable operating profit decreased to EUR 3.3 (9.2) million, with comparable operating profit rate being 7.5% (15.3%)
- The decline in operating profit was driven by:
  - Market softness, especially the spot market
  - Loss-making supramax vessels
  - Economic slow-down, e.g. construction industry demand (steel), decline in energy coal volumes, build-up of stock levels (forest)
  - Key clients rearranging sourcing of raw materials
  - Dockings of highly profitable vessels
  - Highprice level of time charted coaster capacity
- The planned dockings for Q3 2023 are still expected to have a negative profit impact. However, as demand picks up after the summer months, this will have a positive profit impact on ESL Shipping

Telko impacted by declining market prices in volume plastics

Net sales growth primarily driven by acquisitions

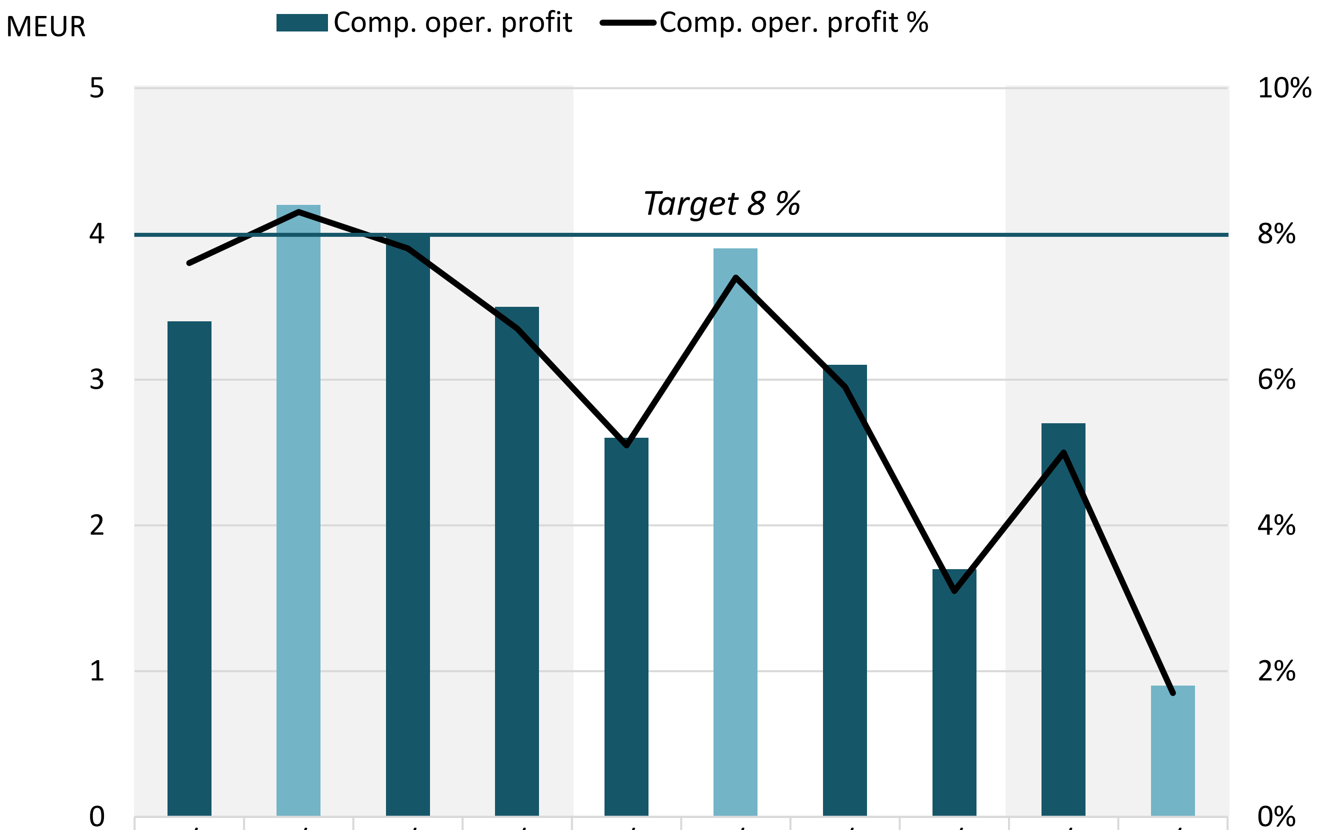


	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23
Net sales	44,7	51,1	50,9	52,2	50,6	52,9	51,6	54,3	54,3	54,2
Growth %	-3%	27%	25%	24%	13%	4%	1%	4%	7%	2%

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

- In January-June, net sales increased by 5% from the comparative period, amounting to EUR 108.5 (103.5) million
- In Q2, Telko’s net sales increased by 2% from the comparative period to EUR 54.2 (52.9) million
  - Plastics (-13% in Q2): Very challenging second quarter due to rapidly declining prices combined with soft demand. In some product groups prices were up to 40% lower than during the same time in 2022
  - Chemicals (+37% in Q2): Demand remained relatively healthy. Prices continued to decline in many product lines, but development was quite balanced. The recently acquired Polish distributor Eltrex contributed EUR 2.5 million to net sales during the quarter
  - Lubricants (+3% in Q2): All business lines developed positively, price pressure increased
- In general, the business outlook in the European market looks weaker than a year ago
  - Plastics: Market conditions will remain challenging, but price development is expected to flatten out
  - Chemicals: Demand expected to soften slightly, price erosion expected to continue, but in a controlled way
  - Lubricants: Demand will remain relatively stable, market prices are expected to decline slightly

Declining prices in volume plastics weakened profitability



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

Operating profit was EUR -0.1 (4.4) million in Q2 including items affecting comparability totaling EUR -1.0 (0.5) million. Operating profit rate was -0.2% (8.3%)

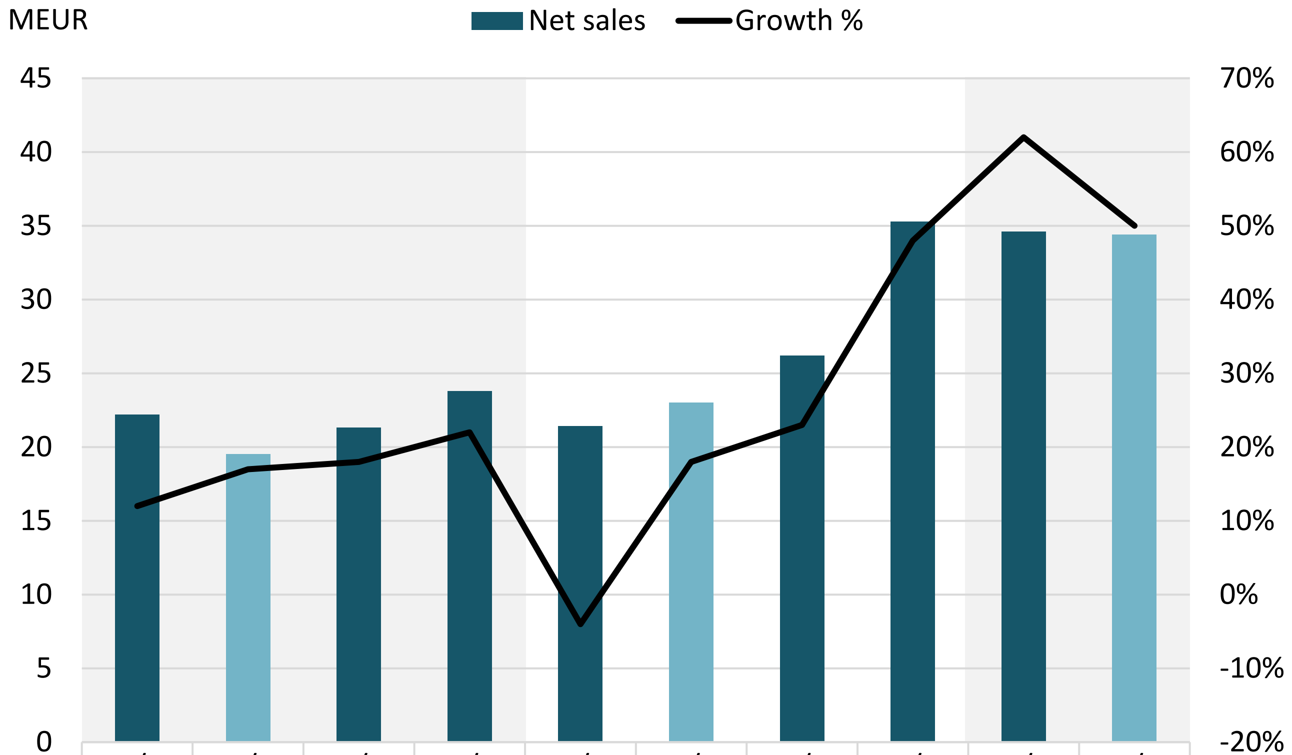
- In January-June, the comparable operating profit decreased to EUR 3.6 (6.5) million and the comparable operating profit rate was 3.3% (6.3%)
- In Q2, the comparable operating profit decreased to EUR 0.9 (3.9) million, with comparable operating profit rate being 1.7% (7.4%)
- Chemicals and Lubricants achieved close to previous year profitability levels, whereas profitability in plastics declined significantly (especially volume plastics)
  - Negative profit impact from selling expensive inventory in a market with declining prices
  - Weak demand especially in construction, but also other industries
  - Cheap logistics offer opportunity for growing European imports from Asia
- Going forward, Telko's profitability generation will be supported by:
  - Further actions to strengthen cost efficiency and scalability, incl. inventory control
  - More controlled market development, i.e. price trend to flatten out
  - The heterogenic cyclicality of a diversified customer base / impact from recent successful acquisitions

Telko completed the sale of its Russian operations in April 2023

- The sale of Telko's Russian business was an important milestone for the whole Group and it frees up time and resources to seek growth opportunities in the Western markets
- The Russian subsidiary Telko OOO was sold to Russian industrial operator GK Himik with original sales price of appr. EUR 9.5 million from which Telko received EUR 5.7 million as final sales price after mandatory valuation adjustments
- Considering the already recognized write-downs in year 2022, the impact on Aspo's profit in year 2023 was a net effect of EUR -7.4 million:
  - Translation differences amounting to EUR -8.6 million (does not reduce the equity of the Group)
  - A sales gain of EUR 1.2 million, due to a decrease in the net assets of the company, as it was loss making during 2023
- The cash outflow from the divestment was EUR 4.4 million

Leipurin continues to improve its financial performance

Strong growth thanks to Kobia and inflation

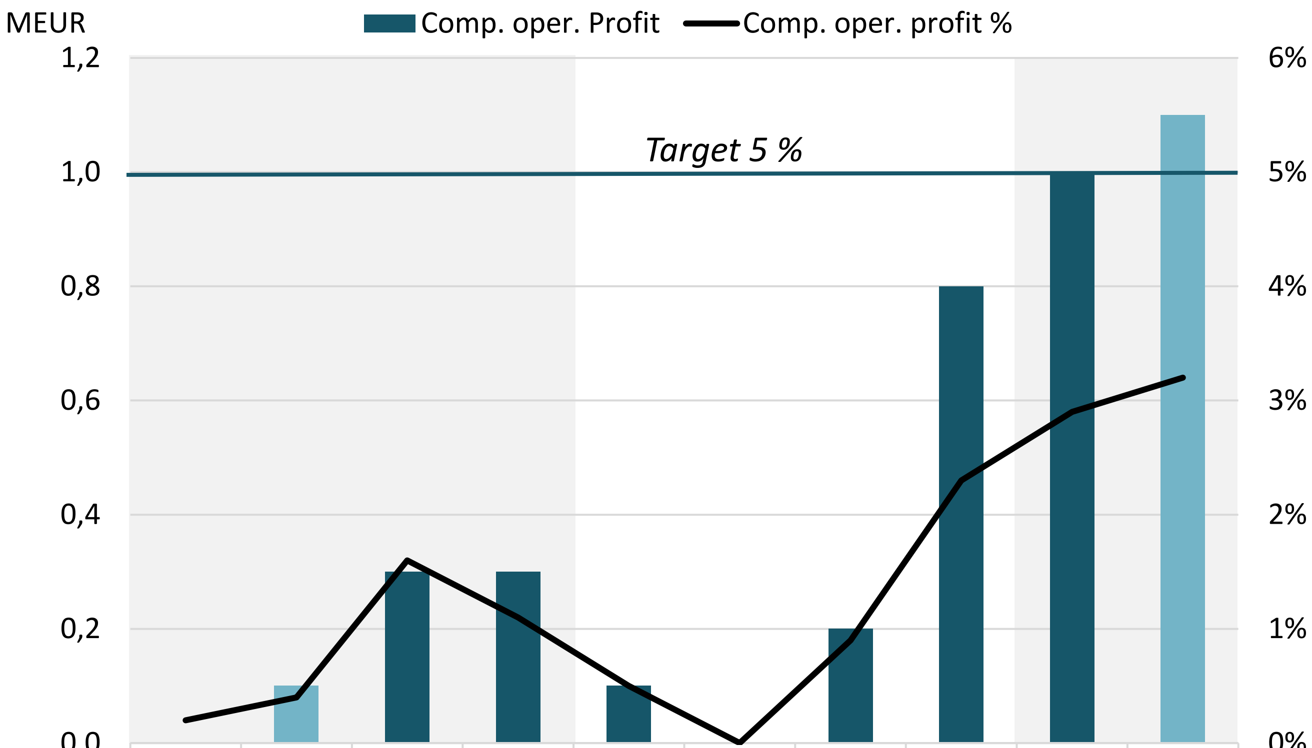


	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23
Net sales	22,2	19,5	21,3	23,8	21,4	23,0	26,2	35,3	34,6	34,4
Growth %	12%	17%	18%	22%	-4%	18%	23%	48%	62%	50,0 %

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

- In January-June, net sales increased by 55% from the comparative period, amounting to EUR 69.0 (44.4) million
- In Q2, Leipurin's net sales increased by 50% from the comparative period, amounting to EUR 34.4 (23.0) million
  - Increasing raw material prices continued to drive Leipurin's net sales growth
  - Measured in kilo volume, the decline in sales continued, although it slowed down significantly towards the end of the quarter
  - Kobia AB, acquired in 2022, contributed to the growth by EUR 12.6 million and its share of Leipurin's net sales was 37%
  - Finland continued to grow (+8%), whereas net sales declined somewhat in the Baltic countries (-4%), but especially in Ukraine (-50%)
- Both inflation as well as market volume decline are expected to flatten out during the second half of 2023. Some volatility is to continue in selected raw-materials, but the market is expected to stabilise during the second half of 2023
- With the core parts of the reorganization now completed, management sees clear opportunities for growth in prioritised segments

Leipurin's profitability continued to improve



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

Operating profit was EUR 1.4 (-0.3) million in Q2 including items affecting comparability totaling EUR 0.3 (-0.3) million. Operating profit rate was 4.1% (-1.3%)

- In January-June, the comparable operating profit increased to EUR 2.1 (0.1) million and the comparable operating profit rate was 3.0% (0.2%)
- In Q2, the comparable operating profit increased to EUR 1.1 (0.0) million, with comparable operating profit rate being 3.2% (0.0%)
- In the case of Leipurin, the volume decrease has been predominantly in the low-margin commodity items, resulting in an improved product mix, and hence the positive development in gross profits continued even at slightly lower total volume
- Improvement program still driving profit improvement in the areas of commercial, supply chain, sourcing and including synergies between countries
- Expected raw material price decreases in the autumn put emphasis on efficient inventory management

Sale and lease back of all Kobia properties successfully completed with positive cash flow impact

- The acquisition of Kobia has proven to be successful in terms of synergy potential, and in particular after the sale and lease back of the three Swedish properties
- The aggregated sales price of the Gothenburg (signed in February), Hässleholm (signed in March) and Tyresö (signed in June) properties is approximately EUR 13.6 million, which represents a substantial share of the purchase price of Kobia
  - As a result of the sale and lease back transactions, Aspo recognizes a total sales gain EUR 0.5 million (presented as items affecting comparability)
- The transactions are close to cost neutral, as the depreciation expense of the assets owned will be replaced by depreciation for the leased assets of similar size
  - The initial lease term for all properties is 5 years and the total EBIT impact is approximately EUR -0.15 million annually

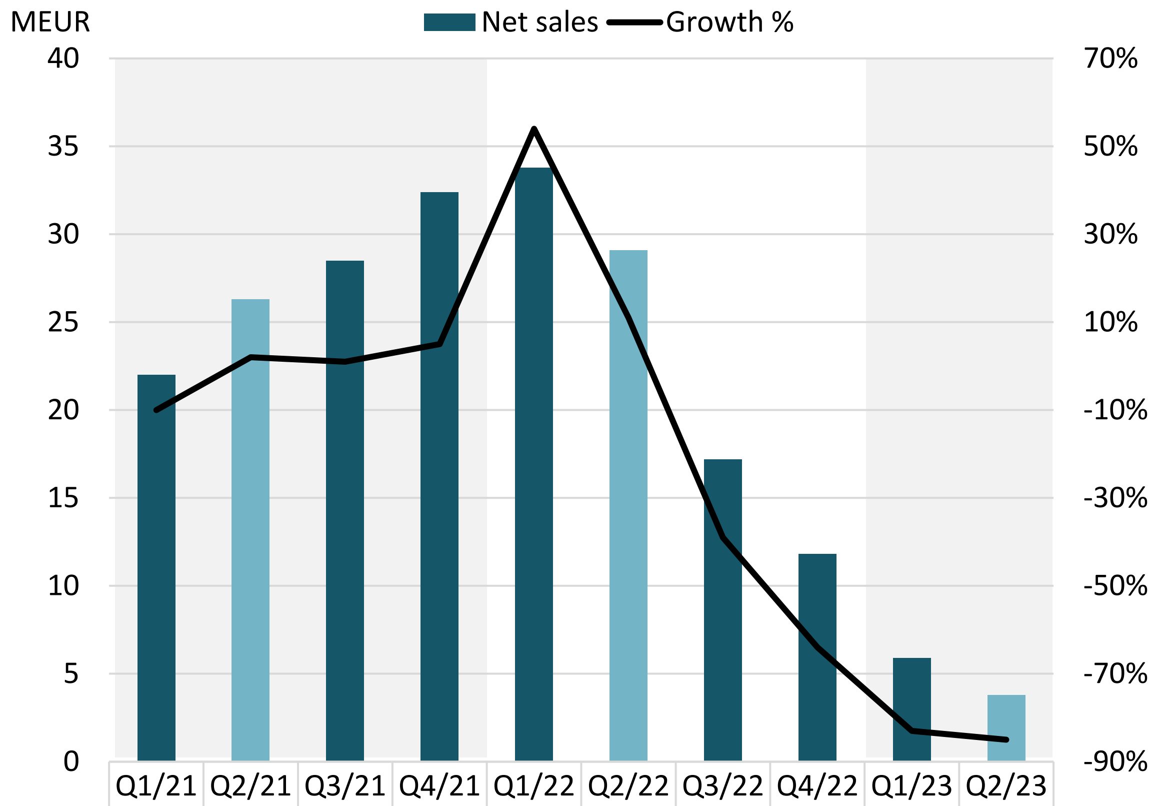
Leipurin exit from Russia, Belarus and Kazakhstan is progressing

- Aspo Group’s subsidiary Leipurin signed a binding framework agreement in January 2023 according to which it will sell the share capital of its Russian, Belarusian and Kazakh subsidiaries for a sales price of EUR 8.4 million to Mr. Timur Akhiyarov (private investor)
- The transaction still needs to be approved by local authorities, which creates uncertainty especially considering changing local procedures and legislation
- Leipurin expects its exit from Russia, Belarus and Kazakhstan to be completed in the near future
- The balance sheet value of these businesses were EUR 2.5 million and translation differences EUR -4.4 million
- The Leipurin Russia, Belarus and Kazakhstan business has been profit making during year 2023

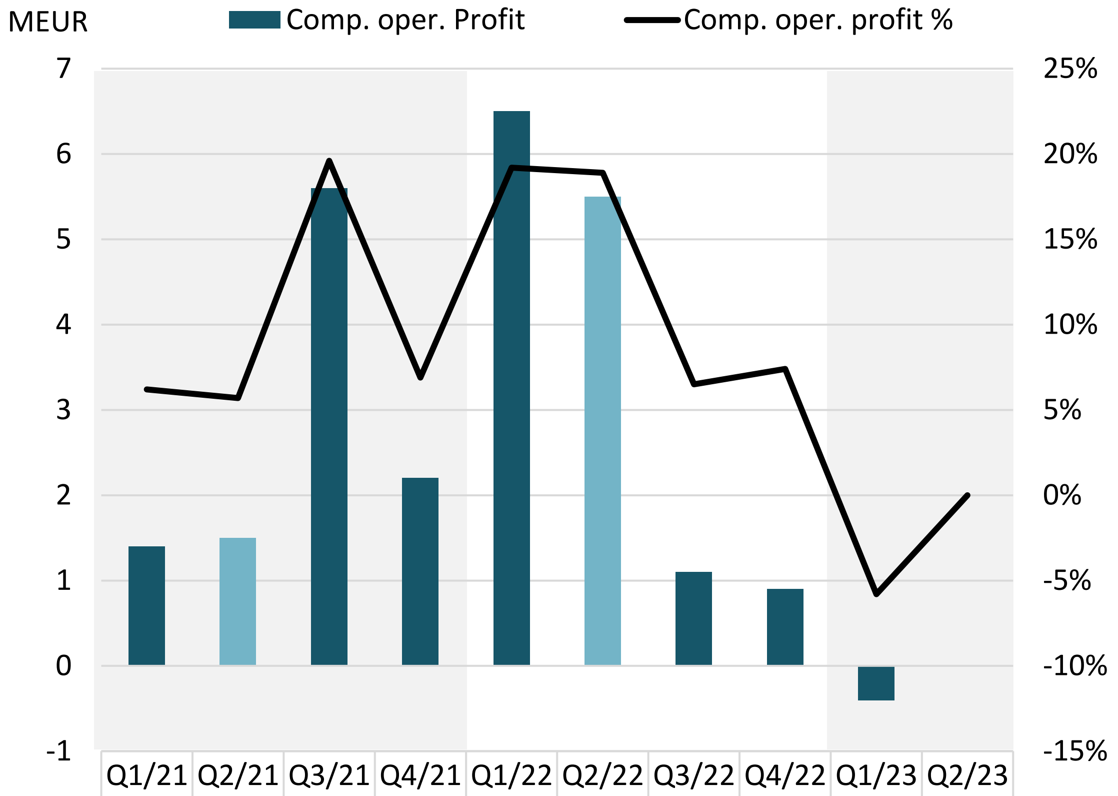
Discontinued operations

ASPO

Net sales and profitability of the discontinued operations trend towards zero



	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23
Net sales	22,0	26,3	28,5	32,4	33,8	29,1	17,2	11,8	5,9	3,8
Growth %	-10%	2%	1%	5%	54%	11%	-39%	-64%	-83%	-85%



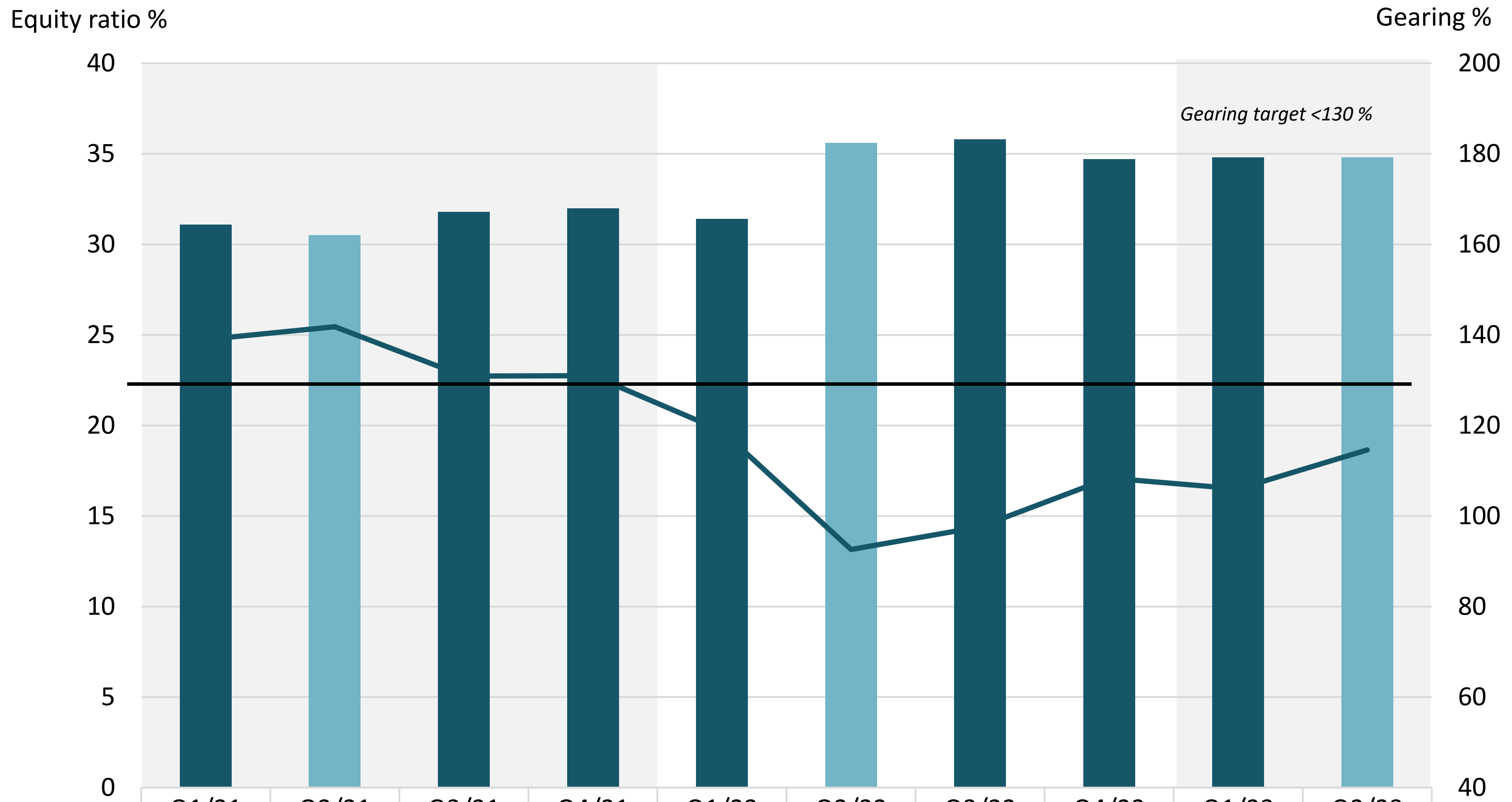
	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23
Comp. oper. Profit	1,4	1,5	5,6	2,2	6,5	5,5	1,1	0,9	-0,4	0,0
Comp. oper. profit %	6,2 %	5,7 %	19,6 %	6,9 %	19,2 %	18,9 %	6,5 %	7,4 %	-5,8 %	0,0 %

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

ASPO

Aspo’s financial position

Aspo's balance sheet remained solid



	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23
Equity ratio, %	31,1	30,5	31,8	32,0	31,4	35,6	35,8	34,7	34,8	34,8
Gearing, %	139,0	141,8	130,9	131,0	118,8	92,6	97,6	108,4	106,0	114,6

Equity ratio, % Gearing, %

- Gearing increased to 114.6% (Dec 31, 2022: 108.4%)
- The Group's equity ratio at the end of the review period was 34.8% (Dec 31, 2022: 34.7%)

ASPO

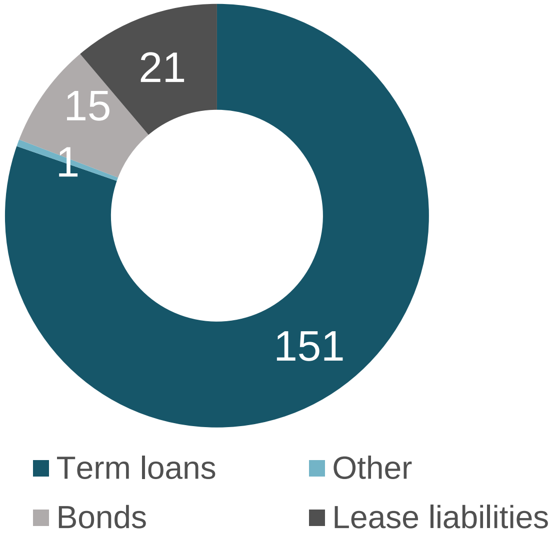
Strong liquidity and balanced maturity structure

Gross interest-bearing debt total EUR 188.1 (Dec 31, 2022: 189.2) million

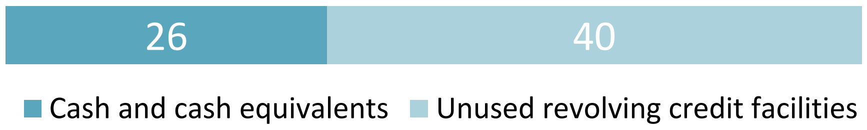
Net interest-bearing debt total EUR 162.2 (Dec 31, 2022: 155.7) million

Avg interest rate 4,7% (1,4%)

Interest-bearing debt incl. lease liabilities (EUR million)

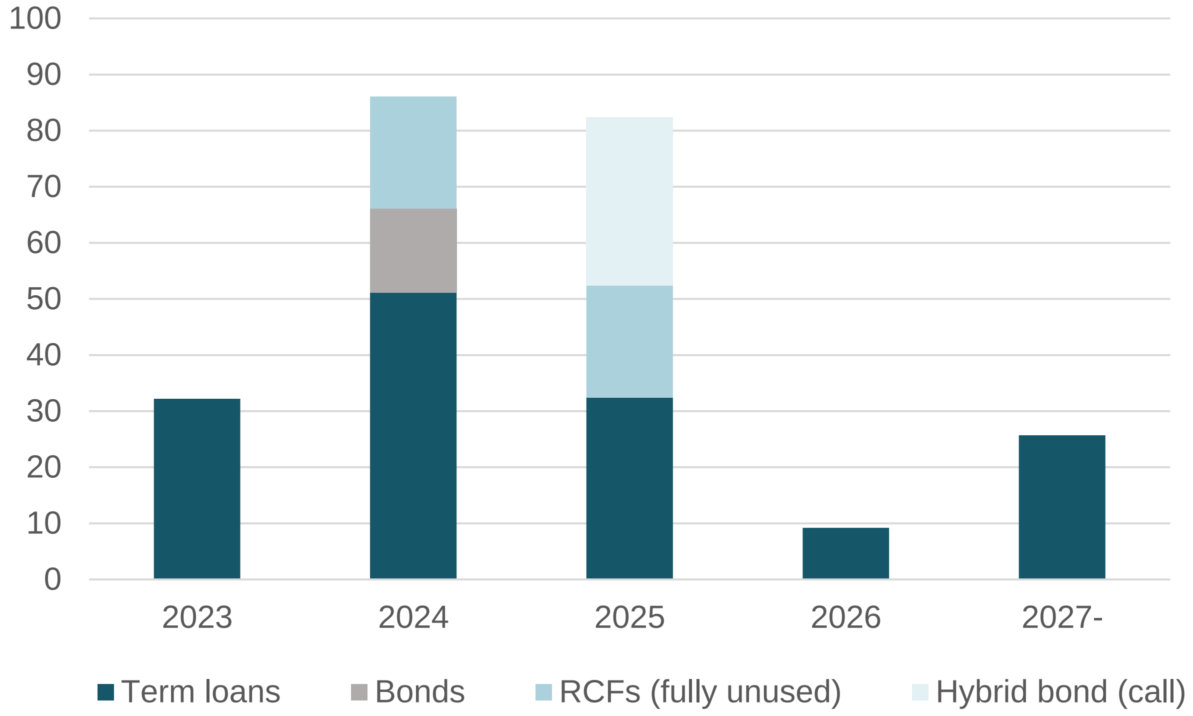


Liquidity (EUR million) incl. Leipurin East EUR 3.6 million



Maturity profile (EUR million)

In addition: Svenska Skeppshypotek EUR 32.2 million



Summary

- Aspo continues to execute its strategy. As key priorities we:
  - are evaluating measures to accelerate ESL Shipping’s low-carbon growth strategy
  - aim to close the transaction for exiting Leipurin East
  - continue to screen acquisition opportunities to achieve growth and in parallel search for opportunities to enhance cost efficiency
- All of these activities are executed systematically to support strong performance in any business environment
- Financial guidance for 2023, given on May 12, 2023: Aspo Group’s comparable operating profit will be EUR 25–35 million in 2023 (2022: EUR 55.3 million)

Q & A