BOARD OF DIRECTOR´S REPORT 1.1. - 31.12.2024

General

ESL Shipping Oy is part of the Aspo group. Aspo Plc owns 78,57 % of the company and OP Finland Infrastructure together with Varma Mutual Pension Insurance Company hold a non-controlling interest of 21.43% in the company. ESL Shipping Oy is the parent company of ESL Shipping Group. The business of the shipping company's handy size vessels is handled by ESL Shipping Oy, and the business of the smaller coaster vessels is completely handled by the shipping company's Swedish subsidiary AtoBatC Shipping AB.

ESL Shipping is the leading dry bulk sea transport company operating in the Baltic Sea area. The year 2024 was the company's seventy-fifth year of operation. ESL Shipping's strategy and competitive edge is based on sustainability leadership and the company's unique ability to develop and provide reliable infrastructure for the ice-bound Nordic industrials investing in the green transition. The shipping company loads and unloads large ocean liners at sea as a special service. At the end of the year the shipping company's fleet consisted of 43 vessels with a total capacity of 345,000 deadweight tons (dwt). Of these, 24 were wholly owned (71% of the tonnage), two were minority owned (3%) and the remaining 17 vessels (26%) were time chartered. The figures include the Green Coaster pool, which consisted of four vessels, two owned by AtoBatC Shipping AB and two by investors.

Main events in 2024

In 2024 the market environment remained challenging. ESL Shipping was affected by low contract demand and weak spot market price levels in particular. Early in the year, ESL Shipping suffered from the exceptionally harsh winter conditions and from political strikes. In January–December, ESL Shipping transported 12.3 (11.9, excluding Supramax vessels) million tonnes of cargo. The amount of cargo transported was reduced by repeated political strikes and exceptionally harsh winter conditions in the Gulf of Bothnia in January–April, as well as weaker than expected demand during the fourth quarter.

ESL Shipping has made significant investments in new environmentally friendly vessels. The newbuilding project of ESL Shipping's Swedish subsidiary AtoBatC Shipping AB at the Chowgule & Company Private Limited shipyard in India proceeded as planned. Four new Green Coaster vessels were operating in Baltic Sea related trades at the end of 2024 and the fifth vessel, Maximar, was delivered in December and is expected to be in commercial traffic by end of the first quarter 2025. Deliveries of subsequent vessels in the series of twelve ships are now expected on a quarterly basis, with the last vessel to be delivered in the autumn of 2026.

The minority investments in Aspo's subsidiary ESL Shipping Oy by OP Finland Infrastructure and Varma Mutual Pension Insurance Company were completed in February. The transaction was completed as a share issue where ESL Shipping Oy issued new shares to OP Finland Infrastructure and Varma against a cash consideration of EUR 45.0 million. This resulted in a minority ownership stake corresponding to 21.43% in ESL Shipping.

In March 2024 ESL Shipping Oy signed a memorandum of understanding according to which it will sell its two supramax class vessels to companies belonging to HGF Denizcilik Limited Sirket group, a Turkish shipping and logistics company. The sale of the supramax vessels was successfully completed in the second quarter. Sales proceeds were EUR 33.5 million.

In October 2024 ESL Shipping Oy made a decision to build four new, fossil free handy sized vessels. These new 1A ice class vessels are top of the market in terms of cargo capacity, technology and innovation. The total value of the four ships is approximately EUR 186 million and this investment takes place during the years 2024–2028. The new vessels are built in Nanjing, China at China Merchants Jinling Shipyard (Nanjing) Co, Ltd. The vessels are scheduled to enter service starting from the third quarter of 2027. The fourth ship of this series is scheduled to enter service in the first half of 2028. In connection with the order of the handy size vessels the possibilities of using various ship ownership and financing solutions to accelerate business growth and expand the service will be explored. This may include, among others, investor pooling arrangements, already successfully used by ESL Shipping when financing the smaller green coaster vessels.

In 2024, a structural arrangement was implemented in Sweden, in which Bothnia Bulk AB was merged with its sister company AtoBatC Shipping AB. ESL Shipping's business operations in the Russian market ended in the summer of 2022, and the liquidation process of ESL Shipping Russia, a company established for business operations in Russia, was completed on November 27, 2024.

Financial position and result

ESL Shipping Group's net sales increased by 9.1% from the comparison period and were 206.2 (189.0) million euro. Net sales include proceeds of EUR 25.3 million from the executed sale of mv Stellamar and mv Aquamar to the company established by the pool investors. Sales impacted positively net sales growth for coasters. The combined net sales of the handy and coaster operations excluding vessel sale increased by 1% compared to the previous year. Sales were negatively impacted by the lower marine diesel fuel prices. Comparable EBITA decreased by 8% to EUR 16.9 (18.4) million resulting from the poor first quarter caused by the strikes and exceptionally severe winter conditions and a softer than expected fourth quarter. The negative impact of the political strikes and the exceptionally harsh winter conditions is estimated to have been approximately EUR 4.0 million during the first half of the year. Items affecting comparability amounted to EUR -7.6 (-0.6) million and consisted mainly of impairment losses related to the sale of Supramax vessels (EUR -7.2 million), as well as advisory costs related to the sale of ESL Shipping's minority shareholdings (EUR -0.5 million), and EUR 0.1 million related to income from reversal of a cost accrual relating to Russia. The reported operating profit halved to EUR 9.1 million (17.7), with an operating profit rate of 4.4% (9.4%).

For the 2022 financial year, a total of EUR 5.6 million was distributed in dividends in 2023. The dividends were paid in March 2024. In December 2024, a total of EUR 22.0 million was distributed in dividends for 2023. Of this amount, EUR 13.0 million was distributed in accordance with the shareholding between Aspo Plc and the minority shareholders (EUR 10.2 million for Aspo Plc and EUR 2.8 million for the minority shareholders), and EUR 9.0 million was distributed only to Aspo Plc. The dividend of EUR 9.0 million paid to Aspo Plc was related to the Supramax vessels sold, and was based on the original investment agreement between Aspo Plc and the minority shareholders. According to the agreement, the proceeds from the sale of the Supramax vessels belong exclusively to Aspo Plc.

Net sales and profit

	2024	2023	2022
Net sales (1.000€)	206 207	189 029	245 416
Operating profit (1.000€)	9 066	17 679	38 202
Operating profit -%	4.4 %	9.4 %	15.6 %
Equity ratio -%	50.2 %	25.0 %	24.0 %
Return on equity -%	4.5 %	19.0 %	79.2 %

Personnel

Year	2024	2023	2022
Personnel on avarage	269	296	298
Wages and salaries (1000€)	15 802	15 507	16 830

ESL Shipping Group employed an average of 269 people during the financial period, of which 61 were white-collar workers. In the employee satisfaction survey conducted in 2024, which included both crew members and onshore personnel, the results were good but slightly weaker than in the previous year. The results of the customer satisfaction survey were also good and improved from the previous year. Valuable feedback was received from both studies for the further development of the operation.

Sustainability and safety

The long-term development of sustainability and maintaining a high level of safety are central to the shipping company's operations. Considering environmental responsibility and safety issues is a vital part of ESL's operations. The company invests in long-term development, which combines high-level know-how and awareness of the environmental impact of one's own operations. Operations are supported by the audited ISM and ISPS systems of safety management and the audited ISO 14001 environmental management system.

Central to ESL Shipping's sustainability goals are the minimization of emissions into the air and sea, providing a safe and motivating work environment for personnel, and constantly developing good governance. The company's goal is to halve the carbon dioxide emissions per transport performance by the end of the decade.

In handling environmental issues, Aspo's group companies follow Aspo's responsibility policy, the central principle of which is continuous improvement of operations. In 2018, Aspo Plc joined the Global Compact initiative, the principles of which are followed throughout the Aspo Group.

ESL Shipping publishes its own sustainability report annually. The shipping company's goal is to be among the most responsible companies in its industry. In 2024, ESL Shipping achieved a Platinum medal and a position in the top 1% of rated companies in the EcoVadis sustainability assessment.

ESL Shipping is committed to the emission reduction goal according to the Science Based Targets Initiative. Accordingly, the company's carbon dioxide emissions must reach the so-called net zero by 2040. The company's previous target schedule for reaching this goal was 2050.

Research and development activities

The shipping company's development projects have focused on the further development of the enterprise control system for vessel operations and the development of business analytics reporting systems derived from it, the design of new environmentally efficient vessel types, the continuous improvement of energy efficiency and occupational safety, and other environmental protection. ESL Shipping is involved in several projects in which the production of new types of environmentally friendly and even completely fossil-free fuels is explored and prepared. The costs incurred from these have been included in business expenses or capitalized in the balance sheet as part of the purchase price of the commodity. The company intends to be a pioneer in the future by offering its customers the most efficient and environmentally friendly transport solutions.

Events after the financial year

After the review period in February 2025 ESL-Shipping signed a loan agreement of EUR 70 million with Svenska Skeppshypotekskassan for financing the Green Handy –vessels. The loan is expected to be drawn in the years 2027 and 2028.

Future prospects and risks

The main part of the company's transport capacity is secured by long-term contracts. The effect of rising energy prices on ESL Shipping's costs is effectively compensated by fuel clauses in long-term transport contracts. The work to further improve customer and personnel satisfaction, sustainability and occupational safety continues.

The shipping company's investments in energy-efficient vessels will strengthen its competitiveness and market position in the future. ESL Shipping will continue the development of a fossil-free sea transportation ecosystem in line with the green transition, as well as the Green Handy vessels ordered for this purpose, in cooperation with its key customers. The shipping company is involved in projects whose purpose is to use renewable electricity to produce green hydrogen and from it fossil-free fuel suitable for the shipping company's vessels.

ESL Shipping's currency and interest rate risks are hedged with hedging instruments if necessary. The company's financial risk management goals and procedures are described in more detail in ESL Shipping's consolidated financial statements. Marine fuel price risks are hedged with fuel clauses in customer contracts.

The main uncertainties affecting ESL Shipping’s financial performance are related to the demand for maritime transport and, to some extent, the development of market prices.

Geopolitical tension such as Russia’s ongoing war in Ukraine, increased security threats in the Baltic Sea, conflicts in the Middle East and trade tensions between major economies continue to cause great uncertainty in the operating environment and may undermine overall economic growth, affect energy prices and interrupt shipping, leading to increased costs, the disruption of supply chains and a change in trade flows. The prolongation and possible expansion of geopolitical tension may have a negative impact on business operations in ESL Shipping’s market areas.

In line with its strategy, ESL Shipping aims to increase its profit through investments in environmentally friendly vessels. The future profitability of these investments involves uncertainty. Implementing the strategy, combined with the currently relatively high financing costs, can reduce the free cash flow and weaken the balance sheet and solvency.

ESL Shipping’s performance improvement in 2025 is expected to come mainly from the performance of Green Coaster vessels and more energy-efficient and cost-effective time-chartered vessels.
In early 2025, ESL Shipping’s demand is expected to be generally weak. Contract volumes are expected to be fairly low, and spot market pricing very low. Forest and steel industry volumes are expected to recover slowly during the year.

ESL Shipping has a long-term comparable EBITA target of 14%.

Share capital

At the end of the financial year, ESL Shipping Oy's share capital was 1,513,691.34 euro and the total number of shares was 2,290,908. The company has one share series and all shares have the same right to dividends and the company's assets.

A redemption clause was added to the Articles of Association in the spring of 2024.

Group relations and structural arrangements

The wholly owned subsidiaries of ESL Shipping Oy are Oy Bomanship Ab and Atobatc Shipping AB.

Atobatc Shipping AB fully owns AtoBatC Shipping Cyprus Limited. Bothnia Bulk AB was merged with its parent company, AtoBatC Shipping AB, in December 2024.

Atobatc Shipping AB also fully owns its Finnish subsidiary Oy AtoBatC Shipping Ab and a 49% minority share in the German KG MS Auriga and a 49% minority share in the German KG MS Norma.

Related party loans and liabilities

ESL Shipping's acquisition of financing and liquidity management are managed centrally in the Aspo Group. ESL Shipping Group's long-term loans from the parent company totaled EUR 18.0 (70.5) million at the reporting date.

Board of Directors and CEO

The company’s Board of Directors has been chaired by Rolf Jansson. In addition to Jansson, the members of the Board have been Ulla Tapaninen and Kimmo Nordström until February 28, 2024, and Erkka Repo, Taru Uotila and Ossi Vasala from February 28, 2024.

The company's CEO has been Matti-Mikael Koskinen.

Audit

During the accounting period, the auditing firm Deloitte Oy was responsible for the company's audit, and KHT Aleksi Martamo has served as the principal auditor.

The Board's proposal on the use of profits

ESL Shipping Oy's distributable equity is 98.352.115,37 euro, of which the profit for the financial year is 9.974.547,02 euro. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 10 million be distributed, as well as a return of capital of EUR 29,141,702.30 from the invested unrestricted equity fund.

There have been no changes in the company's financial condition since the end of the financial year.