

GASUM GROUP
FINANCIAL RESULT
Q3 2022



Gasum

GASUM GROUP FINANCIAL RESULT Q3 2022

GASUM REPORTS SOLID RESULT DESPITE CONTINUING TURBULENCE IN ENERGY MARKETS

Gasum's profitability has improved following actions taken in performance improvement and improved margins due to market and price development.

January–September 2022 (1-9/2021):

- The Group's revenue increased by 152 percent to EUR 2,044.7 (811.6) million.
- Operating profit (EBIT) was EUR 119.3 (-226.4) million. Comparable operating profit (EBIT) was EUR 42.1 (-26.3) million
- Balance sheet total came to EUR 2,553.2 (1,972.4) million
- Equity ratio was 20.3 (15.3) percent
- Sales volumes decreased by 30.3 percent and were 9.2 (13.2) TWh

KEY FINANCIAL INDICATORS

EUR million	1-9/2022	1-9/2021	Change	2021
Revenue	2,044.7	811.6	152%	1,571.0
Adjusted operating profit*	42.1	-26.3		-84.4
Operating profit	119.3	-226.4		-238.5
Adjusted operating profit (%)*	2.1%	-3.2%		-5.4%
Operating profit (%)	5.8%	-27.9%		-15.2%
Equity ratio (%)	20.3%	15.3%		18.0%
Adjusted return on equity (%)**	-17.9%	2.1%		-28.4%
Return on equity (%)**	6.4%	-41.9%		-55.1%
Adjusted return on investment (%)**	-2.6%	-0.9%		-8.5%
Return on investment (%)**	8.6%	-18.4%		-21.4%
Balance sheet total	2,553.2	1,972.4	29%	2,420.7
Net interest-bearing debt	277.8	743.4	167.6%	473.1
Gearing ratio (%)	54.2%	248.5%		109.1%
Gearing ratio (%) excluding the impact of IFRS 16 leases	19.0%	182.3%		61.4%
Personnel at the end of period	332	386	-14.0%	356

* Calculated without unrealized gains and losses from derivatives relating to the operative business, The figures for the comparison period have been restated due to the discontinuation of hedge accounting.

** 12-month rolling.



Mika Wiljanen
CEO,
Gasum Group

GASUM GROUP CEO MIKA WILJANEN COMMENTS ON Q3 AND THE YEAR-TO-DATE 2022:

“During the third quarter of 2022, Russia extended its brutal war against Ukraine and continued to use energy supplies as a weapon against Europe. Significant turbulence in the energy markets continued and we witnessed record-high levels in European gas and power prices. The operational environment remained extremely challenging for Gasum and our customers and led to a decrease in our sales volumes, especially in industrial and maritime segments.

In order to improve our resilience, we have continued to thoroughly review our operational activities and implemented various measures to improve the company’s profitability. The revision of our strategy was finalized in the third quarter and will be published during the last quarter. The revised strategy, implemented together with our dedicated and competent people, will ensure profitable growth in all our business segments.

The Group’s revenue for Q1-Q3 of 2022 was EUR 2,044.7 million, operating profit was EUR 119.3 million and adjusted operating profit was EUR 42.1 million. Despite the challenging operational environment, the Group’s profitability has improved following actions made both in performance improvement and improved margins due to market and price development.

In the maritime business, we successfully bunkered the first LNG fueled cruise vessel built by Chantiers de l’Atlantique. In addition to delivering LNG, we have supported Chantiers de l’Atlantique in the technical preparation of the delivery, including obtaining the relevant permits and authorizations. This delivery marked a new milestone in the extension of Gasum’s LNG bunkering network and underlines our ambition to grow geographically, offering our expertise to customers wherever it is needed.

In September, we joined forces with Biolan and Pöytyän Maanparannus in nutrient recycling. A new joint venture, Kiortoravinne Oy, supplies digestate-based fertilizer products and recycled nutrients from biogas plants for the needs of industry and agriculture. Demand for recycled nutrients has shown strong growth over the past few years. This is attributable to their good availability, and their price level compared to other widely used mineral fertilizers. During its first year of operation, Kiortoravinne Oy will deliver around 250,000 tonnes of digestate and recycled nutrients from Gasum’s biogas plants. This accounts for around half of Gasum’s total production in Finland. In addition, plans are in place to transfer all nutrient production from Gasum’s Finnish biogas plants for the use of Kiortoravinne after a transition period.

In the third quarter, we also signed a power purchase agreement (PPA) with Umicore to supply them with renewable electricity. The electricity will be delivered to Umicore’s site in Kokkola, Finland. The 10-year contract for wind-generated energy starts in 2025 and covers 45 GWh annually. The PPA supports both Gasum’s and Umicore’s purpose of building a better and cleaner tomorrow in their respective fields. The agreement also extends their prior cooperation as Umicore has

been purchasing portfolio management services from Gasum's Energy Market Services.

Regardless of the challenging operating environment, we remain committed to serving our customers to the best of our ability. I am fully convinced that our revised strategy will enable us to provide our customers and stakeholders with first-in-class services and solutions."

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GASUM IN BRIEF

The energy company Gasum is a Nordic gas sector and energy market expert. We offer cleaner energy and energy market expert services for industry and for combined heat and power (CHP) production as well as cleaner fuel solutions for road and maritime transport. We help our customers to decrease their own carbon footprint and that of their customers. Together with our partners, we promote development towards a carbon-neutral future on land and at sea.

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OPERATING ENVIRONMENT

Energy market – Industry and power

Nordic electricity prices remained at higher price levels in July with continued high gas and coal prices despite wet weather forecasts. In other words, the main driver for higher Nordic power prices was Central European price development. Power demand on the Central European market was at an average level, but prices were driven by severe difficulties in some of the French nuclear power plants combined with very high gas and coal prices. For example, the French base power price for Q4 delivery was trading above EUR 900/MWh. At the beginning of the 3rd quarter, the Finnish area price settled back above system price levels, mainly because of the continued test runs of the new Finnish nuclear power reactor Olkiluoto 3. The emission allowance price started to move to lower levels as high inflation figures increased concerns about further interest rate hikes by central banks. Another concern is the higher probability of an upcoming global recession. The Nordic hydro balance started to close-in on 5-year average levels at the beginning of July as the weather turned rainier.

The gas market started the 3rd quarter at EUR 150/MWh, mainly due to uncertainties related to the war in Ukraine. European gas prices continued to move towards older peak prices of EUR 345/MWh as Russian gas deliveries continued to decrease via the Nord Stream 1 pipeline. On the other hand, oil prices had started to come down from previous highs with the spread of Covid in Asia, especially in China, and concerns over growing inflation figures and struggling growth hit economies around the world. The healthy LNG inflow is expected to continue, and more import capacity was deployed apace in order to prepare for less EU pipeline imports from Russia.

This calmer period changed dramatically in late August. Russia had announced several maintenance issues related to Nord Stream 1 turbines. Later in the month, Gazprom confirmed that it had suspended gas supplies via the Nord Stream 1 pipeline, which was then completely shut down on August 31.

European gas inventories were above long-term average levels as European companies continued to secure gas supplies from elsewhere than Russia. The filling of inventories was mainly driven by LNG deliveries. The EU also announced a mandatory gas storage filling rate target for European market players, which probably increased the rate of storage injections.

The number of LNG cargoes arriving at European LNG terminals was at a record high level also throughout the 3rd quarter. Prices were at elevated levels as European companies had to outbid the rest of the world to attract LNG carriers to European ports. Several countries also announced plans to build an LNG receiving terminal or multiple terminals, either as an FSRU vessel or a land-based terminal due to security of supply reasons. Gas prices ended the quarter at around EUR 188/MWh, which is lower than the peak, but historically an extremely high price level.

Road and Maritime

Inflationary pressure continued to further impact the global economy. Central banks continued to change to interest rate increase paths and there were several rate hikes in the USA and Europe during the 3rd quarter. The market reacted downwards to high inflation, tightening monetary policy and likely continued supply disruptions. Delivery times of new LNG trucks have been pushed back significantly due to problems with key components. Extremely high prices of liquified biogas (LBG) and LNG have also slowed the growth in the number of LNG-powered trucks.

The maritime industry has also been hit by high LNG price levels. The main reason was still the price difference between marine gasoil (MGO) and LNG, which has continued to impact the growth of the LNG-powered vessel market negatively. In the long run, the number of LNG-powered vessels will increase significantly as the orderbook for new vessels is still massive. The new Emission Trading System will also result in a price signal that incentivizes improvements in energy efficiency and low-carbon solutions, and reduces the price difference between alternative fuels and traditional maritime fuels.

Circular economy – biowaste and biogas

The circular economy enables us to contribute to mitigating climate change both in the form of renewable energy and through recycled nutrients. The importance of recycling the nutrients that are contained in the biowaste, bio sludges, side streams and animal-based fractions is rapidly increasing. This is due to the increased cost of producing nutrients and fertilizers of mineral or fossil origin. The feedstock in biogas production contains valuable nutrients and can be used in digestate residue and further processed after biogas production either for industrial or agricultural needs. Increased production and use of biogas and recycled nutrients are driven by the sharp rise in energy and nutrient prices, and by security of supply concerns. These perspectives create a positive outlook for increasing production, especially in the Nordics, but also on a European level. Due to lucrative subsidy schemes and increased demand and market prices, new actors are entering the sector and competition for feedstocks for biogas production is increasing.

The Swedish framework of measures to support the production and use of biogas has been in an unclear state since the summer of 2022, when the previous support scheme ended. The unclarity is because of overcompensation concerns as biogas is compared to natural gas prices in state aid reporting. Regardless of this, demand for biogas is increasing, and support schemes will be adjusted to reflect the market situation. Gasum is continuing to increase biogas production in Sweden through several new biogas plant projects. The first investment, a new plant located in Götene, will produce 120 GWh of biogas a year by using animal-based side streams, such as manure, and food industry side streams as feedstock.

In Finland, biogas has been part of the blending obligation of transport fuels since the beginning of 2022, and a planned increase in the blending level would further incentivize biogas production. Unfortunately, the current complexity of

biogas taxation depending on use and origin with planned adjustments to it is adding to the administrative burden and blurring market visibility. Additionally, investment subsidies for increased biogas production have been halted due to the need for the EU's decision on a potential overlapping of the blending obligation and investment subsidies as state support. Measures are promoting biogas production, economic growth and job creation, but the incentives for investments are stronger in our neighboring country.

Increasing biogas production remains at the core of energy policy in Europe, where the current geopolitical situation has resulted in stepped-up efforts to phase out Russian gas. The importance of recycled nutrients has been understood and biogas as a double circular economy has been recognized. As part of its REPowerEU plan, the European Commission proposed a rapid acceleration of European biomethane production to 35 billion cubic meters (bcm) by 2030, up from 3 bcm in 2020. A recent study shows that the potential of biogas production in the Nordics is about 2 bcm. This volume is supported by the synthetic methane production potential, which depends on the availability of renewable electricity. Both biogas and synthetic biomethane rely on the infrastructure built for natural gas that can and will be utilized increasingly for renewable energy purposes. All in all, increasing biogas production is at the core of energy policy and enjoying a fair wind in most European countries.

SUSTAINABILITY

Sustainability is an integral part of Gasum's growth strategy to promote development towards a carbon-neutral future in industry as well as in road and maritime transport. The company's sustainability work is steered by its Sustainability Program and objectives, which cover environmental responsibility, social responsibility and responsible business and governance. Transparency, openness, and diverse stakeholder cooperation are guiding principles for Gasum in both business and communication. During the review period, we had open and constructive dialogue with non-governmental organizations and other stakeholders.

Gasum is committed to combating climate change. The positive trend in the demand for biogas continued in the period under review, and the company helped its customers achieve their emission reduction goals both in industrial processes and in logistics solutions for road and maritime transport. Gasum is also a major player in the wind power segment and further increased its market share during the review period. As a supplier of wind power, Gasum makes it possible to increase the production of renewable energy in Finland.

Gasum formed a new joint venture, Kiitoravinne Oy, with its partners Biolan and Pöytyän Maanparannus. The cooperation accelerates the circular economy operating model and responds to the continuously increasing demand for recycled nutrients. The lifecycle climate impact of recycled nutrients is roughly 90 percent lower than that of mineral fertilizers, and recycled nutrients have a positive impact in enhancing soil growth conditions.

Gasum's integrated management system sets standard operating methods for the company and enables continuous performance improvement in terms of quality, environmental and energy management, as well as occupational safety and biogas sustainability verification. The management system was externally audited during the review period and the system scope was expanded to cover Gasum's biogas plants located in Sweden and the new biogas plant in Lohja, Finland.

The development of the company's safety culture continued by promoting safety awareness among personnel, contractors, and service providers. During the review period, there was one accident involving a Gasum employee.

RESULTS

The Gasum Group's revenue for Q1-Q3 of 2022 totalled EUR 2,044.7 million, up 152% on the corresponding period a year earlier (EUR 811.6 million). Gas and electricity prices were at a high level and revenue increased despite lower sales volumes of gas. Volumes decreased mainly due to customers reducing their natural gas purchases in Finland as a result of uncertainty and high volatility in gas prices.

The Group's operating profit was EUR 119.3 (-226.4) million and the adjusted operating profit, excluding unrealized gains and losses from commodity derivatives, was EUR 42.1 (-26.3) million. Improved operating profit came mainly from gas sales, where the negative hedge impact was already recognized in 2021.

FINANCIAL POSITION AND FINANCING

The Group's balance sheet total at the end of September 2022 was EUR 2,553.2 (1,972.4) million. Increase in balance sheet was due to higher gas prices which resulted in a high market values of hedging derivatives and increase in working capital items.

The fair value of derivatives was EUR -76.6 (-172.7) million at the end of September 2022. The Group uses derivatives to hedge future cash flows from sales and purchases and firm commitments. Due to the ongoing uncertainty in the energy markets, the Group has actively taken actions to mitigate the negative impact of high volatility.

The Group's net interest-bearing debt at the reporting date totalled EUR 277.8 (743.4) million, including borrowings from financial institutions as well as finance lease liabilities. The Group's equity ratio was 20.3% (15.3%). The low equity ratio resulted primarily from the increase in working capital items and fair values of derivative contracts in the balance sheet. Gearing at the end of September 2022 was 54.2% (248.5%).

LEGAL PROCEEDINGS AND CLAIMS

The below presents updates to the legal proceedings and claims descriptions stated in the company's 2021 financial review and 2022 H1 financial report to the extent there have been notable changes.

Market Court gives ruling on matter between Gasum and Finnish Energy Authority

On November 7, 2022, the Market Court of Finland has ruled on a matter between Gasum and the Finnish Energy Authority concerning unbundling obligations under the Natural Gas Market Act.

In July 2020, the Energy Authority submitted to the Market Court that a considerable penalty fee be imposed on Gasum Ltd for non-compliance with the unbundling obligations in conjunction with the company's demerger. Gasum contested the Energy Authority's claims in all respects and the matter was brought before the Market Court for a ruling.

By a ruling given on 7 November, the Market Court reversed, following Gasum's appeal, the decisions issued by the Energy Authority concerning Gasum's financial statements. In addition, the Market Court dismissed the Energy Authority's proposal concerning a penalty fee.

Gasum to continue negotiations regarding natural gas supply contract after a decision from the arbitral tribunal

Gasum has a long-term natural gas supply contract with Russian Gazprom Export. Last April, Gazprom Export presented Gasum with a demand that the payments agreed in the supply contract should be paid in rubles instead of euros. Gasum did not accept this demand. In addition, the companies had a significant disagreement regarding certain other demands made based on the agreement. Due to these reasons, Gasum referred the matter to arbitration in accordance with the supply contract. Gazprom Export ceased gas supplies to Gasum in May.

On November 14, the arbitral tribunal issued an award in the matter. According to the award, Gasum is not obligated to pay in rubles nor through the proposed payment procedure. Furthermore, the arbitral tribunal ordered Gasum and Gazprom Export to continue their bilateral contract negotiations to resolve the current situation. Natural gas deliveries from Russia in accordance with Gasum's supply contract will not continue for the time being.

Balance sheet values on 30 September 2022 include 144.8 million euros trade payables and other provisions for gas deliveries and gas contract related other costs from 2021–2022. Gasum has declined to pay for gas deliveries in rubles.

Gasum has recognized 171.3 million euros asset under inventories regarding the undelivered gas from financial years 2020–2021 under the terms of the gas supply contract. Recognized asset is for the most part unpaid. There is no time limit for the reception of the gas under the gas supply contract. Gasum has recognized 158.0 million euros obligation as liability under accrued trade payables in company balance sheet on 30 September 2022. Realization of inventory asset and gas deliveries involve certain risks due to surrounding geopolitical situation.

OUTLOOK FOR THE CURRENT YEAR

Russia's brutal war against Ukraine and the resulting turbulence in the global energy market have affected Gasum's operational environment significantly throughout 2022. The volatility in the energy markets is expected continue. To ensure our resilience, we have continued to review thoroughly our operational activities and implemented various measures to improve the company's profitability. We continue to monitor and analyze the current situation and to build our capabilities to react to changes in energy markets.

Despite the current turbulence in the energy markets, the role of gas as a low-emission energy source will increase over the coming years. Gasum's current and future investments in the Nordic gas ecosystem and a revised Group strategy will facilitate profitable future growth. Our unique ability to operate more broadly in the energy market strengthens Gasum's position as a trusted partner for our customers. Gasum's pivotal role, especially in further developing the production and utilization of renewable gases in the Nordics, will boost the company's role as an energy company of the future.

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FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

EUR million	1-9/2022	1-9/2021	1-12/2021
Revenue	2,044.7	811.6	1,571.0
Other operating income	601.0	480.3	383.7
Materials and services	-1,716.6	-752.0	-1,377.3
Personnel expenses	-26.0	-29.5	-39.3
Depreciations and amortization	-61.1	-47.9	-68.8
Other operating expenses	-723.3	-689.8	-706.9
Share of result from investments accounted for using the equity method	0.5	0.8	-0.9
Operating profit	119.2	-226.4	-238.5
Finance income and expenses	-6.3	-11.1	-17.3
Result before taxes	112.9	-237.5	-255.8
Taxes	-22.6	47.3	1.1
Result for the period	90.3	-190.2	-254.6
Result for the period attributable to:			
Owners of the parent	90.3	-190.2	-254.6
Non-controlling interest	0.0	0.0	0.0

CONSOLIDATED BALANCE SHEET

EUR million	30.9.2022	30.9.2021	31.12.2021
ASSETS			
Non-current assets			
Intangible assets	183.4	209.6	192.8
Property, plant and equipment	646.5	836.5	691.9
Equity-accounted investments	11.4	12.7	11.0
Derivative financial instruments	190.4	37.6	37.5
Deferred tax assets	0.0	17.3	2.3
Other non-current assets	0.2	0.2	0.2
Total non-current assets	1,031.9	1,113.9	935.8
Current assets			
Inventories	354.1	70.2	247.5
Derivative financial instruments	523.3	380.8	233.3
Trade and other receivables	395.0	294.9	616.8
Current tax assets	1.6	1.5	0.0
Assets held for sale	0.0	1.6	0.0
Cash and cash equivalents	247.2	109.6	387.4
Total current assets	1,521.2	858.5	1,484.9
TOTAL ASSETS	2,553.2	1,972.4	2,420.7

CONSOLIDATED BALANCE SHEET

EUR million	30.9.2022	30.9.2021	31.12.2021
EQUITY AND LIABILITIES			
Share capital	10.0	10.0	10.0
Reserve for invested unrestricted equity	159.3	160.0	159.7
Capital loan	199.0	0.0	199.0
Retained earnings	65.8	321.1	321.2
Result for the period	90.3	-190.2	-254.6
Translation differences	-11.7	-1.7	-1.6
Total equity attributable to owners of the parent	512.7	299.1	433.7
Non-controlling interest	0.0	0.0	0.0
TOTAL EQUITY	512.7	299.1	433.7
LIABILITIES			
Non-current liabilities			
Loans	344.4	444.5	445.7
Non-current lease liabilities	162.2	184.5	170.0
Derivative financial instruments	165.7	58.4	50.9
Deferred tax liabilities	0.6	0.0	7.1
Provisions	23.2	18.4	27.3
Post-employment benefits	5.6	3.5	5.6
Total non-current liabilities	701.7	709.5	706.5
Current liabilities			
Loans	0.0	207.9	207.9
Derivative financial instruments	624.7	532.7	383.4
Trade and other payables	686.6	222.9	684.8
Current income tax liabilities	27.4	0.3	4.4
Total current liabilities	1,338.7	963.7	1,280.5
TOTAL LIABILITIES	2,040.4	1,673.3	1,987.0
TOTAL EQUITY AND LIABILITIES	2,553.2	1,972.4	2,420.7

FORMULAS FOR KEY FINANCIAL INDICATORS

Equity ratio (%) =	100 x	$\frac{100 \times \text{Total equity}}{\text{Balance sheet total} - \text{Advances received}}$
Return on equity (%) =	100 x	$\frac{\text{Result for the period (12m rolling)}}{\text{Total equity (average for the period)}}$
Return on investment (%) =	100 x	$\frac{\text{Profit before tax (12m rolling)}}{\text{Total equity} + \text{Interest-bearing debt (average for the period)}}$
Net interest-bearing debt =		Interest-bearing debt - Cash and cash equivalents
Gearing ratio (%) =	100 x	$\frac{\text{Interest-bearing debt} - \text{Cash and cash equivalents}}{\text{Total equity}}$
Gearing ratio (%) excluding the impact of IFRS16 Leases =	100 x	$\frac{\text{Interest-bearing debt} - \text{IFRS16 leasing debt} - \text{Cash and cash equivalents}}{\text{Total equity}}$
Net debt/EBITDA =	100 x	Interest-bearing debt - Cash and cash equivalents

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