

GASUM GROUP
FINANCIAL RESULT
Q3 2023



Gasum

Gasum Group financial result Q3 2023

Stable market prices resulted in positive LNG volume development in the maritime market as demand grows

Gasum concentrated on implementing its strategy in a calmer market environment with stable gas prices during the third quarter. The breakdown of the Balticconnector pipeline, which occurred after the quarter, poses uncertainties for the coming winter season.

January–September 2023 (Q1–Q3 2022):

- LNG volumes developed positively while pipeline natural gas volumes decreased as expected. This led to overall sales volumes of 8.8 (11.9) TWh, which is 26 percent lower than in 2022.
- The Group's revenue decreased by 47.7 percent to EUR 1,025.7 (EUR 1,959.4) million due to a decline in gas market prices.
- Operating profit (EBIT) was EUR –5.4 (EUR 119.3) million. Adjusted operating profit (EBIT) was EUR –23.5 (EUR 42.1) million.
- Balance sheet total was EUR 1,506.2 (EUR 2,553.2) million.
- Equity ratio in end of Q3 2023 was 34.8 (20.3) percent.

Key financial indicators

EUR million	1-9/2023	1-9/2022	2022
Revenue*)	1,025.7	1,959.4	2,601.8
Adjusted operating profit*	-23.5	42.1	37.1
Operating profit	-5.4	119.3	149.9
Adjusted operating profit (%)*	-2.3%	2.2%	1.4%
Operating profit (%)	-0.5%	6.1%	5.8%
Equity ratio (%)	34.8%	20.3%	28.3%
Adjusted return on equity (%)**	-0.4%	-17.9%	8.6%
Return on equity (%)**	2.5%	6.4%	25.3%
Adjusted return on investment (%)**	-0.8%	-2.6%	2.4%
Return on investment (%)**	0.9%	8.6%	12.0%
Balance sheet total	1,506.2	2,553.2	1,947.3
Net interest-bearing debt	201.9	277.8	309.4
Gearing ratio (%)	38.9%	54.2%	57.0%
Gearing ratio (%) excluding the impact of IFRS 16 leases	9.3%	19.0%	25.5%
Personnel at the end of period	332	322	321

*) The figures for the comparison period have been adjusted to correspond the reclassification of electricity hedges under other operating income.

*Calculated without unrealized gains and losses from operative hedge derivatives and non-recurring items.

** 12-month rolling.

Gasum Group CEO Mika Wiljanen comments on Q3 and the year-to-date 2023:

“During the third quarter of the year we continued to operate in a more stable market environment. While pipeline natural gas volumes were modest, we saw positive development in liquefied natural gas (LNG) volumes in the maritime market as the price of LNG was favorable throughout the quarter.

The Group’s revenue for Q1–Q3 2023 was EUR 1,025.7 million, operating profit was EUR -5.4 million and adjusted operating profit was EUR -23.5 million. While the market remained stable and volumes developed positively in the maritime LNG market, Gasum’s result remained to be burdened by costs that resulted from adverse impacts of the market turmoil and adjusting operations to the changed energy landscape in 2022. These costs, while decreasing, are expected to burden Gasum’s result until the end of Q1 2024.

After the end of the third quarter a leak appeared in the Balticconnector gas pipeline between Finland and Estonia leading to a shutdown of gas flow. This leak was later determined to have been caused by external activities and further investigations were started. While the shutdown does not pose an immediate threat to Gasum’s ability to serve our natural gas customers, it does generate uncertainties regarding the coming winter season. Gasum is in the process of rebuilding the supply and logistics chain to meet the natural gas demand of our customers.

Throughout the third quarter we consistently continued to implement the Gasum strategy and planning of new investments proceeded according to schedule. We initiated the execution of three expansions of existing biogas plants in Finland and Sweden. Work at the Vehmaa plant in Finland proceeded well and commissioning is expected in December this year. On-site work at the Oulu plant in Finland is expected to start early 2024 and at the Örebro plant in Sweden later in the spring.

The execution of the greenfield project in Götene continues as planned. The three main reactors as well as several other storage tanks for biomass and biofertilizer and the frames of technical buildings have been erected and the infrastructure at the plant area is finished.

At the beginning of July Gasum also expanded its biogas portfolio by acquiring majority ownership in Swedish biogas upgrading company Liquidgas Biofuel Genesis AB. Liquidgas Biofuel Genesis owns and operates a biogas upgrading plant in the city of Helsingborg in southern Sweden. The current output of the plant is 80 gigawatt hours (GWh) worth of upgraded biogas per year.

In the power business we reached a milestone with our first fuel switch agreement. This means optimizing energy purchasing for our customer by switching between gas and electricity use based on the daily or even the hourly energy price on the market.

Gasum received the top rating of dark green from independent ratings issuer Shades of Green for its framework for sustainable investments, or green loans, to be used in the biogas business. Our strengths in the assessment were using waste as a resource and promoting circularity. Gasum also received a governance score of Excellent as sustainability is solidly rooted in Gasum’s corporate governance.

During the third quarter of the year, we opened two new filling stations, one in Sweden and one in Finland and the LNG bunker supply vessel Kairos returned to Gasum’s fleet after being subleased out for a period of time. These developments will enable us to serve our customers more effectively as demand for LNG and biogas increases.”

Operating environment

Energy market – Industry and power

Industrial activity in Europe continued to weaken during the third quarter spurred by inflation pressure that continued to impact the central bank's decisions on continuing a path of increasing interest rates. Tightening monetary policy both in Europe and in North America is having a bigger impact on investment decisions. The uncertainty of global economic growth coupled with turbulence linked to the war in Ukraine dampened the mood.

Gas prices in Europe stayed below 40 EUR/MWh for most of the third quarter as gas storages were close to record high levels and LNG supplies were readily available to compensate for the lost supply from Russia. The Asian LNG demand that several market analysts had forecasted to arrive during Q3, continued not to appear.

European gas prices traded all the way down to 25 EUR/MWh before finding a bottom in late July. Gas prices found some support as unexpected strike announcements in Australian LNG production facilities during late August and early September raised the prices back to 45 EUR/MWh levels. Nevertheless, as European gas storages were almost a month and a half ahead of normal filling ratios, market prices stayed stable throughout the quarter. The strikes ended relatively quickly, and the European gas market was well supplied with LNG through the new FSRUs (floating storage regasification units). Thus, the third quarter closed at around the 40 EUR/MWh price level.

Nordic power prices stayed significantly below 40 EUR/MWh during most of the first half of the third quarter. The hydro balance situation in the Nordics was very good and the water reservoirs were almost at 90 percent full at the beginning of August. Power prices dropped as the weather was windier and rainier, and also gas prices had dropped significantly. We experienced even negative power prices in the Nordics, which is a rare event.

The Finnish area price continued to settle below system price levels, mainly because the new Finnish nuclear power reactor Olkiluoto 3 was running at full capacity and the wind power turbines were also producing at very good rates. During some of the windier days, the Finnish spot prices were even negative throughout the day.

From mid-August onwards there was a little bit of a hike on power prices as several simultaneous nuclear power plant maintenance periods in Finland and in Sweden coincided with power cable outages between the countries. This period of slightly higher prices at around 80 EUR/MWh only lasted for a few weeks and by the end of the quarter, power prices traded close to zero again throughout the Nordics.

The emission allowance price continued to trade at relatively high price levels as the political situation remained uncertain related to RePowerEU program impacts. The price range stabilized between 75 EUR/ton and 90 EUR/ton.

Road and maritime

In the heavy-duty vehicle segment the number of gas-powered trucks in the Nordic market has continued on a steadily increasing path. The long-term development is expected to continue as biogas use is seen as a cost-effective way to decarbonize logistics already today.

The announcement by the city of Stockholm also shows the direction for the future. In certain parts of downtown Stockholm diesel and petrol engine vehicles will be banned from 31 December 2024 onwards and only biogas and electric powered vehicles are allowed to enter the area. The reasoning behind the decision is a goal to cut air pollution. Other cities across the Nordics are now potentially following a similar line.

The maritime industry has continued to pick up significantly with the lower price levels of LNG. The price differential between marine gasoil (MGO) and LNG has continued to tilt the demand towards the more environmentally friendly choice, namely LNG. LNG was the cheaper alternative of the two also during the third quarter.

This has continued to impact the growth of the LNG-powered vessels market positively. The number of LNG-powered vessels has continued to increase significantly as the orderbook for new vessels has grown massively.

We have seen the demand for liquified biogas (bio-LNG) also increase in the maritime sector, as the 2024 implementation of the EU maritime emissions regulation approaches. In January 2024, the EU's Emissions Trading System (EU ETS) will be extended to cover CO2 emissions from all large ships entering EU ports.

Biogas and circular economy

The geopolitical situation is boosting the development of biomethane availability in Europe as natural gas supply from Russia is limited. The REPowerEU program's target to grow EU biomethane production tenfold to 35 bcm per year by 2030 represents 15 percent of the total natural gas demand in 2030 and 40 percent of former Russian imports. Reaching the REPowerEU target requires investments of approximately EUR 83 billion in around 5,000 new production installations to be operational at the end of 2029.

The biogas industry together with associations and regulatory stakeholders have founded a public-private-partnership organization called the Biomethane Industry Partnership (BIP) to facilitate the growth. Gasum is a member of BIP and included in various working groups and as a member of the support group.

The growth of biomethane production in Finland is not developing very rapidly and based on the plans of the new government, subsidies for biogas investments or promoting the use of biogas are expected to be modest. The responsibility for biogas support is spread across three different ministries, namely Ministry of Economy and Employment, Ministry of Agriculture and Ministry of Environment, and a unified circular economy approach would be preferred in industry.

Unfortunately, many investment decisions have not been made despite investment subsidies having been granted. The reason is related to the rapidly changing regulatory environment, such as taxation and sustainability criteria, and the uncertainties related to the gas and energy market in general, like the government's plan to change the blending mandate level of traffic fuel.

In Finland, due to fierce competition over biowaste and sewage sludge that Gasum mainly uses as feedstock, the gate fees in the market have been decreasing and some of the earlier gate-fee-based feedstocks have been turning into zero-priced or even purchased feedstock. The availability and cost of these traditional feedstocks are creating additional uncertainty for investments and instead, new feedstock sources need to be utilized. For example, side streams that used to be utilized in the fur industry are increasingly used as biogas production feedstock.

In Sweden, investment subsidies have continued as before, and production support was also resumed after the possibility of overcompensation was cleared. The tax exemption was removed in March 2023 due to an EU court ruling and that caused a drop in demand for compressed biogas as traffic fuel. Demand has slightly recovered but a clear emphasis towards liquefied biomethane instead of compressed is seen. Due to this development Gasum is evaluating the possibility of liquefying the compressed gas in a central location.

The market environment for biomethane production in Norway differs from Finland and Sweden as Norway is not regulated according to the EU rules. Investment subsidies are allocated to biogas new plants.

Sustainability

During the third quarter of the year Gasum received the top rating of dark green from independent ratings issuer Shades of Green for its framework for sustainable investments or green loans. Green loans are used for investments in the biogas business. Gasum's strengths in the assessment were using waste as a resource and promoting circularity. Gasum also received a governance score of Excellent because sustainability is solidly rooted in the company's corporate governance.

During the quarter Gasum also developed e-learnings and onsite safety trainings for both external and internal stakeholders, conducted emergency preparedness drills at plants and terminals and developed common guidelines for chemical safety and risk assessment. The tanks at Finnish biogas plants were filmed using an infrared camera to prevent fugitive methane emissions.

Financial performance

The Gasum Group's revenue during Q1–Q3 period was EUR 1,025.7 million, -47.7% lower than the revenue of EUR 1,959.4 million in corresponding period in year earlier 2022. The decrease in revenue was attributable to lower gas prices than in the same period in 2022.

Adjusted operating profit was in Q1–Q3 2023 EUR –23.5 million (Q1–Q3 2022: EUR 42.1 million) and operating profit was EUR –5.4 million (Q1–Q3 2022: EUR 119.3 million). Items affecting comparability and were adjusted include unrealized profit in operative hedge derivatives of EUR 16.7 (EUR 77.1) million, change of inventory values to net realizable value of EUR 2.6 (EUR 0.0) million, legal costs related to ongoing claims of EUR –1.2 million.

Net profit for Q1–Q3 2023 was EUR –20.1 million (Q1–Q3 2022: EUR 90.3 million). Negative performance in Q1–Q3 2023 resulted from reduced gas prices during the year 2023 and actions Gasum has implemented to manage the risks and the consequences of turmoil in the energy markets.

Balance sheet and financial position

The Group's balance sheet totaled at the end of September 2023 EUR 1,506.2 million (September 30, 2022: EUR 2,553.2 million). Net interest-bearing debt, including net borrowings from financial institutions and lease liabilities, decreased by 27.3% to EUR 201.9 million (September 30, 2022: EUR 277.8 million). At end of September 2023, cash and cash equivalents including short-term deposits amounted to EUR 295.5 (September 30, 2022: 247.2) million and unused committed credit facilities to EUR 220 million. Gasum has financial covenants in its loan agreements for gearing and minimum available liquidity.

Equity at end of September 2023 was at EUR 519.3 million, increase of 1.3% from EUR 512.7 million in September 2022. Gearing at end of Q3 2023 was at 38.9% (September 30, 2022: 54.2%) and equity ratio at 34.8% (September 30, 2022: 20.3%).

Events after the reporting period

On Sunday 8 October 2023 the Finnish operator Gasgrid detected a pressure drop in the Balticconnector underwater gas pipeline between Finland and Estonia. Investigation into the reason behind the drop in pressure was started immediately. Two days later it was established that there was a rupture in the pipeline and that the damage could not have been caused by normal use of the pipe or as a result of pressure changes. It was considered likely that the tear was caused by external activities.

Investigations into the activities behind the rupture were started. Repair of the pipeline is expected to take at least five months, which means that it will open again at the earliest in April 2024.

Gasum has been using the pipeline to deliver natural gas to its customers in Finland and to transfer gasified LNG from the Inkoo floating storage regasification unit (FSRU) to the underground storage facility in Latvia. The incident does not pose an immediate threat to Gasum's ability to serve its natural gas customers as Gasum is able to deliver natural gas as re-gasified LNG through the Inkoo FSRU. It does, however, raise some uncertainties concerning the winter season in terms of arranging the required amount of gas as LNG cargoes and possible costs arising from the arrangements.

Outlook for the current year

In the big picture volumes are expected to develop positively throughout the year and the future of LNG and LBG looks promising. Demand is expected to be positively impacted by the upcoming maritime sector EU emissions regulation starting in 2024 as well as the steadily growing numbers of gas-powered trucks in the heavy traffic sector in the long term.

Gasum's result continues to be burdened by costs that have resulted from adverse impacts of the market turmoil and adjusting operations to the changed energy landscape in 2022. According to the current understanding, these costs are expected to decrease towards the turn of the year but will continue to affect Gasum's result until the end of the first quarter of 2024.

The October shutdown of the Balticconnector gas pipeline poses uncertainties for Gasum's natural gas business for the coming winter in terms of arranging the required amount of gas as LNG cargoes and possible costs arising from the arrangements. The repairs are estimated to take at least five months and the pipeline will open earliest at the

beginning of April 2024. In the meanwhile, Gasum is working together with the authorities and other actors in the market to secure the supply of natural gas to its customers through the Inkoo FSRU.

Despite the recent events, Gasum is better positioned for the coming winter season, when comparing to the same period in 2022. The situation in the market is steadier and more predictable. Gasum is, however, monitoring the global geopolitical situation – for example, the possible escalation of the conflict in the Middle East may result in some disruptions in energy supply and related market reactions.

Gasum remains steadfast in implementing its strategy with construction work on the Götene biogas plant in Sweden progressing according to plan as well as work on expansions and improvements of three existing biogas plants under way.

Consolidated statement of income

EUR million	1-9/2023	1-9/2022	1-12/2022
Revenue*	1,025.7	1,959.4	2,601.8
Other operating income*	383.3	686.3	643.2
Materials and services*	-862.1	-1,633.7	-2,224.9
Personnel expenses	-27.3	-26.0	-35.5
Depreciation, amortization and impairment	-59.7	-61.1	-92.9
Other operating expenses*	-466.2	-806.2	-742.6
Share of profit/loss from investments accounted for using the equity method	0.9	0.5	0.8
Operating profit	-5.4	119.2	149.9
Finance income and expenses	-13.2	-6.3	-8.7
Result before taxes	-18.6	112.9	141.2
Taxes	-1.5	-22.6	-17.9
Result for the period	-20.1	90.3	123.3
Result for the period attributable to:			
Owners of the parent	-20.4	90.3	123.3
Non-controlling interest	0.3	0.0	0.0

*The figures for the comparison period have been adjusted to correspond the reclassification of electricity hedges under other operating income and under other operating expenses.

Consolidated balance sheet

EUR million	30.9.2023	30.9.2022	31.12.2022
ASSETS			
Non-current assets			
Intangible assets	160.6	183.4	169.0
Property, plant and equipment	617.7	646.5	621.5
Equity-accounted investments	12.4	11.4	11.6
Derivative financial instruments	36.7	190.4	133.7
Other non-current assets	0.2	0.2	0.3
Total non-current assets	827.6	1,031.9	936.1
Current assets			
Inventories	122.8	354.1	257.9
Derivative financial instruments	53.4	523.3	186.7
Trade and other receivables	199.6	395.0	354.6
Current tax assets	7.3	1.6	5.9
Cash and cash equivalents	295.5	247.2	206.2
Total current assets	678.6	1,521.2	1,011.2
TOTAL ASSETS	1,506.2	2,553.2	1,947.3

Consolidated balance sheet

EUR million	30.9.2023	30.9.2022	31.12.2022
EQUITY AND LIABILITIES			
Share capital	10.0	10.0	10.0
Reserve for invested unrestricted equity	159.7	159.3	159.7
Capital loan	199.0	199.0	199.0
Retained earnings	193.2	65.8	67.3
Result for the period	-20.4	90.3	123.3
Translation differences	-23.4	-11.7	-16.3
Total equity attributable to owners of the parent	518.1	512.7	543.0
Non-controlling interest	1.2	0.0	0.0
TOTAL EQUITY	519.3	512.7	543.1
LIABILITIES			
Non-current liabilities			
Loans	343.8	344.4	344.5
Non-current lease liabilities	139.3	162.2	139.4
Derivative financial instruments	20.9	165.7	104.1
Deferred tax liabilities	8.2	0.6	11.5
Provisions	11.9	23.2	11.9
Post-employment benefits	4.4	5.6	4.4
Total non-current liabilities	528.4	701.7	615.8
Current liabilities			
Derivative financial instruments	49.1	624.7	211.9
Trade and other payables	395.4	686.6	563.1
Current income tax liabilities	13.9	27.4	13.5
Total current liabilities	458.4	1,338.7	788.5
TOTAL LIABILITIES	986.8	2,040.4	1,404.3
TOTAL EQUITY AND LIABILITIES	1,506.2	2,553.2	1,947.3

Formulas for key financial indicators

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

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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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