

Gasum Group
Financial Result
Q1 2023



Gasum

Gasum Group financial result Q1 2023

Volumes picked up from 2022 year-end levels reflecting a more stable operating environment

Customers are starting to return to gas after switching to other lower cost and higher emissions fuel options during 2022. At the start of the year volumes were gradually increasing but were still lower than in Q1 2022.

January–March 2023 (Q1 2023):

- The Group's revenue decreased by 40 per cent to EUR 455.6 (758.0) million.
- Operating profit (EBIT) was EUR -19.3 (-11.3) million at loss. Adjusted operating profit (EBIT) was EUR -11.3 (5.5) million
- Balance sheet total came to EUR 1,745.2 (2,348.2) million
- Equity ratio was 29.9 (18.0) per cent
- Sales volumes decreased by 45 per cent compared to Q1 2022 and were 3.3 (6.0) TWh

Key financial indicators

EUR million	1-3/2023	1-3/2022	Change%	2022
Revenue	455.6	758.0	-40%	2,722.5
Adjusted operating profit*	-11.3	5.5		37.1
Operating profit	-19.3	-11.3		149.9
Adjusted operating profit (%)*	-2.5%	0.7%		1.4
Operating profit (%)	-4.2%	-1.5%		5.5
Equity ratio (%)	29.9%	18.0%		28.3%
Adjusted return on equity (%)**	27.8%	-28.5%		8.6%
Return on equity (%)**	24.2%	-57.7%		25.3%
Adjusted return on investment (%)**	14.0%	-8.6%		2.4%
Return on investment (%)**	12.2%	-23.2%		12.0%
Balance sheet total	1,745.2	2,348.2	26%	1,947.3
Net interest-bearing debt	158.2	409.2		309.4
Gearing ratio (%)	30.7%	97.3%		57.0%
Gearing ratio (%) excluding the impact of IFRS 16 leases	-1.6%	50.3%		25.5%
Personnel at the end of the period	316	361		321

* Calculated without unrealized gains and losses from derivatives relating to operative business and non-recurring items.

** 12-month rolling.

Gasum Group CEO Mika Wiljanen comments on Q1 of 2023:

“The operating environment in the energy sector was beginning to stabilize during the first quarter of the year, which was a welcomed development from the roller coaster ride of the previous year. During 2022 record high gas prices drove customers to switch to cheaper more polluting fuels, but the first quarter of 2023 saw them beginning to return to gas.

This is good news for the climate, as natural gas, and not to mention biogas, has a significantly lower carbon footprint than other fuel options. Gas remains to possess the biggest and fastest potential in the short term for carbon emissions reductions in the maritime and land transportation segments as well as industrial processes.

Because of more reasonable prices during Q1 of 2023 we saw gas volumes picking up from the slump of the previous year. As volumes have been growing, customers have also shown an increased interest in fixed price contracts.

The Group's revenue for Q1 of 2023 was EUR 544.6 million, operating profit was EUR -19.3 million and adjusted operating profit was EUR -11.3 million. In Q1, we also managed to release working capital by actively managing our inventories especially in natural gas. Group net interest-bearing debt declined to EUR 158.2 million during the quarter.

During the first quarter of the year we published our new strategic goal of bringing 7 TWh of renewable gas yearly to market by 2027. This would result in a cumulative saving of 1.8 million tons of CO2 emissions for our customers.

Gasum's new strategy has been actively implemented during the start of the year – a total of 16 strategic projects were ongoing throughout the first quarter. I have the utmost trust in the Gasum staff to deliver results in these projects as well as the ones that will still be started during the year.

During the first three months of the year, work at our next new large scale biogas plant in Götene, Sweden proceeded as planned. We also opened a new filling station in Luleå to meet growing customer demand in the northernmost parts of Sweden. The station is a result of cooperation between Sandahls Logistik and Gasum.

In January we launched an open innovation competition called the GasumHackathon to find solutions and partners to utilize the biogenic carbon dioxide generated as a side stream from the biogas upgrading process in Gasum's biogas plants in Finland and Sweden. The competition is a collaboration with the BioEconomy Business Accelerator BioPaavo by JAMK University of Applied Sciences and growth company consultancy Kasvu Open.

In the maritime segment we registered Gasum for business in the Netherlands as this will strengthen our presence and opportunities in the Northwest Europe bunker market. We also joined the SeaFocus Intelligence Hunt program to collaborate with students in mapping out the future of energy use in maritime transportation.”

Operating environment

Energy market – Industry and power

Nordic electricity prices continued to move lower from the prices seen in beginning of December as the prices almost halved for the start of January. Power prices were trading close to the levels seen before the Ukraine war as gas and coal prices continued to move to lower levels and the hydrobalance in the Nordics was getting better due wet weather.

The main driver for lower Nordic power prices was the easing of gas prices. In the beginning of the first quarter, the Finnish area price settled back above system price levels, mainly because the new Finnish nuclear power reactor Olkiluoto 3 continued to be down for service.

Emission allowance price had also moved to slightly lower levels from 90 EUR/ton to below 80 EUR/ton. These are still relatively high levels as the political situation remained uncertain related to gas price caps and RePowerEU program impacts. The probability of an upcoming global recession is higher, which is cause for some concern. The Nordic hydrobalance was at the 5-year average level going into February.

The gas market started the first quarter at about 75 EUR/MWh mainly due to a mild winter and good storage situation. European gas prices continued to drift lower as European gas storages were filled well above the long-term averages and plenty of LNG was available.

Russian gas deliveries to Europe were continued through the Ukraine pipeline with only about 20% capacity and the rest coming through the Turkstream pipeline. There were still no volumes coming through the destroyed Nordstream pipelines or via the Polish pipeline. Healthy LNG inflow was expected to continue, and more new LNG import terminals or Floating Storage Regasification Units (FSRUs) have been deployed at a fast pace in order to prepare for a full stop of pipeline gas imports from Russia. The Finnish FSRU at Inkoo port also started its commercial operations in late December 2022.

The amount of LNG cargoes arriving to European LNG terminals continued at record high levels throughout Q1. The LNG prices were close to the front month prices as there were still several vessels arriving to Europe without available slots in the terminals. The European gas and LNG prices dropped below 45 EUR/MWh for most of the delivery locations.

Nordic power prices stayed below 100 EUR/MWh throughout the first quarter. The risks seen before the winter didn't materialize as we were able to sustain the colder winter days without any problems. There were even some fears of power cuts due to unavailability of sufficient power supply to match the increased power demand, but those fears never materialized. Power prices dropped as weather was milder, windier and as gas prices had also dropped significantly.

Road and maritime

Inflation pressure continued to impact global economy even further during the first quarter. Central banks continued to change to interest rate increase paths and there were several rate hikes in USA and Europe during the first quarter. The market was reacting downwards on the back of high inflation, tightening monetary policy and likely continuing supply disruptions. The growth of the number of LNG-powered trucks has continued to be impacted negatively due to higher interest rates and slower economic activity.

The maritime industry has picked up a bit with the lower price levels of LNG. We experienced a reversal on the price differential between marine gasoil (MGO) and LNG, which has started to impact the growth of the LNG-powered vessels market positively. For some time, LNG has been the cheaper alternative of the two.

In the long run, we expect the number of LNG-powered vessels to 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.

Biogas and the circular economy

Biogas and especially growth of biomethane availability has been in the focus of energy policy as natural gas supply from Russia continues to be limited due to geopolitical turmoil in Europe. The target of growing biomethane production in EU to 35 bcm per year – that's a more than 10-fold increase to current production – has been included into the EU's gas package under the REPowerEU program.

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 also a member of BIP and included in various working groups and as a member of the support group. The REPowerEU's gas package is currently discussed in the EU Council and in the coming months new targets and mechanisms for national biogas strategies, biomethane grid injection and promotion of synthetic biomethane production are expected.

In Finland, the growth of biomethane production has been moderate due to a slow start to new production investments even though there is support in the form of investment grants from national and EU-level funding. 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. In Finland Gasum uses mainly biowaste and sewage sludge as feedstock and the regulatory framework together with fierce competition for feedstock is creating additional uncertainty on green field investments. Instead, Gasum is entering into expansion projects on existing plants to increase biomethane production.

In Sweden, the first part of the year has seen numerous changes in the biogas support schemes. Investment subsidies have been continuing as before but production support has been kept on hold due to the possibility of overcompensation and, indeed, the tax exemption was removed in March 2023 due to an EU court ruling. Overcompensation discussions have quietened slightly as all energy prices have gone down and the tax exemption is now under re-evaluation due to recent changes in EU regulation. As a result, the production related support schemes may return to the level they were earlier.

Gasum continues the execution of a green field project in Götene and develops other similar manure feedstock-based sites in southern Sweden. Several competitors are also interested in manure-rich areas in Sweden and the competition to engage farms in biogas production and also in the use of biofertilizers resulting as a side stream of biogas production is increasing.

Norway is not regulated according to the EU rules and there the market environment for biomethane production differs from those in Finland and Sweden. The situation in Norway is stable and investment subsidies are allocated to new plants. Gasum is planning a biogas plant project near Trondheim, which would be Gasum's first plant in Norway.

Sustainability

During the first quarter of the year Gasum published the Group's 2022 sustainability report as well as an updated sustainability program and targets for 2023. The report presents Gasum's most significant sustainability performance topics for the previous year, including impacts on climate and the environment as well as the social agenda. Reporting is prepared in accordance with the GRI Standards. Gasum is a signatory to the United Nations Global Compact initiative since 2021.

During Q1 there were zero lost-time injuries (LTI) to our own staff but one LTI to a contractor related to insufficiencies in personal protective equipment (PPE). A communications and monitoring campaign was started to remind on and ensure the use of correct use of PPE by partners at Gasum facilities.

We also commenced a cybersecurity training program for the entire staff to gain knowledge and capabilities to prevent email-based attacks on the company. The results of the annual Leading for Impact survey for the year 2022 were published internally and the results showed improvement from the previous year in working culture and leadership styles.

Financial performance

Q1 2023 revenue was at EUR 456 million, 40% lower than the revenue of EUR 758 million in Q1 2022. Revenue decreased due to lower volumes and prices as gas prices generally were lower in Q1 2023 than in the same period in 2022.

Adjusted operating profit decreased to EUR -11.3 million (Q1/2022: EUR 5.5 million) and Operating profit was at EUR -19.3 million (Q1/2022: EUR -11.3 million). Items affecting comparability and were adjusted include unrealized loss in hedge derivatives of EUR -13.8 million, change of inventory values to net realisable value of EUR 6.4 million, legal costs related to ongoing claims of EUR 0.5 million. In Q1 2022, items affecting comparability and were adjusted include unrealized loss in hedge derivatives of EUR 16.8 million and legal costs related to ongoing claims. Negative performance in Q1 2023 resulted from reduced gas prices during the quarter and actions Gasum has implemented to manage the consequences of the turmoil in energy markets.

Finance income and expenses in Q1 2023 were at EUR -3.8 million (Q1/2022: EUR -4.8 million). Net profit for Q1 2023 was EUR -23.1 million (Q1/2022: -12.9 million).

Cash flow and financing

The Group's balance sheet totaled at the end of March 2023 EUR 1,745.2 million (March 31, 2022: 2,348.2). Net interest-bearing debt, borrowings from financial institutions and lease liabilities, decreased by 61% to EUR 158.2 million (March 31, 2022: 409.2). Equity at end of March 2023 was at EUR 515.3 million, an increase of 22.5% from EUR 420.6 million in March 2022. Gearing at end of Q1 2023 was at 30.7% (March 31, 2022: 97.3%) and equity ratio at 29.9% (March 31, 2022: 18%).

Decrease in net interest-bearing debt resulted from positive operative performance and decrease in working capital. Decrease in working capital during Q1 2023 resulted mainly from the reduction on natural gas inventories. Capital expenditure in Q1 2023 was EUR 8.9 million (Q1/2022: EUR 9.4 million). Expansion investments include projects in biogas production, customer terminals for LNG and LBG and filling stations for road transportation.

At end of March 2023, cash and cash equivalents amounted to EUR 352.7 (March 31, 2022: 343,3) million and unused committed credit facilities to EUR 220 million. Gasum has financial covenants in its loan agreements for gearing and minimum available liquidity. At balance sheet date, Gasum has recognized assets and liabilities related to natural gas contract with Gazprom Export. More information of the arbitration and recognized items is given in Gasum Financial Statements 2022.

Outlook for the current year

The year started in a relatively more stable environment after the turmoil of the previous year. Approaching the summer season the stability is expected to more or less continue, as gas inventories are already at a relatively high level compared to the previous year. The end of the year, however, poses many uncertainties, with Russia's brutal aggression against Ukraine expected to continue and the weather conditions of the coming winter yet to be seen.

Sanctions or other measures against the Russian gas sector, or countermeasures by Russia could have significant impacts on Gasum's operating environment, the surrounding markets and the company's LNG supply chain, hedging and related result. Recent developments increase Gasum's risks concerning Russia. Gasum continues to monitor and analyze the situation and is ready to react to changes in the market. Interest in biogas remains high amidst the geopolitical turmoil in Europe, while some kind of resolution is expected to the production support issue in Sweden during the year.

Gasum is firmly ploughing ahead with implementing its strategy. There are currently 16 projects related to the strategy implementation ongoing with other projects coming through the pipeline during the course of the year.

The construction of Gasum's newest large scale biogas plant in Götene, Sweden is expected to proceed throughout the year according to plan with no consequential delays. Planning on the other four Swedish sites as well as one Norwegian site for future biogas plant investments is ongoing.

**FURTHER INFORMATION,
PLEASE CONTACT:**

Mika Wiljanen,
Chief Executive Officer

Heidi Westerberg,
Executive assistant
Phone +358 40 554 0951
heidi.westerberg@gasum.com

Olga Väisänen,
Vice President,

Communications and Sustainability
Phone +358 40 554 0578
olga.vaisanen@gasum.com

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.

www.gasum.com

Financial statements

Consolidated statement of income

EUR million	1-3/2023	1-3/2022	1-12/2022
Revenue	455.6	758.0	2,722.5
Other operating income	233.3	166.3	522.5
Materials and services	-405.8	-631.1	-2,343.7
Personnel expenses	-8.6	-8.7	-35.5
Depreciations and amortization	-19.7	-20.2	-92.9
Other operating expenses	-274.3	-275.9	-623.8
Share of result from investments accounted for using the equity method	0.2	0.2	0.8
Operating profit	-19.3	-11.3	149.9
Finance income and expenses	-3.8	-4.8	-8.7
Result before taxes	-23.1	-16.1	141.2
Taxes	0.0	3.2	-17.9
Result for the period	-23.1	-12.9	123.3
Result for the period attributable to:			
Owners of the parent	-23.1	-12.9	123.3
Non-controlling interest	0.0	0.0	0.0

Consolidated balance sheet

EUR million	31.3.2023	31.3.2022	31.12.2022
ASSETS			
Non-current assets			
Intangible assets	164.3	191.4	169.0
Property, plant and equipment	613.9	682.1	621.5
Equity-accounted investments	11.8	11.0	11.6
Derivative financial instruments	66.5	58.1	133.7
Deferred tax assets	0.0	1.6	0.0
Other non-current assets	0.2	0.2	0.2
Total non-current assets	856.7	944.4	936.1
Current assets			
Inventories	234.9	248.8	257.9
Derivative financial instruments	67.1	329.6	186.7
Trade and other receivables	229.2	484.3	354.6
Current tax assets	4.5	-2.2	5.9
Assets held for sale	0.0	0.0	0.0
Cash and cash equivalents	352.7	343.3	206.2
Total current assets	888.5	1,403.8	1,011.2
TOTAL ASSETS	1,745.2	2,348.2	1,947.3

Consolidated balance sheet

EUR million	31.3.2023	31.3.2022	31.12.2022
EQUITY AND LIABILITIES			
Share capital	10.0	10.0	10.0
Reserve for invested unrestricted equity	159.7	159.7	159.7
Capital loan	199.0	199.0	199.0
Retained earnings	190.6	65.2	67.3
Result for the period	-23.1	-12.7	123.3
Translation differences	-20.9	-0.6	-16.3
Total equity attributable to owners of the parent	515.3	420.6	543.0
Non-controlling interest	0.0	0.0	0.0
TOTAL EQUITY	515.3	420.6	543.1
LIABILITIES			
Non-current liabilities			
Loans	344.6	344.7	344.5
Non-current lease liabilities	138.4	167.2	139.4
Derivative financial instruments	44.1	55.0	104.1
Deferred tax liabilities	11.1	0.0	11.5
Provisions	11.8	11.7	11.9
Post-employment benefits	4.4	5.6	4.4
Total non-current liabilities	554.4	584.2	615.8
Current liabilities			
Loans	0.0	210.0	0.0
Derivative financial instruments	100.0	511.9	211.9
Trade and other payables	562.9	618.9	563.1
Current income tax liabilities	12.6	2.6	13.5
Total current liabilities	675.5	1,343.4	788.5
TOTAL LIABILITIES	1,229.9	1,927.5	1,404.3
TOTAL EQUITY AND LIABILITIES	1,745.2	2,348.2	1,947.3

Formulas for key financial indicators

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

Gasum



GASUM GROUP

Revontulenpuisto 2 C, P.O. Box 21

FI-02100 Espoo, Finland

Phone +358 20 44 71

www.gasum.com