

GASUM GROUP
FINANCIAL RESULT
Q4 2021



Gasum

GASUM GROUP Q4 2021 – THE UNCERTAINTY RELATED TO THE ENERGY MARKET GREW

KEY FINANCIAL INDICATORS

€ million	1-12/2021	1-12/2020	Change
Revenue	1,571.0	664.3	136%
Operating profit and loss	-238.5	5.7	
Operating profit and loss (%)	-15.2%	0.9 %	
Equity ratio (%)	18.0%	36.0 %	
Balance sheet total	2,420.7	1,362.0	76%
Net interest-bearing debt	473.1	597.6	
Gearing ratio (%) excluding the impact of IFRS 16 Leases	61.4%	108.0 %	
Personnel at the end of the period	356	384	

KEY FINANCIAL INDICATORS OCTOBER 1 TO DECEMBER 31, 2021:

- Group revenue totaled €759.4 million (10–12/2020: €215.4 million)
- The Group's operating profit and loss was €-233.5 million (10–12/2020: €11.0 million)
- The company raised €199 million capital loan in December

KEY FINANCIAL INDICATORS JANUARY 1 TO DECEMBER 31, 2021:

- Group revenue increased 136% and was €1,571.0 million (1–12/2020: €664.3 million)
- The Group's operating result and loss was €-238.5 million (1–12/2020: €5.7 million)
- Balance sheet totaled €2,420.7 million (31.12.2020: €1,362.0 million)
- The Group's equity ratio was 18.0% (31.12.2020: 36.0%)
- Gasum Board of Directors appointed Mika Wiljanen as Gasum CEO effective from 1 March 2022.

OPERATING ENVIRONMENT

Energy market – Industry and power market

The prices of gas and emission allowances started to increase in the beginning of 2021 and accelerated in the second half of the year. Several factors contributed to the rise in prices. However, the main contributing factor was the uncertainty related to the gas supply.

European gas storage levels were historically low ahead of the winter season, which continued to bring market imbalances as supply remained unchanged or even declined when Russian gas producers were mainly filling up their domestic storage. The La Niña weather pattern appeared for a second consecutive winter, bringing cold air to Asia in particular, which increased demand for LNG shipments in Northeast Asia.

On a single day in early October, the price of natural gas in Europe rose close to €160/MWh, which at that point was clearly the highest price level ever seen in the market. At the same time, power prices also rose to record high levels with, for example, German power price climbing as high as €330/MWh. Prices were seen to hit new all-time highs again just before the turn of the year, as the price of gas in Europe rose to €185/MWh.

The emission allowance price also rose to new record levels, reaching almost €92/t. Likewise, the price of quarterly power contracts in Germany rose to €435/MWh, the highest ever recorded. The surge in energy prices has also contributed to the strong increase in inflation pressure around the world.

Year 2021 started with very cold, low wind, and dry weather conditions, which drove the Nordic power prices well above the historical average price level. The Nordic hydro balance was not able to climb at normal level until summer, keeping the Nordic power prices at high level throughout the whole year. In the beginning of last quarter some relief was experienced on the Nordic hydro balance as weather pattern changed to mild, rainy, and windy.

Nordic power prices were at exceptionally high level in 2021. The Nordic hydro balance was at a reasonably good level but the cold weather and, in particular, the record-high Central European power and other energy product prices kept power prices at very high level also in the Nordic countries. Especially the end of fourth quarter of 2021 will go down

in history for its exceptionally high gas and power prices.

Maritime and road transport

The global economy has grown since the third and fourth waves of COVID-19, but the uncertainty especially related to energy market increased.

Despite the current uncertainties, in longer term the number of LNG-fueled vessels is expected to increase. According to the LNG vessel orderbook published by DNV, during the next three years more than 350 new LNG tankers will be delivered. Companies regard environmental friendliness as a competitive advantage when moving towards the stricter emission reduction targets.

The global shortage of components caused major difficulties in the delivery of gas-fueled trucks and cars, with the numbers delivered clearly below potential levels. Alongside the growing number of vehicles, the strong expansion of the gas filling station network continued in the Nordic countries, making it easier to reach the stricter transport emission targets. A similar trend was also seen in Central Europe, where new actors have entered the distribution market.

Orders for new gas-fueled vehicles continued to grow over the year in the Nordic countries. More than 2,100 gas-fueled vehicles, of which more than 220 were vans and trucks, were registered in Finland during 2021. In Sweden, the corresponding figures were more than 2,200 and more than 500 and in Norway more than 1,500 and 750 respectively. The number of gas-fueled vehicles already totals almost 16,000 in Finland, more than 50,000 in Sweden and almost 5,000 in Norway.

Circular economy – Biowaste and biogas

An efficient way of curbing climate change is to use biowaste and biodegradable side streams in biogas production. Biogas production promotes the circular economy in the form of energy and through recycling of nutrients to for example fertilizer use. Growth in biogas production and use is supported and encouraged in the Nordic countries. New competitors have entered the market which has increased competition for raw materials.

Swedish Government announced in autumn 2021 that it will increase its support for biogas production. Gasum has prepared plans to step-up biogas production by multiple new biogas plant projects in Sweden. Raw materials used in

FOR FURTHER INFORMATION

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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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this context will mainly comprise animal-based side streams, such as manure.

In Finland, the inclusion of biogas in the distribution obligation of transport fuels effective from the beginning of January 2022 provides an incentive for increased transport use of biogas and speeds up the phasing out of fossil fuels in road transport as cost-effectively as possible. The inclusion of biogas in the distribution obligation also seeks to boost economic growth and job creation.

The distribution obligation resulted in a tax on the transport use of biogas, equaling the energy component of the tax on natural gas, around €10/MWh. In other (heating and work machinery) use, biogas is tax free, provided that sustainability targets set in the Renewable Energy Directive are met. The tax changes pose challenges for the sector due to the tight phasing-in schedule. Amendments made to the taxation of electricity did not take account of applying a lower tax bracket on electricity used in biogas production, as is the case in other production of transport fuels.

Additions to the separate collection obligation following the entry into force of the new Finnish Waste Act and the opening up of the market will increase the availability of bio-waste for biogas production, which will facilitate growth in biogas production. No progress has been made in a production support package for manure-based biogas, and the deployment of manure-based biogas production on a large scale appears unlikely in Finland.

BUSINESS DEVELOPMENT

The Gasum Group's revenue for the period under review totaled €1,571.0 million, up 136% on the corresponding period a year earlier (2020: €664.3 million). The increase in revenue was affected by the high market price of gas especially during the third and fourth quarters of the year and by volume growth in almost all of Gasum's segments year on year. Natural gas sales volumes remained at the same level year on year.

The Group's operating profit and loss was €238.5 million (2020: €5.7 million) and the operating profit and loss margin was -15.2% (2020: 0.9%). The Group's balance sheet total was €2,420.7 million (December 31, 2020: €1,362.0 million) on December 31, 2021. High gas prices resulted in a negative market value for hedge derivatives hedging future cash flows and prices, which had a decreasing effect on the company's result and equity. Increased need for working capital and cash collaterals related to derivative positions tied up capital. However, the capital loan issued and divestment of Risavika liquefaction plant improved cash position and decreased the net interest-bearing debt.

BALANCE SHEET AND FINANCIAL POSITION

The Group's net interest-bearing debt at the reporting date totaled €473.1 million (December 31, 2020: €597.6 million), including borrowings from financial institutions as well as finance lease liabilities. The Group's equity ratio was 18.0% (December 31, 2020: 36.0%).

The reduction in equity ratio resulted primarily from the increase in working capital items and fair values of derivative contracts in the balance sheet. To strengthen the finan-

cial position and prepare for consequences from the general market situation and uncertainty, Gasum agreed in September 2021 on a €210 million short-term loan maturing in March 2022. In addition, Gasum and Governia Oy agreed in December 2021 on a capital loan of €199 million treated as equity of Gasum. The capital loan agreement and the arrangements strengthened the Group's and parent company's equity and liquidity.

FUTURE OUTLOOK

In the energy markets, the start of 2022 has been challenging due to increased geopolitical risks and high price fluctuations in the markets. Gasum has closely monitored the development of geopolitical tensions and the development of the war in Ukraine and made preparations by analyzing alternative scenarios and by developing capability to react e.g., to changes in energy markets. We expect uncertainty to continue in the energy market.

The importance of gas as a low-emission energy source over the longer term will increase as the Nordic countries move towards carbon-neutral energy production. Combating climate change also requires a shift to cleaner solutions.

Liquefied natural gas (LNG) is the most environmentally friendly fuel in maritime transport and meets all current and upcoming, known IMO environmental requirements. In heavy-duty transport, LNG can help to cut greenhouse gas emissions by more than 20% compared with fossil diesel, and the lifecycle greenhouse gas emissions of liquefied biogas (LBG) are up to 90% less than those of conventional fossil fuels.

The use of gas and renewable electricity is projected to grow in the years ahead, particularly in industry as well as in road and maritime transport. Gasum has been preparing for the growth in demand by investing purposefully in the development of the Nordic gas infrastructure for several years already. The expanding gas infrastructure creates a good foundation for the increased production and use of biogas, too. So far, only a fraction of the biogas production potential is in use.

Gasum's investments in the Nordic gas ecosystem and in new business functions facilitate future growth. The capacity to operate more broadly in the energy market strengthens Gasum's position comprehensively as an energy company of the future. The company is involved in a number of different projects and cooperation bodies which are also planning to develop the production of other renewable gases, such as synthetic methane and green hydrogen, in the Nordic countries.

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CONSOLIDATED STATEMENT OF INCOME

€ million	1.1.–31.12.2021	1.1.–31.12.2020
Revenue	1,571.0	664.3
Other operating income	383.7	107.7
Materials and services	-1,377.3	-542.5
Personnel expenses	-39.3	-34.4
Depreciation, amortization and impairment	-68.8	-56.4
Other operating expenses	-706.9	-134.0
Share of profit/loss of investments accounted for using the equity method	-0.9	1.0
Operating result	-238.5	5.7
Finance income	26.9	26.9
Finance expenses	-44.2	-41.5
Total finance income and expenses	-17.3	-14.6
Result before taxes	-255.8	-9.0
Current income tax expense	-3.1	-3.2
Change in deferred taxes	4.2	3.2
Result for the period	-254.6	-9.0
Result for the period attributable to:		
Owners of the parent	-254.6	-9.0
Non-controlling interest	-0.0	0.0

CONSOLIDATED BALANCE SHEET

€ million	31.12.2021	31.12.2020
ASSETS		
Non-current assets		
Intangible assets	192.8	213.4
Property, plant and equipment	691.9	849.5
Equity-accounted investments	11.0	11.3
Other investments at fair value through profit or loss	0.0	0.0
Derivative financial instruments	37.5	11.3
Deferred tax assets	2.3	0.0
Other non-current assets	0.2	0.2
Total non-current assets	935.8	1,085.7
Current assets		
Inventories	247.5	55.9
Derivative financial instruments	233.3	39.6
Trade and other receivables	616.8	171.2
Current tax assets	0.0	0.1
Assets held for sale	0.0	1.6
Cash and cash equivalents*	387.4	8.0
Total current assets	1,484.9	276.3
Total assets	2,420.7	1,362.0

*Cash and cash equivalents have been reclassified in relation to deposits required for negative net positions of derivative instruments at reporting date.

CONSOLIDATED BALANCE SHEET

€ million	31.12.2021	31.12.2020
EQUITY AND LIABILITIES		
Share capital	10.0	10.0
Reserve for invested unrestricted equity	159.7	159.7
Fair value reserve	0.0	-0.3
Translation differences	-1.6	-2.4
Retained earnings	66.5	323.1
Capital loan	199.0	0.0
Total equity attributable to owners of the parent	433.7	490.1
Non-controlling interest	0.0	0.0
Equity	433.7	490.1
Liabilities		
Non-current liabilities		
Loans	445.7	344.8
Non-current lease liabilities	170.0	192.1
Derivative financial instruments	50.9	11.1
Deferred tax liabilities	7.1	31.0
Provisions	27.3	19.8
Post-employment benefits	5.6	3.5
Total non-current liabilities	706.5	602.3
Current liabilities		
Loans	207.9	0.0
Derivative financial instruments	383.4	51.6
Trade and other payables	684.8	216.9
Current income tax liabilities	4.4	1.0
Total current liabilities	1,280.5	269.6
Total liabilities	1,987.0	871.9
Total equity and liabilities	2,420.7	1,362.0

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	$\frac{\text{Results for the period}}{\text{Total equity (average for the period)}}$
Return on investment (%) =	100 x	$\frac{\text{Results for the period} + \text{Finance expenses}}{\text{Total equity} + \text{Interest-bearing debt (average for the period)}}$
Net interest-bearing debt =		Interest-bearing debt - Cash and cash equivalents
Gearing ratio (%) =	100 x	$\frac{\text{Interest-bearing debt} - \text{Cash and cash equivalents}}{\text{Total equity}}$
Net debt/EBITDA (%)	100 x	$\frac{\text{Interest-bearing debt} - \text{Cash and cash equivalents}}{\text{EBITDA}}$

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