

GASUM GROUP
FINANCIAL RESULT
Q3 2021



Gasum

GASUM GROUP Q3 2021 – SURGE IN GAS PRICES AFFECTED THE COMPANY'S RESULT

KEY FINANCIAL INDICATORS

€ million	1-9/2021	1-9/2020	Change	2020
Revenue	811.6	448.9	80.8.2%	664.3
Operating profit	-5.0	12.8		5.7
Operating profit (%)	-0.6%	2.8%		0.9%
Equity ratio (%)	15.0%	38.8%		36.0%
Return on equity (%)	-2.0%	3.8		-1.8%
Return on investment (%)	-0.9%	5.5%		0.9%
Balance sheet total	1,972.4	1,256.1	57.0%	1,362.0
Net interest-bearing debt	743.4	571.5	30.1%	597.6
Gearing ratio (%) excluding the impact of IFRS 16 Leases	182.3%	76.0%		80.1%
Personnel at the end of the period	386	372	3.8%	384

KEY FINANCIAL INDICATORS JANUARY 1 TO SEPTEMBER 30, 2021

- Group revenue totaled €811.6 million (1-9/2020: €448.9 million).
- The Group's operating result was -€5.0 million (1-9/2020: €12.8 million).
- Balance sheet total came to €1,972.4 million (30.9.2020: €1,256.1 million).
- The Group's equity ratio was 15.0% (30.9.2020: 38.8%).
- The company appointed CFO Kai Laitinen as interim CEO.



GASUM GROUP INTERIM CEO KAI LAITINEN COMMENTS ON Q3 AND THE YEAR TO DATE 2021:

"Q3 of the year saw a very sharp rise in gas prices. This affected the development of company's revenue and operating result development. Revenue for Q1–Q3 was €811.6 million, with the very high market price of gas especially in Q3 as well as growth in volumes in all our segments compared to a year earlier contributing to the increase. The group's operating result for Q1–Q3 was negative at €5.0 million.

The hike in gas prices also affected the company's equity ratio and gearing. Higher gas prices resulted in a negative market value for hedging derivatives, which had a declining effect on the company's equity. In addition, an increased tie-up of trade working capital was reflected in greater interest-bearing debt.

Despite the challenging market situation, we progressed in Q3 with our growth strategy in our key segments – industry, maritime and road transport. The demand for cleaner energy was growing in all customer segments.

In industry, volumes delivered to our customers were up 26% compared to a year earlier. During the period under review, demand for renewable wind power energy continued to grow in industry. We entered into long-term wind power agreements with Outokumpu, Uponor and Nokian Tyres. Partnerships promote our strategy to deliver cleaner energy to industry.

In maritime transport, volumes delivered to customers were up more than 32% compared to a year earlier. Going forward, we will also deliver cleaner shipping fuel to gas-fueled vessels of Finnish central government agencies.

Volumes sold in our transport segment were up by as much as 80% compared to a year earlier. On the road transport side, we continued expanding our network of gas filling stations and increasing the capacity of current stations. We opened a new filling station in Trondheim, Norway, in Tampere, Finland and in Göteborg, Sweden.

We are aiming for a cumulative reduction of a million tonnes in carbon dioxide emissions to mitigate climate change by increasing the availability of biogas by bringing to market by 2025 a total of 4 TWh of biogas from our own production and that of our certified European partners. The Finnish Government Programme sets the objective of strengthening Finland's role as a pioneer in the circular economy, and biogas has been included in the distribution obligation of transport fuels effective from the beginning of January 2022. We believe the distribution obligation will speed up the transition of road transport to a cleaner fuel."

FOR MORE INFORMATION

PLEASE CONTACT:

Kai Laitinen,
interim CEO, Gasum
(Heidi Westerberg,
Executive assistant,
Phone: +358 50 576 0951
heidi.westerberg@gasum.com)

Olga Väisänen,
Vice President, Communications
and Responsibility, Gasum
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

OPERATING ENVIRONMENT

Energy market – Industry and power market

The rise in the prices of gas, coal and emission allowances that started in the first half of March continued during the third quarter. Gas storage levels were low, with the warm summer weather not alleviating the situation. Coupled with strong Asian demand for liquefied natural gas (LNG), this resulted in price hikes in Europe and Asia. The price of natural gas delivered to Europe rose close to €100/MWh, which is clearly the highest price level ever seen in the market. The last time the price of natural gas was almost at a similar level was just before the outbreak of the 2008 global financial crisis. Prices rose a record 300% during the third quarter of 2021, from a level of below €35/MWh to €97.20/MWh. At the same time, the emission allowance price also rose to new record levels, reaching almost €65/t. Likewise, the price of quarterly power contracts in Germany rose to levels north of €200/MWh, which was the highest level ever recorded. A similar price trend was also seen particularly in coal and partly also in oil. This surge of energy prices has also contributed to the strong increase in inflation pressure around the world.

Power prices also rose sharply at the beginning of the third quarter, driven by exceptionally dry and windless weather. The Nordic hydro balance also pushed spot prices and front future contracts to high levels. The rise in Nordic power prices was given momentum by high power prices in Central Europe, taken to higher levels by windless weather but particularly by the high prices of natural gas, coal and emission allowances. The spread between power prices in Central Europe and the Nordic countries reached record high levels since the German power price rose more sharply than Nordic power prices because of the greater dependency of local power production on the price of gas and coal.

European gas storage levels were historically low ahead of this winter season, adding further to the demand for gas, as supply remains unchanged or even declines when Russian gas producers are mainly filling up their domestic storage. Despite the challenges faced, the Nordstream 2 gas pipeline construction project was completed in late summer.

Nordic power prices fluctuated almost weekly at the end of July and during August between windier and wetter weather and drier weather types, but the strong upward price trend continued. At the same time, the Nordic hydro balance had slipped towards levels considerably below the long-term mean value. Nordic power production was also slightly supported by continued record high Central European power prices and the high prices of other energy products.

Maritime and road transport

The global economy has grown since the start of the COVID-19 pandemic. The uncertainty surrounding growth continues to have a major impact on shipping and on the entire logistics industry, even though the vaccination programs have progressed apace around the world. Indicators of recovery in economic growth showed strong growth compared to the previous year. According to a report by the International Maritime Organization (IMO), order volumes for LNG vessels

are still rising. For example, the number of LNG cruisers will rise from fewer than 10 to more than 30 over the following couple of years. Similarly, the global number of large gas-fueled cargo vessels will rise from fewer than 10 to more than 40 in the next few years.

The rise in orders for gas-fueled heavy-duty vehicles has continued in Finland, and a similar trend has also continued in Sweden. Alongside the growing number of vehicles, the strong expansion of the gas filling station network has continued in the Nordics, making it easier to reach stricter transport emission targets. A similar trend can also be seen in Central Europe, where new actors have entered the distribution market.

More than 500 gas-fueled vehicles, of which more than 50 were vans and trucks, were registered in Finland during the third quarter of 2021. In Sweden, the corresponding figure was more than 600, of which 200 were gas-fueled vans, trucks and buses. The number of gas-fueled vehicles already totals 15,000 in Finland and more than 50,000 in Sweden.

Circular economy – Biowaste and biogas

Utilization of biowaste and biodegradable side streams in biowaste production is an efficient way of mitigating climate change and at the same time promoting the circular economy in the form of energy and recycling nutrients from raw materials for uses such as fertilizers. The Nordic countries support growth in the production and use of biogas, aiming particularly for rapid increases in the use of biogas in transport.

The Swedish Government announced that it will increase its support for biogas production and use by 2022 and intends to continue the support until 2040. The continuation of investment support is also part of the support package. The proposed support model enables strong growth in the biogas market in Sweden.

The Finnish Government Programme sets the objective of strengthening Finland's role as a pioneer in the circular economy, and biogas has been included in the distribution obligation of transport fuels effective from the beginning of January 2022. The key purpose of the expansion of the distribution obligation is to speed up the phasing out of fossil fuels in road transport as cost-effectively as possible, and biogas is seen as a key alternative helping to reach this objective. The inclusion of biogas in the distribution obligation also seeks to promote economic growth and job creation. The distribution obligation will result in a tax being introduced in the transport use of biogas, equaling the energy component of the tax on natural gas, i.e. around €10/MWh. According to the Finnish Government's budget policy position, the non-transport use of biogas should remain tax-free. Amendments to Finnish tax legislation have recently undergone a consultation round.

The entry into force of Finland's new Waste Act opens the biowaste market for non-municipal actors, too. Municipalities and their waste management companies are responsible for collecting and transporting household biowaste, whereas other biowaste operations take place on market terms. At

the same time, increasing obligations for separate collection of biowaste will add to the availability of biowaste for biogas production. The preparation of the production support package for manure-based biogas has been delayed further.

Implementation of the REDII requirements will continue during 2021, as will work on the Sewage Sludge Directive and the EU Methane Strategy. Funds from the EU post-COVID-19 Recovery Fund will also be allocated to increase biogas production. These measures will all contribute to increasing biogas production and use in the next few years.

Competition for the feedstock for biogas production is increasing, and players are actively exploring the use of different feedstocks such as animal manure and other agricultural side streams. Higher investment support for farm-scale biogas plants is being considered in Finland with a view to providing incentives for the use of, for example, manure in energy production in line with the Swedish model. The profitability of large-scale manure-based biogas plants is poor in Finland due to the absence of production support, but the transport fuel distribution obligation may change the situation so that the use of new feedstocks, too, could be enabled in Finland.

BUSINESS DEVELOPMENT

Revenue during Q1–Q3 period was €811.6 million, up 80.8% on the corresponding figure a year earlier (1–9/2020: €448.9 million). The increase in revenue was attributable to increased volumes in all segments – industry, maritime transport and road transport – as well as to the significant increase in the sales price of gas in Europe.

The Group's operating result was €5.0 million (1–9/2020: €12.8 million). Operating result for the first nine months was supported by higher delivery volumes, but the result was negatively impacted by a decision to change the company's hedge accounting principles concerning the first nine months of 2021. This change resulted in the company recording a non-recurring loss of €47.5 million from the hedge reserve under operating result. The change in hedging calculation had no effect on the Group's hedge derivatives or hedging principles.

The operating result was affected negatively by a case lost at the Supreme Court of Norway, the net impact of which was around €5 million. Return on investment (ROI) was 0.9% (1–9/2020: 5.5%).

BALANCE SHEET AND FINANCIAL POSITION

The Group's balance sheet total on September 30, 2021, came to €1,972.4 million (September 30, 2020: €1,256.1 million). Essential factors behind the balance sheet increase were the surge in gas prices and increase in volumes as well as the investments in biogas plants and the gas filling station network.

The Group's net interest-bearing debt at the reporting date totaled €743.4 million (1–9/2020: €571.5 million), including borrowings from financial institutions as well as finance lease liabilities. The Group's equity ratio was 15.0% (1–9/2020: 38.8%). The hike in gas prices also affected

the company's equity ratio and gearing. Higher gas prices resulted in a negative market value for hedging derivatives, which had a declining effect on the company's equity. At the end of September, the company recorded in the balance sheet fair value reserves a negative valuation of hedging derivatives at €177.1 million concerning the company's future gas sales and purchases.

An increased tie-up of trade working capital was reflected in greater interest-bearing debt. The company expects equity and interest-bearing debt to be largely restored following the higher market prices as operating cash flows grow or gas prices fall.

STRATEGY

Gasum's strategy is to promote development towards a carbon-neutral future in industry as well as in road and maritime transport together with customers and partners. The company's work has a shared purpose: cleaner energy. Gasum is developing gas distribution logistics, infrastructure and the company's production and procurement portfolios on land and at sea. The company creates value by developing a low-carbon society and helping its customers to reduce their own carbon footprint as well as that of their customers. Renewal and agile management and leadership are key components of the Gasum strategy.

During the period under review, demand for renewable wind power energy continued to grow in industry. Gasum entered into long-term wind power agreements with Nokian Tyres, Uponor and Outokumpu. Partnerships further Gasum's strategy to provide cleaner energy to industry.

The company has continued to expand the market and filling station network for passenger cars and heavy-duty vehicles in the Nordic countries and opened a filling station in Trondheim, Norway in Tampere, Finland and in Göteborg, in Sweden. Gasum entered into a cooperation agreement with Eurowag, thanks to which the Eurowag card can now be used at gas filling stations in Finland and Sweden. The partnership supports Gasum's goal to connect the Nordic and Central European transport gas markets.

Gasum has also made progress with its sustainability goal to increase biogas production by planning the construction of new plants in Skåne, Sweden. In addition, the company has continued the development of the operations of the biogas plant in Turku, Finland, to increase the efficiency of odor management. Six Finnish cities in the outer zone of Uusimaa – Hanko, Hyvinkää, Lohja, Loviisa, Porvoo and Raasepori – will begin to use biogas-fueled vehicles to transport wastewater plant sewage sludge as well as biowaste collected by waste management company Rosk'n Roll Oy Ab to the Gasum biogas plant network where it will be used as raw material. The annual total of around 30,000 tonnes of sewage sludge and biowaste covered by the contract will help to achieve an annual carbon dioxide emission reduction of up to 7,000 tonnes, which means the same as the annual emissions of more than 3,000 passenger cars.

In maritime transport, Gasum entered into a framework agreement on LNG and will supply LNG to the Finnish Transport Infrastructure Agency and the Finnish Border Guard.

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.

As part of its Corporate Responsibility Program, Gasum is committed to action against climate change with its low-carbon products and to reducing emissions from its own operations. Positive demand development for cleaner energy during the reporting period enabled emission reductions for customers, and Gasum promoted their objectives concerning fossil-free logistics solutions and production processes. Gasum increased the supply of renewable energy by entering into new long-term wind power agreements with its partners.

In Finland, we cooperated with six municipalities to promote local climate programs, as the municipalities will switch to using vehicles fueled by renewable biogas to transport their biodegradable waste to our biogas plants where it will be used as raw material. At the same time, transport fueled by renewable biogas will cut the lifecycle climate impact of Gasum biogas. In Sweden, we expanded our circular economy partnership with Arla, enabling a significant increase in manure-based biogas for transport use.

We continued the development of our safety culture during the period under review. We introduced 'Safety alert' communication to our stakeholders. This involves us sharing lessons learned concerning incidents or close calls relating to our products, equipment or workflows and ensuring that our customers and suppliers are aware of the safety measures and able to act safely.

The reporting period also saw Gasum continue to develop employee wellbeing and agile work and feedback culture through measures including training relating to continuous growth and learning. We developed our recruitment process to ensure the right kind of competence in the future, too, and introduced personality and ability tests. We also measure new employees' experience of our recruitment and induction processes. We use our employee pulse survey to regularly measure the employee experience.

EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, Gasum and North Sea Midstream Partners (NSMP) signed on November 1, 2021, an agreement under which Gasum sells the gas liquefaction plant located in Risavika, Norway, to NSMP. The parties also signed a long-term contract under which Gasum will remain a major off-taker of the liquefied natural gas (LNG) and liquefied biogas (LBG) produced at the plant. The transaction is in line with Gasum's growth strategy and is expected to be closed by mid-November 2021.

FUTURE OUTLOOK

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

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 strongly 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.

GASUM GROUP

Revontulenpuisto 2 C, P.O. BOX 21
FI-02100 Espoo, Finland
Phone. +358 20 44 71
www.gasum.com

CONSOLIDATED STATEMENT OF INCOME

€ million	1-9/2021	1-9/2020	1-12/2020
Revenue	811.6	448.9	664.3
Other operating income	463.0	90.2	107.7
Materials and services	-752.0	-369.7	-542.5
Personnel expenses	-29.5	-24.7	-34.4
Depreciations and amortization	-47.9	-40.1	-56.4
Other operating expenses	-451.1	-92.9	-134.0
Share of result from investments accounted for using the equity method	0.8	1.1	1.0
Operating profit	-5.0	12.8	5.7
Finance items – net	-11.4	-11.0	-14.7
Profit before taxes	-16.4	1.8	-9.0
Taxes	3.3	-0.2	0.0
Profit for the period	-13.1	1.6	-9.0
Profit for the period attributable to:			
Owners of the parent	-13.1	1.6	-9.0
Non-controlling interest	0.0	0.0	0.0

CONSOLIDATED BALANCE SHEET

€ million	30.9.2021	30.9.2020	31.12.2020
ASSETS			
Non-current assets			
Intangible assets	209.6	212.2	213.4
Tangible assets	836.5	811.6	849.5
Equity-accounted investments	12.7	10.9	11.3
Other investments at fair value through the statement of income	0.0	0.0	0.0
Derivative financial instruments	37.6	9.8	11.3
Deferred tax assets	17.3	0.0	0.0
Other non-current assets	0.2	0.2	0.2
Total non-current assets	1,113.9	1,044.8	1,085.7
Current assets			
Inventories	70.2	37.4	55.9
Derivative financial instruments	380.8	25.9	39.6
Trade and other receivables	294.9	135.8	166.1
Current tax assets	1.5	9.1	0.1
Assets held for sale	1.6	0.0	1.6
Cash and cash equivalents	109.6	3.0	13.0
Total current assets	858.5	211.3	276.3
Total assets	1,972.4	1,256.1	1,362.0

CONSOLIDATED BALANCE SHEET

€ million	30.9.2021	30.9.2020	31.12.2020
EQUITY AND LIABILITIES			
Share capital	10.0	10.0	10.0
Reserve for invested unrestricted equity	160.0	157.4	159.7
Fair value reserves	-177.1	-2.6	-0.3
Profit (loss) from previous financial periods	321.1	332.1	332.1
Profit (loss) for the period	-13.1	1.6	-9.0
Translation differences	-1.7	-11.8	-2.4
Total equity attributable to owners of the parent	299.1	486.7	490.1
Non-controlling interest	0.0	0.0	0.0
Total equity	299.1	486.7	490.1
Liabilities			
Non-current liabilities			
Loans	444.5	344.7	344.8
Other non-current liabilities	184.8	189.3	192.1
Derivative financial instruments	58.4	10.4	11.1
Deferred tax liabilities	0.0	31.4	31.0
Provisions	18.4	19.0	19.8
Post-employment benefits	3.5	3.9	3.5
Total non-current liabilities	709.5	598.7	602.3
Current liabilities			
Loans	207.9	0.0	0.0
Derivative financial instruments	532.7	19.8	51.6
Trade and other current liabilities	222.9	146.1	216.9
Current tax liabilities	0.3	4.7	1.0
Total current liabilities	963.7	170.6	269.6
Total liabilities	1,673.3	769.4	871.9
Total equity and liabilities	1,972.4	1,256.1	1,362.0

FORMULAS FOR KEY FINANCIAL INDICATORS

Equity ratio (%) =	100 x	$\frac{\text{Total equity}}{\text{Balance sheet total - Advances received}}$
Return on equity (%) =	100 x	$\frac{\text{Profit for the period (12m rolling)}}{\text{Total equity (average for the period)}}$
Return on investment (%) =	100 x	$\frac{\text{Profit before tax (12m rolling)}}{\text{Total equity + Interest-bearing debt (average for the period)}}$
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 IFRS 16 Leases =	100 x	$\frac{\text{Interest-bearing debt - IFRS16 leasing debt - Cash and cash equivalents}}{\text{Total equity}}$
Net debt/EBITDA =	100 x	$\frac{\text{Interest-bearing debt - Cash and cash equivalents}}{\text{EBITDA (12m rolling)}}$

GASUM GROUP

Revontulenpuisto 2 C, P.O. Box 21

FI-02100 Espoo, FINLAND

Phone. +358 20 44 71,

www.gasum.com